

***CITY OF LEBANON, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2010***

**CITY OF LEBANON, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2010**

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<b>MAYOR</b>	<b><u>Term Expires</u></b> <b><u>December</u></b>
Ken Toombs 1299 Franklin Street Lebanon, Oregon 97355	2010
 <b>COUNCIL MEMBERS</b>	
Margaret Campbell 701 N. 5 <sup>th</sup> Street Lebanon, Oregon 97355	2012
Tim Fox 673 West D Street Lebanon, Oregon 97355	2010
Floyd Fisher 532 South Main Lebanon, Oregon 97355	2010
Ray Weldon 1610 South 4th Street Lebanon, Oregon 97355	2012
Don Thoma 298 W. Cedar Drive Lebanon, Oregon 97355	2012
Bob Elliott 795 Binshadler Lebanon, Oregon 97355	2010
 <b>CITY ADMINISTRATOR</b>	
John Hitt 925 S. Main Lebanon, Oregon 97355	

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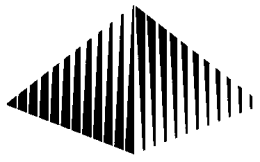
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## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### ***INDEPENDENT AUDITOR'S REPORT***

To the Honorable Mayor, 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, 2010, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 opinions.

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, 2010, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon, Oregon's basic financial statements as a whole. The combining and individual fund financial statements and other financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other financial schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

By: 

Charles A. Swank, A Shareholder  
February 18, 2011

## Management's Discussion and Analysis

Readers of the City of Lebanon's Annual Financial Report are offered this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010 by management. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the financial statements, which follow this section.

### Financial Highlights

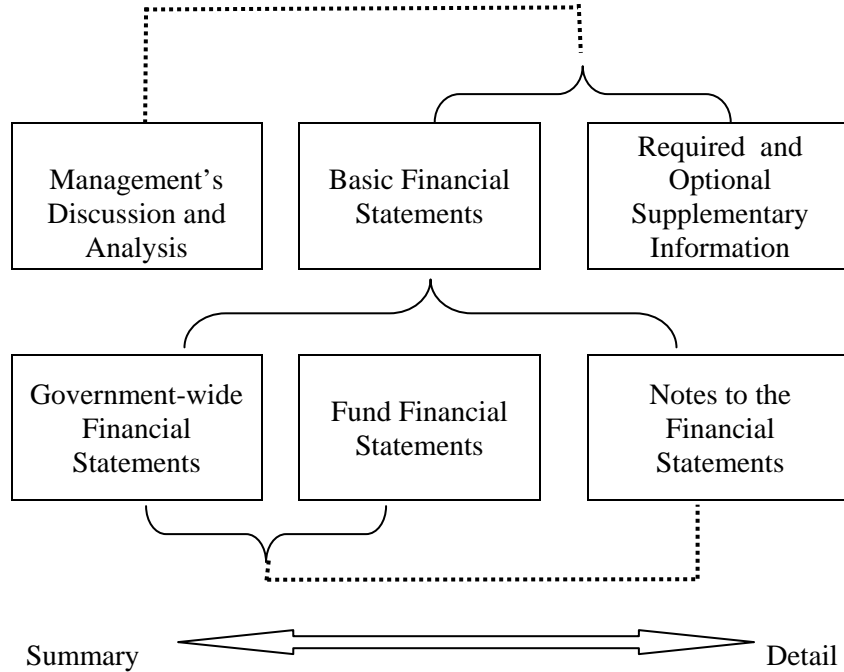
	June 30,		Change
	2010	2009	
Net assets	\$ 47,433,207	\$ 46,927,558	\$ 505,649
Change in net assets	505,649	1,854,798	(1,349,149)
Governmental fund balances	8,872,008	10,300,262	(1,428,254)
Proprietary net assets	20,261,082	19,566,127	694,955
Change in governmental net assets	(189,307)	1,925,725	(2,115,032)
Change in business-type net assets	694,955	(73,928)	768,883

### Overview of the Financial Statements

This annual report is comprised of four segments as dictated by Generally Accepted Accounting Principles (GAAP): management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City of Lebanon.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of Lebanon's government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements explain how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the Water/Sewer and Storm drain Utilities.

**Illustration A-1**  
**Required Components of**  
**City of Lebanon's Annual Financial Report**



The financial statements also include *notes*, which elaborate on some of the information in the financial statements that provide more detailed data. These financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included other information such as the City's single audit information. Illustration A-2 summarizes the major features of the City's financial statements. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.



**Illustration A-2**  
**Major Features of City of Lebanon's Government-wide and Fund Financial Statements**

	Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary, such as police, fire and public works	Activities the City operates similar to private businesses; Water/Sewer utility, Refuse, Airport, Ice Rink, Land Development, and Golf Course
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balance	*Statement of net assets *Statement of revenues, expenses and changes in net assets *Statement of cash flows
Accounting basis and measurement focus	Accrual accounting	Modified accrual accounting and current financial resources focus	Accrual accounting
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements** The government-wide financial statements are designed to provide readers with a broad overview of the City of Lebanon's finances in a manner similar to a private-sector business. 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. These statements can be located on pages 14-15 of this document.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate the improvement or deterioration of the City's financial position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (called governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (called business-type activities). The governmental activities of the City include police, library, senior services, parks, general administration, public works, and community development. The business-type activities of the City include Water/Wastewater and Storm Drain Utilities.

**Fund Financial Statements** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Lebanon maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Intergovernmental, Capital Projects, and NW Urban Renewal funds, all of which are considered to be major funds. Data from the other four funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found on pages 46-48 of this report.

The City adopts an annual appropriated budget for its General Fund, along with all other funds. Budgetary comparison statements have been provided for the General Fund and major special revenue funds to demonstrate compliance with this budget. Budgetary comparisons for all other funds have been provided as supplementary information.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

**Proprietary Funds** The City of Lebanon has one enterprise fund comprised of seven departments. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its Water, Water CIP, Small Water Line, Wastewater, Wastewater CIP, Railroad, and Storm Drainage operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund departmental financial statements provide information for the Water, Wastewater, Water CIP, Wastewater CIP, Small Waterline, and Railroad activities.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

**Notes to the Basic Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements. The notes to the basic financial statements can be found on pages 23-40 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison schedules for the General Fund and all major special revenue funds. This information can be found on pages 41-43 of this report.

**Supplementary Information** Supplementary information includes the combining statements referred to earlier in connection with non-major governmental funds; budgetary comparisons for funds not presented as part of RSI; and other financial schedules. This information can be found on pages 44-63 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$47,433,207 at the close of FY 09-10. This represented a \$505,649 or 1.1% increase in net assets.

CITY OF LEBANON						
Statements of Net Assets						
	Governmental Activities		Business-type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Current and other assets	\$ 13,479,940	\$ 17,726,779	\$ 2,220,378	\$ 2,587,100	\$ 15,700,318	\$ 20,313,879
Capital assets	44,081,064	43,744,206	30,154,476	30,133,961	74,235,540	73,878,167
Total assets	57,561,004	61,470,985	32,374,854	32,721,061	89,935,858	94,192,046
Current and other liabilities	1,379,059	4,037,044	351,684	607,236	1,730,743	4,644,280
Long-term liabilities	29,009,821	30,072,510	11,762,087	12,547,698	40,771,908	42,620,208
Total liabilities	30,388,880	34,109,554	12,113,771	13,154,934	42,502,651	47,264,488
<b>Net Assets</b>						
Invested in capital assets, net of related debt	17,032,545	18,175,198	18,392,389	17,586,263	35,424,934	35,761,461
Restricted	6,826,929	6,904,490	-	-	6,826,929	6,904,490
Unrestricted	3,312,650	2,281,743	1,868,694	1,979,864	5,181,344	4,261,607
<b>Total Net Assets</b>	<b>\$ 27,172,124</b>	<b>\$ 27,361,431</b>	<b>\$ 20,261,083</b>	<b>\$ 19,566,127</b>	<b>\$ 47,433,207</b>	<b>\$ 46,927,558</b>

The largest portion of the City’s net assets (75%) reflects the City’s investment in capital assets (land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City’s investment in capital assets decreased \$336,527 or 1% from June 30, 2009. The City’s major capital assets are investments in infrastructure – the water, and wastewater systems of treatment plants and collection/distribution facilities, and the street and sidewalk system. The City uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other

sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets totaling \$6,826,929 or 14% represent resources that are subject to external restrictions on how they may be used. This represents an decrease in the dollar value of the City’s restricted net assets from June 30, 2009 of \$77,561 or 1%. The remaining balance of unrestricted net assets, \$5,181,344 may be used to meet the City’s ongoing obligations to citizens and creditors.

Unrestricted net assets for governmental activities totaled \$3,312,650 or 12% of the total net assets for governmental activities. Business-type activities unrestricted net assets totaled \$1,868,694 or 9% of the total net assets for business-type activities. At the end of FY 09-10, for the government as a whole, the City of Lebanon is able to report positive balances in all three categories of net assets.

<b>CITY OF LEBANON</b>						
<b>Statement of Activities</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<b>Revenue:</b>						
Program Revenue:						
Fees, Fines, and Charges for Services	\$ 1,775,897	\$ 2,413,300	\$ 6,102,518	\$ 5,909,975	\$ 7,878,415	\$ 8,323,275
Operating grants and contributions	1,853,200	3,295,225	205,486	-	2,058,686	3,295,225
Capital grants and contributions	102,941	709,908	-	-	102,941	709,908
General Revenue:						
Property Taxes	7,279,430	6,764,434	-	-	7,279,430	6,764,434
Franchise fees	1,364,369	1,364,670	-	-	1,364,369	1,364,670
Intergovernmental	333,509	344,525	-	-	333,509	344,525
Miscellaneous	270,471	659,779	212,993	69,184	483,464	728,963
Gain on sale of assets	16,569	-	-	-	16,569	-
Total Revenues	<u>12,996,386</u>	<u>15,551,841</u>	<u>6,520,997</u>	<u>5,979,159</u>	<u>19,517,383</u>	<u>21,531,000</u>
<b>Expenses:</b>						
General Government	1,494,492	1,648,091	-	-	1,494,492	1,648,091
Community services and development	8,380,858	2,822,611	-	-	8,380,858	2,822,611
Public Safety	4,069,140	9,771,262	-	-	4,069,140	9,771,262
Interest on long-term debt	1,348,273	1,457,686	-	-	1,348,273	1,457,686
Water	-	-	1,495,879	1,922,016	1,495,879	1,922,016
Wastewater	-	-	2,223,087	2,054,504	2,223,087	2,054,504
Railroad	-	-	5	33	5	33
Total Expenses	<u>15,292,763</u>	<u>15,699,650</u>	<u>3,718,971</u>	<u>3,976,553</u>	<u>19,011,734</u>	<u>19,676,203</u>
Excess of rev. over exp. before transfers	(2,296,377)	(147,809)	2,802,026	2,002,606	505,649	1,854,797
Transfers	2,107,070	2,076,535	(2,107,070)	(2,076,535)	-	-
Change in Net Assets	(189,307)	1,928,726	694,956	(73,929)	505,649	1,854,797
Net Assets - Beginning	27,361,431	25,432,706	19,566,126	19,640,055	46,927,557	45,072,761
Net Assets - Ending	<u>\$ 27,172,124</u>	<u>\$ 27,361,432</u>	<u>\$ 20,261,082</u>	<u>\$ 19,566,126</u>	<u>\$ 47,433,206</u>	<u>\$ 46,927,558</u>

- Governmental activities decreased the City’s net assets by \$189,307 during the year.
- Business-type activities increased the City’s net assets by \$694,956 during the year. There was one rate increase during the year.

### Financial Analysis of the Government’s Funds

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

**Governmental Funds** The focus of the City’s governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a city’s net resources available for spending at the end of the fiscal year.

As of June 30, 2010, the City's governmental funds reported combined ending fund balances of \$8,872,008 a decrease of \$1,428,254 in comparison with the prior year. This entire amount is classified as unreserved fund balance.

The General Fund is the main operating fund for the City. Unreserved fund balance of the General Fund was \$857,078 at the end of FY 09-10. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The unreserved fund balance represents 15% of the total General Fund operating expenditures.

The fund balance of the General Fund increased by \$7,537 during FY 09-10. Revenues increased by 5% while operating expenses increased 1%. Most of the revenue increase occurred in property taxes and franchise fees while much of the operating expense increase was in Public Safety.

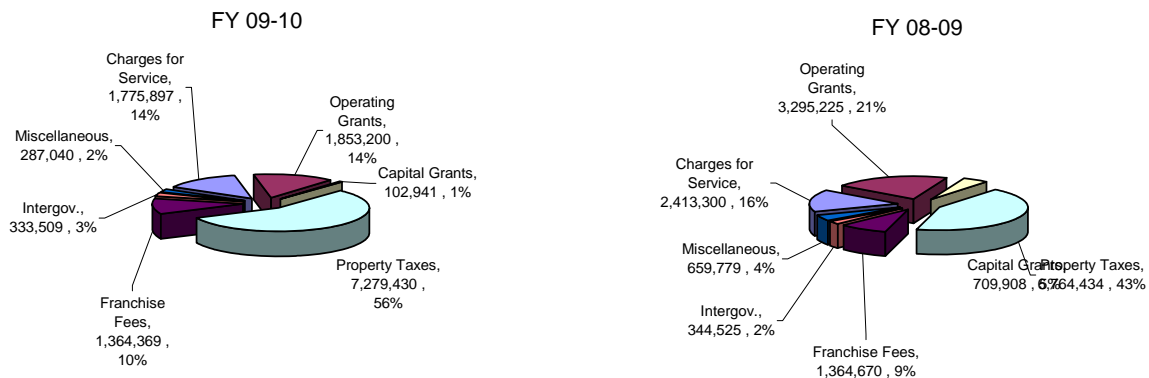
In the Intergovernmental Fund, the fund balance decreased \$694,553 during FY09-10.

The NW Urban Renewal Fund fund balance increased \$1,070,232 from the prior year. Debt service accounted for the majority of expenditures.

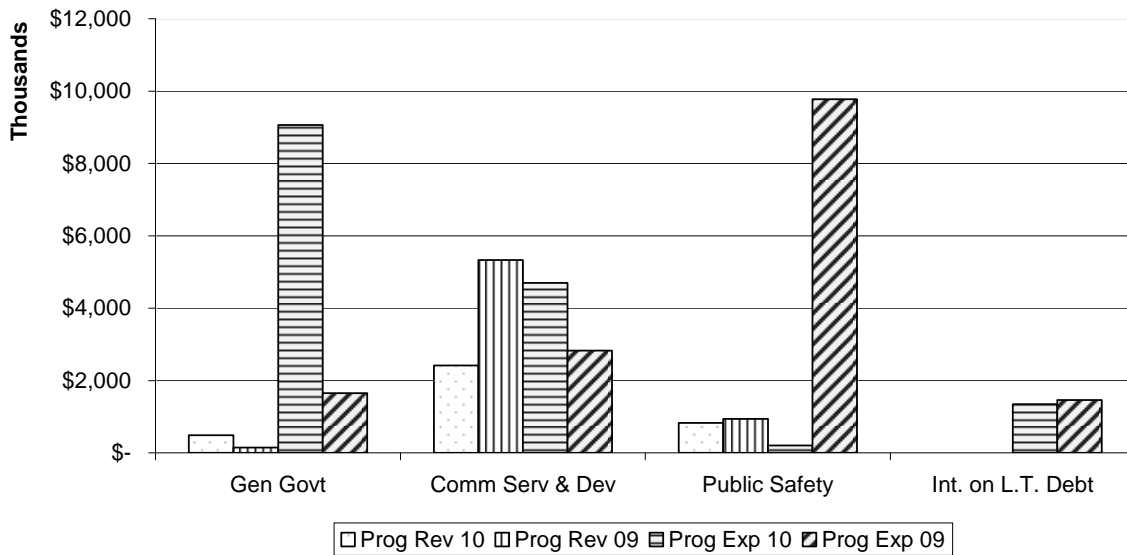
In the Capital Projects Fund, the ending fund balance was \$1,631,805 lower than the prior year. Spending for the construction of a justice center and library was completed by year end.

Projects included Parks Street Pedestrian Bridge, Connect Oregon Rail Project, Weirich Road upgrades, Truck Route upgrades.

**Revenue by Source - Governmental Funds**



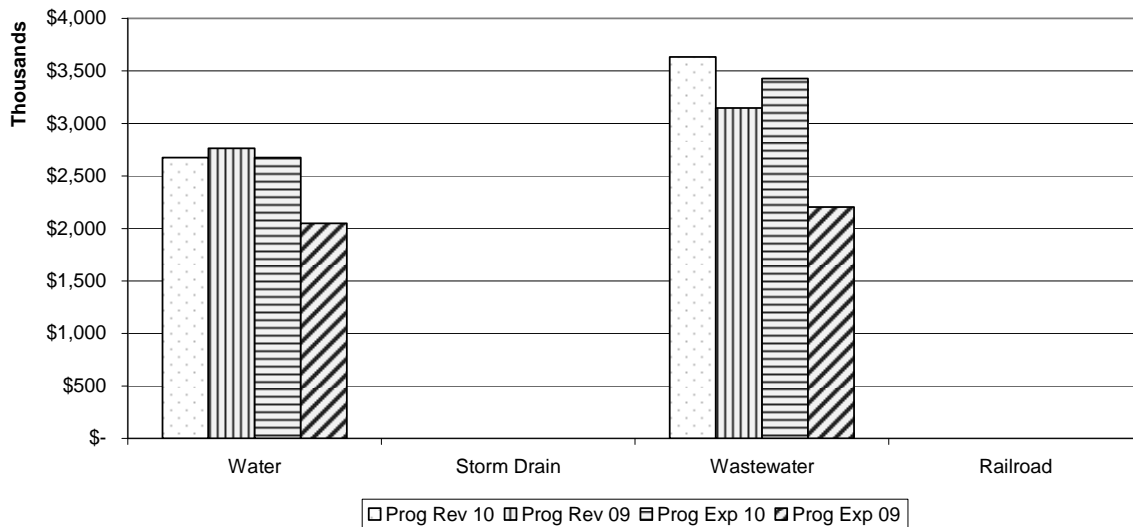
**Program Revenue and Expenses - Governmental Funds**



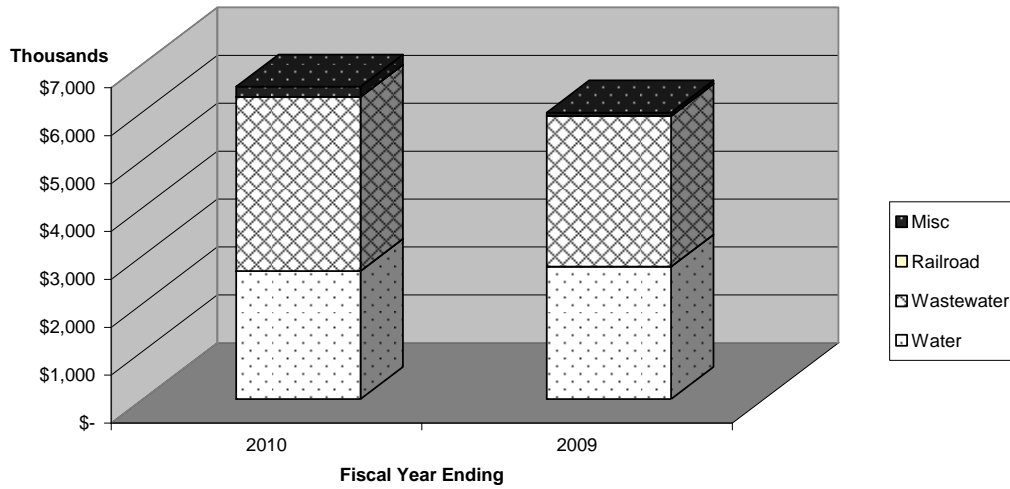
**Proprietary Funds** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary fund increased the City's net assets by \$694,955.0 in FY 09-10. Key elements of this increase are as follows:

- Water fees were increased in FY09-10 effective July 1, 2009 by 3% and January 1, 2010 by 3%. Wastewater fees were increased 11% July 1, 2009. Charges for service increased 3.5% for Water and increased 13.5% for Wastewater.

**Program Revenue and Expenses - Business-type Activities**



**Revenues by Source - Business-type Activities**



**General Fund Budgetary Highlights**

There were small differences between the original budget and final amended budget during the year. The City Council adopted a resolution to transfer \$121,000 in appropriations from the Cheadle Lake Urban Renewal District to the General Fund for parks improvements.

**Capital Asset and Debt Administration**

**Capital Assets** The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$74,235,543 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, machinery and equipment, office equipment, infrastructure, and construction in progress. The total decrease in the City’s investment in capital assets for the current fiscal year was 1%. This total includes a 6% decrease in governmental activities and a 4.6% increase in business-type activities.

Major capital asset events during FY 09-10 included the following:

- Improvements to equipment and structures in city parks, new Justice center and library, and a new vehicle totaled \$15,941,565. Approximately 14.4 million of this amount was transferred from construction in progress in the prior year.
- Continued work on Truck Route improvements \$1,404,621
- Rail reload facility for \$67,713.
- Continued work on the new Grant Street bridge added over \$7,223.
- Park Street Pedestrian Bridge, \$551,956
- Weirich Road upgrades, \$305,845
- Infrastructure projects for water, wastewater totaled \$2,895,883.

**CITY OF LEBANON CAPITAL ASSETS**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Land	\$ 2,107,969	\$ 2,107,969	\$ 1,103,142	\$ 494,591	\$ 3,211,111	\$ 2,602,560
Buildings	18,404,299	3,229,158	8,424,953	8,424,953	26,829,252	11,654,111
Vehicles	1,850,881	2,559,711	1,010,549	1,184,136	2,861,430	3,743,847
Machinery and Equipment	2,695,595	1,462,727	4,347,647	4,690,009	7,043,242	6,152,736
Infrastructure	62,659,417	60,124,018	41,325	-	62,700,742	60,124,018
Water & Sewer System	-	-	27,462,467	24,946,351	27,462,467	24,946,351
Construction in Progress	430,339	14,849,279	55,018	1,922,922	485,357	16,772,201
Accumulated depreciation	(44,067,435)	(40,588,656)	(12,290,623)	(11,529,000)	(56,358,058)	(52,117,656)
Total	\$ 44,081,065	\$ 43,744,206	\$ 30,154,478	\$ 30,133,962	\$ 74,235,543	\$ 73,878,168

Additional information on capital assets can be found on pages 33-34 in the notes to the financial statements.

**Long-Term Debt** At the end of FY 09-10 the City had total debt outstanding of \$40,771,908. Of this amount \$27,048,519 comprised debt backed by the full faith and credit of the government, \$11,762,087 is revenue supported, backed by the revenue of the Water & Wastewater utility operation, and \$1,961,302 is limited-tax debt supported by operating funds of the City.

**CITY OF LEBANON  
Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
General obligation bonds	\$ 21,905,000	\$ 22,610,000	\$ -	\$ -	\$ 21,905,000	\$ 22,610,000
Revenue bonds	-	-	11,762,087	12,547,698	11,762,087	12,547,698
Pension obligation bonds	1,961,302	1,984,769	-	-	1,961,302	1,984,769
General Fund SPWF	1,719,093	1,779,833	-	-	1,719,093	1,779,833
NWURD SPWF	3,424,426	3,520,636	-	-	3,424,426	3,520,636
Total bonded debt	29,009,821	29,895,238	11,762,087	12,547,698	40,771,908	42,442,936
Notes payable	-	177,008	-	-	-	177,008
<b>Total Debt Outstanding</b>	<b>\$ 29,009,821</b>	<b>\$ 30,072,246</b>	<b>\$ 11,762,087</b>	<b>\$ 12,547,698</b>	<b>\$ 40,771,908</b>	<b>\$ 42,619,944</b>

The City's total debt decreased a net \$1,848,036 or 4.3% during FY 09-10. The net decrease was the result of payments made on debt, SPWF funds totaling \$60,740 to complete infrastructure projects in the NW Urban Renewal area to purchase land in the Cheadle Lake URD, and outstanding notes decreased \$582,295 (6%) during FY 09-10.

Additional information on the City of Lebanon's long-term debt can be found on pages 35-37 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- Property tax revenue was projected to increase 4% in FY 10-11 based on the same rate of increase in the assessed value.
- Health insurance rates increased on average 15%.
- PERS contribution rates were budgeted at 14.4% for the for FY 10-11.
- The increasing cost of utilities and fuel are having an effect on the City's budget.
- Utility revenue for Water and Wastewater are projected to increase 14.6% and 6.8%, respectively, from growth in the number of customers, rate increases, and consumption. There is a 12% wastewater rate increase and a 15% water rate increase planned for FY 10-11 in support of the water/wastewater CIP program and projects, approved by council.

All of these factors were considered when preparing the budget for the 2011 fiscal year.

During FY 09-10, unreserved fund balances in the General Fund decreased to \$832,078. The City of Lebanon has appropriated \$164,232 of this amount for spending in FY 10-11. This left the contingency in FY 10-11 at \$667,846, or 10.5% of the General Fund total. The budgeted contingency as a percent of the General Fund total in FY 09-10 was 8.7%. The City Council has established a goal of building this amount to approximately 10% of the General Fund total, or \$637,761.



**Requests for Information**

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

***BASIC FINANCIAL STATEMENTS***

**CITY OF LEBANON, OREGON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and investments	\$ 9,002,078	\$ 1,207,473	\$ 10,209,551
Accounts receivable	643,586	843,335	1,486,921
Prepaid expenses	1,833	-	1,833
Property taxes receivable	558,428	1,107	559,535
Special assessments/loans	703,107	-	703,107
Court fines	609,607	-	609,607
Prepaid pension asset	1,961,301	-	1,961,301
Deferred charges	-	168,463	168,463
Nondepreciable capital assets	2,538,308	1,158,160	3,696,468
Other depreciable capital assets, net	41,542,756	28,996,316	70,539,072
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	57,561,004	32,374,854	89,935,858
<b>LIABILITIES</b>			
Accounts payable	390,368	189,081	579,449
Payroll liabilities	156,368	-	156,368
Noncurrent liabilities:			
Due within one year:			
Loan payable	157,920	254,671	412,591
Bonds payable	842,144	575,309	1,417,453
Accrued compensated absences	135,078	32,990	168,068
Due in more than one year:			
Loan payable	4,985,599	3,659,690	8,645,289
Bonds payable	23,024,158	7,272,417	30,296,575
Accrued compensated absences	697,245	129,613	826,858
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	30,388,880	12,113,771	42,502,651
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	17,032,545	18,392,389	35,424,934
Fund net assets			
Restricted for:			
Debt service	110,254	-	110,254
Construction	4,518,876	-	4,518,876
Grants and other restricted revenue	2,197,799	-	2,197,799
Unrestricted	3,312,650	1,868,694	5,181,344
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 27,172,124</u>	<u>\$ 20,261,083</u>	<u>\$ 47,433,207</u>

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

**CITY OF LEBANON, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,494,492	\$ 370,610	\$ 12,104	\$ 102,941
Community services and development	8,380,858	935,204	1,483,619	-
Public safety	4,069,140	470,083	357,477	-
Interest on long-term debt	1,348,273	-	-	-
<i>Total Governmental Activities</i>	15,292,763	1,775,897	1,853,200	102,941
<b>Business-type Activities:</b>				
Water	1,495,879	2,674,739	-	-
Wastewater	2,223,087	3,427,779	205,486	-
Railroad	5	-	-	-
<i>Total Business-type Activities</i>	3,718,971	6,102,518	205,486	-
<i>Total Activities</i>	\$ 19,011,734	\$ 7,878,415	\$ 2,058,686	\$ 102,941

**General Revenues:**

Property taxes  
Franchise fees  
Intergovernmental  
Miscellaneous  
Gain on disposal of assets

*Total General Revenues*

**Transfers**

**Change in Net Assets**

*Net Assets, July 1, 2009*

*Net Assets, June 30, 2010*

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (1,008,837)	\$ -	\$ (1,008,837)
(5,962,035)	-	(5,962,035)
(3,241,580)	-	(3,241,580)
(1,348,273)	-	(1,348,273)
(11,560,725)	-	(11,560,725)
-	1,178,860	1,178,860
-	1,410,178	1,410,178
-	(5)	(5)
-	2,589,033	2,589,033
(11,560,725)	2,589,033	(8,971,692)
7,279,430	-	7,279,430
1,364,369	-	1,364,369
333,509	-	333,509
270,471	212,993	483,464
16,569	-	16,569
9,264,348	212,993	9,477,341
2,107,070	(2,107,070)	-
(189,307)	694,956	505,649
27,361,431	19,566,127	46,927,558
<u>\$ 27,172,124</u>	<u>\$ 20,261,083</u>	<u>\$ 47,433,207</u>

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

**CITY OF LEBANON, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	<u>General</u>	<u>Inter- governmental</u>	<u>NW Urban Renewal</u>
<b>ASSETS</b>			
Cash and investments	\$ 495,973	\$ 1,288,606	\$ 2,498,507
Accounts receivable	215,875	122,924	-
Due from other funds	185,794	-	-
Property taxes receivable	302,583	-	133,135
Special assessments/loans	-	699,491	2,821
Court fines receivable	449,280	160,327	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 1,649,505	\$ 2,271,348	\$ 2,634,463
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 49,639	\$ 73,549	\$ 965
Payroll taxes payable	-	-	-
Deferred revenues	742,788	876,617	122,861
Due to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	792,427	950,166	123,826
<b>Fund Balances</b>			
Unreserved, reported in:			
General fund	857,078	-	-
Special revenue funds	-	1,321,182	2,510,637
Capital projects fund	-	-	-
Debt services funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	857,078	1,321,182	2,510,637
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities and Fund Balances</i>	\$ 1,649,505	\$ 2,271,348	\$ 2,634,463

<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ 4,495,554	\$ 223,438	\$ 9,002,078
-	240,620	66,000	645,419
-	-	-	185,794
102,152	-	20,558	558,428
-	-	795	703,107
-	-	-	609,607
<u>\$ 102,152</u>	<u>\$ 4,736,174</u>	<u>\$ 310,791</u>	<u>\$ 11,704,433</u>
\$ -	\$ 217,298	\$ 48,916	\$ 390,367
-	-	156,368	156,368
95,426	240,620	21,584	2,099,896
20,207	-	165,587	185,794
<u>115,633</u>	<u>457,918</u>	<u>392,455</u>	<u>2,832,425</u>
-	-	-	857,078
-	-	(107,345)	3,724,474
-	4,278,256	-	4,278,256
(13,481)	-	25,681	12,200
<u>(13,481)</u>	<u>4,278,256</u>	<u>(81,664)</u>	<u>8,872,008</u>
<u>\$ 102,152</u>	<u>\$ 4,736,174</u>	<u>\$ 310,791</u>	<u>\$ 11,704,433</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, 2010**

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<i>Fund Balances</i>	\$ 8,872,008
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.	2,099,896
The prepaid pension asset is not available to pay for current period expenditures and is therefore not a financial resource.	1,961,301
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	
Capital asset cost	88,148,498
Accumulated depreciation	(44,067,435)
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.	
Loans payable	(5,143,519)
Bonds payable	(23,866,302)
Accrued compensated absences	(832,323)
	<hr/>
<i>Net assets of governmental activities</i>	<u><u>\$ 27,172,124</u></u>

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



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**CITY OF LEBANON, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	<i>General</i>	<i>Inter- governmental</i>	<i>NW Urban Renewal</i>
<b>REVENUES</b>			
Taxes and assessments	\$ 3,612,399	\$ 34,910	\$ 2,082,711
Licenses and permits	1,369,514	178,756	-
Charges for services	15,258	32,480	-
Intergovernmental	330,675	2,083,071	54,170
Fines and forfeitures	268,607	148,850	-
Miscellaneous	147,881	88,527	38,857
<i>Total Revenues</i>	5,744,334	2,566,594	2,175,738
<b>EXPENDITURES</b>			
Current operating:			
General government	583,733	-	-
Community services and development	906,328	3,786,623	249,388
Public safety	3,834,612	-	-
Capital outlay	62,558	1,585,624	71,051
Debt service			
Principal	60,740	-	341,210
Interest	42,479	-	364,035
<i>Total Expenditures</i>	5,490,450	5,372,247	1,025,684
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	253,884	(2,805,653)	1,150,054
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	306,962	2,522,591	1,165,493
Transfers out	(569,878)	(411,491)	(1,245,315)
Proceeds from sale of capital assets	16,569	-	-
<i>Total Other Financing Sources (Uses)</i>	(246,347)	2,111,100	(79,822)
<b>NET CHANGE IN FUND BALANCES</b>	7,537	(694,553)	1,070,232
<b>FUND BALANCES, Beginning of year</b>	849,541	2,015,735	1,440,405
<b>FUND BALANCES, End of year</b>	\$ 857,078	\$ 1,321,182	\$ 2,510,637

<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 1,299,372	\$ 205,866	\$ 303,577	\$ 7,538,835
-	-	-	1,548,270
-	-	-	47,738
131,110	-	40,000	2,639,026
-	-	149,467	566,924
5,642	409,280	8,821	699,008
1,436,124	615,146	501,865	13,039,801
-	-	-	583,733
-	788,720	184,649	5,915,708
-	5,793	157,160	3,997,565
-	1,686,433	235,844	3,641,510
483,468	-	177,008	1,062,426
975,503	-	8,735	1,390,752
1,458,971	2,480,946	763,396	16,591,694
(22,847)	(1,865,800)	(261,531)	(3,551,893)
-	387,240	125,000	4,507,286
-	(153,245)	(20,287)	(2,400,216)
-	-	-	16,569
-	233,995	104,713	2,123,639
(22,847)	(1,631,805)	(156,818)	(1,428,254)
9,366	5,910,061	75,154	10,300,262
\$ (13,481)	\$ 4,278,256	\$ (81,664)	\$ 8,872,008

*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, 2010**

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*Net change in fund balances - total governmental funds* \$ (1,428,254)

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. (59,983)

The amortization of the prepaid pension asset does not require the outlay of current financial resources and is not recorded as an expenditure in the governmental funds (23,468)

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. (76,886)

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.

Capital outlay 3,859,985  
Depreciation (3,523,127)

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.

Debt principal paid 1,062,426

*Change in net assets of governmental activities.* \$ (189,307)

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

**CITY OF LEBANON, OREGON**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2010**

---

**ASSETS**

**Current assets**

Cash and investments	\$ 1,207,473
Accounts receivable	843,335
Property taxes receivable	1,107

<i>Total Current Assets</i>	2,051,915
-----------------------------	-----------

**Noncurrent assets**

Bonds discount	168,463
Nondepreciable capital assets	1,158,160
Other capital assets, net of depreciation	28,996,316

<i>Total Assets</i>	32,374,854
---------------------	------------

**LIABILITIES**

**Current liabilities**

Accounts payable	65,267
Deposits	123,815
Loan payable - current portion	254,671
Bonds payable - current portion	575,309
Compensated absences - current portion	32,990

<i>Total Current Liabilities</i>	1,052,052
----------------------------------	-----------

**Noncurrent liabilities**

Loans payable	3,659,690
Bonds payable	7,272,417
Compensated absences payable	129,613

<i>Total Noncurrent Liabilities</i>	11,061,720
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<i>Total Liabilities</i>	12,113,772
--------------------------	------------

**NET ASSETS**

Investment in capital assets (net of related debt)	18,392,389
Unrestricted	1,868,693

<i>Total Net Assets</i>	\$ 20,261,082
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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, 2010**

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**OPERATING REVENUES**

Charges for services	\$ 6,102,518
Intergovernmental	205,486
Miscellaneous	193,215

---

*Total Operating Revenues* 6,501,219

**OPERATING EXPENSES**

Personal services	1,644,161
Materials and services	545,376
Depreciation	1,007,461

---

*Total Operating Expenses* 3,196,998

---

**OPERATING INCOME**

3,304,221

**NONOPERATING REVENUES (EXPENSES)**

Interest income	19,777
Interest expense	(521,973)

---

*Total Nonoperating Revenue (Expenses)* (502,196)

---

**INCOME BEFORE TRANSFERS**

2,802,025

**TRANSFERS**

Transfers in	4,299,223
Transfers out	(6,406,293)

---

**CHANGE IN NET ASSETS**

694,955

**NET ASSETS, Beginning of year**

19,566,127

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**NET ASSETS, End of year**

\$ 20,261,082

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

**CITY OF LEBANON, OREGON**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2010**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 6,484,150
Cash paid to employees for services	(1,675,021)
Cash paid to suppliers for goods and services	(796,190)

*Net Cash Provided by Operating Activities* 4,012,939

**CASH FLOWS FROM NON-CAPITAL FINANCING  
ACTIVITIES**

Transfers in	4,299,223
Transfers out	(6,406,293)

*Net Cash Used in Non-Capital Financing Activities* (2,107,070)

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Acquisition of capital assets	(1,027,977)
Principal paid on contracts/bonds payable	(785,610)
Interest paid	(505,627)

*Net Cash Used in Capital and Related Financing Activities* (2,319,214)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	19,777
-------------------------	--------

*Net Change in Cash and Investments* (393,568)

**CASH AND INVESTMENTS, Beginning of year** 1,601,041

**CASH AND INVESTMENTS, End of year** \$ 1,207,473

---

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

Operating income	\$ 3,304,221
Depreciation	1,007,461
<i>Change in assets and liabilities</i>	
Receivables	(43,192)
Inventory	
Accounts payable and accrued liabilities	(250,814)
Compensated absences payable	(30,860)
Deposits	26,123
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 4,012,939</u></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, 2010.

The governing boards of the Urban Renewal Agency, the Cheadle Lake Urban Renewal Agency, the Northwest Gateway 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, the Northwest Gateway 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*. When both restricted and unrestricted resources are available for use, the City's policy is to utilize the restricted resources first; unrestricted resources are then utilized as needed.

*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, capital projects, debt service) and proprietary type funds. Major individual governmental funds, governmental and major individual proprietary funds are

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basic Financial Statements (Continued)*

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.

*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 Funds*

*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.

*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.

*Debt Service Fund*

*Debt Service Fund* - The Debt Service Fund accounts for the payment of principal and interest on general obligation bonds.

*Capital Projects Fund*

*Capital Projects Fund* - the City has one capital projects fund which accounts for the acquisition of capital 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 sources set aside to finance development in the urban renewal district.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of Presentation (Continued)*

*Special Revenue Funds (Continued)*

*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.

*Northwest Gateway 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 Fund* - this fund accounts for transactions involving employee benefits.

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

*Debt Service Fund*

*Bancroft Bond Fund* – This Fund accounts for the collection of assessments and payment of debt principal and interest.

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. 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

Interfund transfers, interfund services provided and used, interfund reimbursements and interfund payables and receivables are all interfund activities. The effect of interfund activities and administrative charges are eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated from the government-wide statements since elimination would distort the program revenues and direct costs of the City's functions.

The basis of accounting described above is 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, 2010. 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.

It is the City's policy to report at amortized cost all short-term, highly liquid money market investments (including corporate bonds, commercial paper, bankers' acceptances, municipal bonds, US Treasury and US

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Investments (Continued)*

Agency obligations) and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase. Investments with a remaining maturity at time of purchase or more than one year are valued at fair value in accordance with GASB Statement No. 31.

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.

*Prepaid Pension Obligation Costs*

The City issued debt in 2002 to fund a portion of the City's Public Employees Retirement System (PERS) unfunded actuarial liability. The amounts that were paid to PERS were recorded as prepaid pension obligation costs in the year of debt issuance and are amortized on a straight-line basis over the life of each debt issue.

*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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets (Continued)*

During the year, the City reclassified capital assets for both governmental and business-type activities. There was no change in useful lives or depreciation related to the reclassification.

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure is 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 consists of water, stormwater and wastewater collection systems.

As permitted by the reporting model, 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.

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.

*Long-Term Debt*

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. Unmatured long-term debt related to governmental activities is recorded on the Statement of Net Assets.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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. Accrued compensated absences are generally paid by all funds except the debt service funds. 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 department level in the general fund and expenditure type for other funds. The budgets for the enterprise fund are adopted on the same basis as the budgets for the governmental funds, except for revenues, which are budgeted when received. 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, 2010, minor 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, 2010:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<u>                    </u>	<u>                    </u>
<b>Cash</b>		
Cash on hand	\$ 1,800	\$ 1,800
Deposits with financial institutions	2,071,462	2,071,462
<b>Investments</b>		
Local Government Investment Pool	2,760,981	2,760,981
Securities	5,375,308	5,375,308
	<u>                    </u>	<u>                    </u>
	<u>\$ 10,209,551</u>	<u>\$ 10,209,551</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

**CASH AND INVESTMENTS (Continued)**

*Deposits*

At June 30, 2010, the City's deposits with various financial institutions had a bank value of \$2,972,645. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

*Custodial Risk - Deposits*

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2010, \$2,722,645 of the City's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the City's name.

*Investments*

As of June 30, 2010, the City held the following investments and maturities:

<i>Investment type</i>	<i>Carrying Value</i>	<i>Average Maturity (years)</i>	<i>Percent of Investment Portfolio</i>
Local government investment pool	\$ 2,760,981	< one year	34%
Securities	5,375,308	< one year	66%
	\$ 8,136,289		100%

The "weighted average maturity in years" calculation assumes that all investments are held until maturity.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the investments above, except for the investment in the Local Government Investment Pool which is not evidenced by securities, are held in safekeeping by the financial institution counterparty in the financial institution's general customer account name.



**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

**CASH AND INVESTMENTS (Continued)**

*Investments (Continued)*

The City's policy, which adheres to State of Oregon law, is to limit its investments to the following: Issuers within Oregon must be rated "A" (bonds) or A-2 / P-2 (commercial paper) or better by Standard & Poor's, Moody's Investors Service or any other nationally recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1 / P-1 (commercial paper) or better.

At June 30, 2010, the City's investments are rated as follows:

**Rating by Moody's Investors Service**

<i>Investment type</i>	<i>Total</i>	<i>AAA</i>	<i>Not Rated</i>
Local government investment pool	\$ 2,760,981	\$ -	\$ 2,760,981
Securities	5,375,308	498,947	4,623,519
	<u>\$ 8,136,289</u>	<u>\$ 498,947</u>	<u>\$ 7,384,500</u>

The City's policy for investing in individual issuers varies depending on the type of investments. U.S. treasury and agency securities do not have restrictions regarding concentration with any one issuer. At June 30, 2010, more than 6% of the City's portfolio is invested in FHLB securities.

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, 2010, 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 risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

*Interest Rate Risk*

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

*Custodial Risk - Investments*

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

**CASH AND INVESTMENTS (Continued)**

*Custodial Risk - Investments (Continued)*

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-loan diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

**RECEIVABLES**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 215,875	\$ 187,091	\$ 240,620	\$ -	\$ 843,335	\$ 1,486,921
Property taxes	302,583	153,693	-	102,152	1,107	559,535
Special assessments / loans	-	702,312	-	795	-	703,107
Court fines	449,280	160,327	-	-	-	609,607
	<u>\$ 967,738</u>	<u>\$ 1,203,423</u>	<u>\$ 240,620</u>	<u>\$ 102,947</u>	<u>\$ 844,442</u>	<u>\$ 3,359,170</u>

*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.

	<u>Balances July 1, 2009</u>	<u>2008-2009 Levy</u>	<u>Added to Rolls</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2010</u>
<i>General and Debt Service Fund</i>						
Current	\$ -	\$ 5,039,628	\$ 647	\$ (143,095)	\$ (4,704,584)	\$ 192,596
Prior	367,663	-	-	(15,786)	(139,738)	212,139
	<u>\$ 367,663</u>	<u>\$ 5,039,628</u>	<u>\$ 647</u>	<u>\$ (158,881)</u>	<u>\$ (4,844,322)</u>	<u>\$ 404,735</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

**RECEIVABLES (Continued)**

*Property Taxes - Collection Procedures (Continued)*

	<i>Balances July 1, 2009</i>	<i>2008-2009 Levy</i>	<i>Added to Rolls</i>	<i>Interest, Discounts &amp; Adjustments</i>	<i>Collections</i>	<i>Balances June 30, 2010</i>
<i>Urban Renwal</i>						
Current	\$ -	\$ 1,700,754	\$ 218	\$ (48,292)	\$ (1,579,334)	\$ 73,346
Prior	158,588	-	-	(6,768)	(71,473)	80,347
	<u>\$ 158,588</u>	<u>\$ 1,700,754</u>	<u>\$ 218</u>	<u>\$ (55,060)</u>	<u>\$ (1,650,807)</u>	<u>\$ 153,693</u>
	<i>Balances July 1, 2009</i>	<i>2008-2009 Levy</i>	<i>Added to Rolls</i>	<i>Interest, Discounts &amp; Adjustments</i>	<i>Collections</i>	<i>Balances June 30, 2010</i>
<i>Wastewater</i>						
Current	\$ -	\$ 14,773	\$ 2	\$ (419)	\$ (13,718)	\$ 638
Prior	921	-	-	(40)	(412)	469
	<u>\$ 921</u>	<u>\$ 14,773</u>	<u>\$ 2</u>	<u>\$ (459)</u>	<u>\$ (14,130)</u>	<u>\$ 1,107</u>

**CAPITAL ASSETS**

The summary of capital assets for the business-type activities for the year ended June 30, 2010 is as follows:

	<i>Balances July 1, 2009</i>	<i>Additions</i>	<i>Retirements</i>	<i>Adjustments</i>	<i>Balances June 30, 2010</i>
Land	\$ 494,591	\$ 608,551	\$ -	\$ -	\$ 1,103,142
Construction in progress	1,922,922	13,502	(1,881,406)	-	55,018
<i>Total nondepreciable assets</i>	<u>2,417,513</u>	<u>622,053</u>	<u>(1,881,406)</u>	<u>-</u>	<u>1,158,160</u>
Buildings	8,424,953	-	-	-	8,424,953
Machinery and equipment	4,690,009	82,650	-	(425,012)	4,347,647
Vehicles and rolling stock	1,184,136	-	(245,838)	72,251	1,010,549
Infrastructure		-	-	41,325	41,325
Water/sewer assets	24,946,351	2,204,678	-	311,436	27,462,465
<i>Total depreciable assets</i>	<u>39,245,449</u>	<u>2,287,328</u>	<u>(245,838)</u>	<u>-</u>	<u>41,286,939</u>
Accumulated depreciation - water	(4,163,126)	(259,343)	101,642	-	(4,320,827)
Accumulated depreciation - sewer	(7,365,874)	(748,118)	144,196	-	(7,969,796)
<i>Total accumulated depreciation</i>	<u>(11,529,000)</u>	<u>(1,007,461)</u>	<u>245,838</u>	<u>-</u>	<u>(12,290,623)</u>
<i>Total capital assets, net</i>	<u>\$ 30,133,962</u>	<u>\$ 1,901,920</u>	<u>\$ (1,881,406)</u>	<u>\$ -</u>	<u>\$ 30,154,476</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

**CAPITAL ASSETS (Continued)**

The changes in the capital assets for governmental activities for the year ended June 30, 2010 are as follows:

	<i>Balances July 1, 2009</i>	<i>Additions</i>	<i>Retirements</i>	<i>Adjustments</i>	<i>Balances June 30, 2010</i>
Land	\$ 2,107,969	\$ -	\$ -	\$ -	\$ 2,107,969
Construction in progress	14,849,279	236,216	(14,655,156)	-	430,339
<i>Total nondepreciable assets</i>	16,957,248	236,216	(14,655,156)	-	2,538,308
Buildings and improvements	3,229,158	15,319,936	-	(144,795)	18,404,299
Machinery and equipment	2,559,711	187,284	-	(51,400)	2,695,595
Vehicles and rolling stock	1,462,727	381,102	(44,348)	51,400	1,850,881
Infrastructure	60,124,018	2,390,603	-	144,795	62,659,416
<i>Total depreciable assets</i>	67,375,614	18,278,925	(44,348)	-	85,610,191
Accumulated depreciation:					
building	(36,626,670)	(402,122)	-	-	(37,028,792)
machinery	(1,405,910)	(193,776)	-	-	(1,599,686)
vehicles	(1,505,161)	(106,137)	44,348	-	(1,566,950)
infrastructure	(1,050,915)	(2,821,092)	-	-	(3,872,007)
<i>Total accumulated depreciation</i>	(40,588,656)	(3,523,127)	44,348	-	(44,067,435)
<i>Total capital assets, net</i>	\$ 43,744,206	\$ 14,992,014	\$ (14,655,156)	\$ -	\$ 44,081,064

Depreciation expense was charged as follows:

General government	\$ 563,701
Community services and development	2,924,195
Public safety	35,231
	<hr/>
Total	\$3,523,127
	<hr/> <hr/>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

**LONG-TERM OBLIGATIONS**

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

	<i>Outstanding July 1, 2009</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2010</i>	<i>Due Within One Year</i>
<i>Governmental activities</i>					
2000 GO Urban Renewal	\$ 3,665,000	\$ -	\$ (245,000)	\$ 3,420,000	\$ 260,000
2002 GO Pension Pool	1,984,770	-	(23,468)	1,961,302	27,144
2007 GO Refunding	18,945,000	-	(460,000)	18,485,000	555,000
NWURD SPWF	3,520,636	-	(96,210)	3,424,426	96,858
General Fund SPWF	1,779,833	-	(60,740)	1,719,093	61,062
National Mortgage	177,008	-	(177,008)	-	-
	<u>30,072,247</u>	<u>-</u>	<u>(1,062,426)</u>	<u>29,009,821</u>	<u>1,000,064</u>
Accrued compensated absences	755,437	76,886	-	832,323	135,078
	<u>\$ 12,946,241</u>	<u>\$ 76,886</u>	<u>\$ (1,062,426)</u>	<u>\$ 29,842,144</u>	<u>\$ 1,135,142</u>
	<i>Outstanding July 1, 2009</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2010</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
2000 Wastewater Revenue	\$ 2,300,000	\$ -	\$ (160,000)	\$ 2,140,000	\$ 165,000
2003 Wastewater Revenue Refunding	2,610,000	-	(200,000)	2,410,000	210,000
2004 Water Refunding	2,575,000	-	(160,000)	2,415,000	165,000
2007 Cannibal Project Financing	4,162,698	-	(248,338)	3,914,360	254,671
2009 Wastewater CIP SRF Loan	900,000	-	(17,273)	882,727	35,309
	<u>12,547,698</u>	<u>-</u>	<u>(785,611)</u>	<u>11,762,087</u>	<u>829,980</u>
Accrued compensated absences	193,463	-	(30,860)	162,603	32,990
	<u>\$ 12,741,161</u>	<u>\$ -</u>	<u>\$ (816,471)</u>	<u>\$ 11,924,690</u>	<u>\$ 862,970</u>

The 2000 Urban Renewal general obligation bonds were issued to provide financing for urban renewal projects. The original amount of the issue was \$5,435,000 and had interest rates ranging from 4.75% to 6.00%. Annual principal and semiannual interest payments range from approximately \$461,000 to \$469,000. The final bonds mature in 2019-20.

The 2002 general obligation pension bonds were issued to pay down the City's actuarial liability with PERS. The original amount of the issue was \$2,081,188 and had interest rates ranging from 2.00% to 7.36%. Annual principal and semiannual interest payments range from approximately \$148,000 to \$325,000. The final bonds mature in 2027-2028.

**CITY OF LEBANON, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2010*

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**LONG-TERM OBLIGATIONS** *(Continued)*

The 2007 general obligation refunding bonds were issued to prepay or partially prepay three outstanding general obligation bond issues, including \$1,245,000 on the 1995 general obligation refunding bonds. The original amount of the issue was \$19,970,000 and had interest rates ranging from 4% to 5%. Annual principal and semiannual interest payments range from approximately \$1,306,000 to \$2,000,000. The final bonds mature in 2036-27.

The NW Urban Renewal District Special Public Works Fund loan proceeds were used for urban renewal projects. The interest rates on the loan range from 4.00% to 4.375%. Annual payments range from approximately \$241,000 to \$246,000. The loan is scheduled to be repaid by 2032.

The general obligation General Fund Special Public Works Fund loan has an interest rate of 3.77%. The loan is scheduled to mature in 2009-10.

The revenue supported 2000 wastewater revenue bonds were issued in the amount of \$3,320,000 with interest rates ranging from 4.7% to 5.7%. Annual principal and semiannual interest payments range from approximately \$284,000 to \$289,000. The final bonds mature in 2019-20.

The revenue supported 2003 wastewater revenue refunding bonds were issued to prepay a previously outstanding wastewater bond. The original amount of the issue was \$3,775,000 and had interest rates ranging from 2.00% to 4.125%. Annual principal and semiannual interest payments range from approximately \$291,000 to \$296,000. The final bonds mature in 2019-20.

The 2004 water refunding bonds are revenue supported and were issued in the original amount of \$3,000,000 to prepay a portion of a previously outstanding water bond issue. Interest rates range from 2.0% to 4.2%. Annual principal and semiannual interest payments range from approximately \$249,000 to \$259,000. The final bonds mature in 2020-21.

The revenue supported 2007 Cannibal Project financing loan was used to pay the costs of wastewater improvement projects. Interest rates range from 2.1% to 4.22%. Annual principal and interest payments are \$415,956. The final payment will be in 2021-22.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

**LONG-TERM OBLIGATIONS (Continued)**

The future maturities of obligations outstanding as of June 30, 2010:

*Governmental Activities*

<b><i>Fiscal Year Ending June 30,</i></b>	<b><i>Principal</i></b>	<b><i>Interest</i></b>	<b><i>Total</i></b>
2011	\$ 1,000,064	\$ 1,385,175	\$ 2,385,239
2012	1,116,561	1,346,830	2,463,391
2013	1,220,262	1,306,415	2,526,677
2014	1,136,399	1,259,077	2,395,476
2015	1,233,997	1,218,330	2,452,327
2016-2020	7,771,179	5,286,944	13,058,123
2021-2025	9,203,618	2,986,805	12,190,423
2026-2030	5,869,762	650,956	6,520,718
2031-2032	457,979	30,641	488,620
	<b>\$ 29,009,821</b>	<b>\$ 15,471,173</b>	<b>\$ 44,480,994</b>

*Business-type Activities*

<b><i>Fiscal Year Ending June 30,</i></b>	<b><i>Principal</i></b>	<b><i>Interest</i></b>	<b><i>Total</i></b>
2011	\$ 829,980	\$ 482,356	\$ 1,312,336
2012	851,882	450,808	1,302,690
2013	894,277	417,040	1,311,317
2014	927,187	380,619	1,307,806
2015	965,634	342,231	1,307,865
2016-2020	5,515,252	1,045,902	6,561,154
2020-2025	1,549,524	119,728	1,669,252
2026-2029	228,351	15,308	243,659
	<b>\$ 11,762,087</b>	<b>\$ 3,253,992</b>	<b>\$ 15,016,079</b>

## **CITY OF LEBANON, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2010*

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### **PENSION PLANS**

#### *Plan Description*

The City is a participating employer in the Oregon Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

#### *Funding Status*

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund. The City pays the employee contribution to the fund.

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. For rate changes implemented July 1, 2005, the PERB voted to phase in the rate changes for PERS (for most employers a rate increase). On July 1, 2009 the City’s rate increased to 7.71 percent based on the 2007 actuarial valuation.

For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. These rates are 14.66% for Tier 1/Tier 2 subject payroll, 6.48% for OPSRP general service subject payroll, and 9.19% for OPSRP police and fire subject payroll based on the December 31, 2007 valuation.

#### *Annual Pension Cost*

The City’s contributions to PERS for the fiscal years ending June 30, 2008, 2009, and 2010 were \$855,135, \$985,791 and \$777,661, respectively, which equaled the required contribution for the year.



**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

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**TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 306,962	\$ 569,878
Intergovernmental	2,522,591	411,491
NW Urban Renewal	1,165,493	1,245,315
Cheadle Lake Urban Renewal	125,000	19,515
Bancroft Bonds	-	772
Capital Projects	387,240	153,245
Water	-	1,673,765
Water CIP	714,788	18,514
Wastewater	-	2,411,108
Wastewater CIP	1,301,978	20,449
	<u>\$ 6,524,052</u>	<u>\$ 6,524,052</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**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. The insurance reserves are classified as unrestricted net assets 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.

**GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2010**

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***GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT (Continued)***

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the District Beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

***OVEREXPENDITURES OF APPROPRIATIONS AND DEFICIT FUND BALANCES***

The City over-expended appropriations as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Overexpended</u>
General fund			
Municipal Court	\$ 283,068	\$ 284,217	\$ (1,149)
Police	3,575,232	3,593,159	(17,927)
Intergovernmental fund			
Storm drains	59,473	61,722	(2,249)
NW Urban Renewal District fund			
Personal services	251,152	228,605	22,547
Capital Projects fund			
Grant street bridge	19,726	24,976	(5,250)
Cheadle Lake Urban Renewal District fund			
Materials and services	29,408	38,927	(9,519)
Capital outlay	110,050	235,844	(125,794)
Interest	3,257	8,735	(5,478)

At June 30, 2010, the Cheadle Lake Urban Renewal fund had a negative fund balance of \$164,740, and the Bail Refund fund had a negative fund balance of \$234.

***SUBSEQUENT EVENTS***

The City adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through February 18, 2011, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 3,476,025	\$ 3,476,025	\$ 3,612,399	\$ 136,374
Licenses and permits	1,408,100	1,408,100	1,369,514	(38,586)
Charges for services	22,500	22,500	15,258	(7,242)
Intergovernmental	328,500	328,500	330,675	2,175
Fines and forfeitures	269,000	269,000	268,607	(393)
Miscellaneous	194,700	194,700	147,881	(46,819)
<i>Total Revenues</i>	5,698,825	5,698,825	5,744,334	45,509
<b>EXPENDITURES</b>				
Administration	95,430	95,430	88,120	7,310
City attorney	33,244	33,244	32,974	270
Planning	88,810	88,810	52,759	36,051
Public works	8,022	8,022	6,645	1,377
Parks	533,319	654,319	439,981	214,338
Finance	93,497	99,497	90,849	8,648
Legislative	48,008	48,008	38,171	9,837
Library	435,138	435,138	392,015	43,123
Municipal court	283,068	283,068	284,217	(1,149)
Police	3,575,232	3,575,232	3,593,159	(17,927)
Senior services	138,180	138,180	134,220	3,960
Nondepartmental	364,643	364,643	337,340	27,303
Contingency	600,356	594,356	-	594,356
<i>Total Expenditures</i>	6,296,947	6,417,947	5,490,450	927,497
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(598,122)	(719,122)	253,884	973,006
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	292,000	413,000	306,962	(106,038)
Transfers out	(653,878)	(653,878)	(569,878)	84,000
Sale of assets	10,000	10,000	16,569	6,569
<i>Total Other Financing Sources (Uses)</i>	(351,878)	(230,878)	(246,347)	(15,469)
<b>NET CHANGE IN FUND BALANCE</b>	(950,000)	(950,000)	7,537	957,537
<b>FUND BALANCE, Beginning of year</b>	950,000	950,000	849,541	(100,459)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 857,078	\$ 857,078

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 51,000	\$ 51,000	\$ 34,910	\$ (16,090)
Licenses and permits	262,050	222,050	178,756	(43,294)
Charges for services	17,500	17,500	32,480	14,980
Intergovernmental	6,600,707	6,600,707	2,083,071	(4,517,636)
Fines and forfeitures	160,000	160,000	148,850	(11,150)
Miscellaneous	249,275	249,275	88,527	(160,748)
<i>Total Revenues</i>	<u>7,340,532</u>	<u>7,300,532</u>	<u>2,566,594</u>	<u>(4,733,938)</u>
<b>EXPENDITURES</b>				
City Hall repairs	197,200	197,200	90,834	106,366
Motel tax	47,500	47,500	34,976	12,524
Building inspections	492,593	492,593	406,561	86,032
Park enterprise	119,952	119,952	71,732	48,220
Park grants	3,403,401	3,403,401	-	3,403,401
Operation and environment	1,590,117	1,590,117	1,509,237	80,880
GIS	139,256	139,256	108,892	30,364
Information system	486,012	486,012	479,153	6,859
Sidewalk and bikepath	75,000	75,000	68,145	6,855
Engineering development	26,500	26,500	25,840	660
Streets	664,289	664,289	627,644	36,645
Storm drains	59,473	59,473	61,722	(2,249)
911 communications	75,000	75,000	-	75,000
School resource officer	99,409	99,409	91,194	8,215
Dial-A-Bus	323,695	323,695	293,902	29,793
STP street project	1,284,814	1,284,814	659,408	625,406
Homeland security & terrorism grant	299,000	299,000	16,012	282,988
Gills Landing	4,464	4,464	2,818	1,646
93 housing rehabilitation grant	26,000	26,000	-	26,000
1996 housing rehabilitation grant	51,000	51,000	-	51,000
1998 housing rehabilitation grant	26,000	26,000	25,624	376
Traffic team	231,070	231,070	206,656	24,414
Federal community policing	496,000	496,000	484,407	11,593
Maintenance services	127,148	127,148	107,490	19,658
Byrne assistance grant	35,000	35,000	-	35,000
COPS grant	353,838	353,838	-	353,838
Contingency	798,001	808,001	-	808,001
<i>Total Expenditures</i>	<u>11,531,732</u>	<u>11,541,732</u>	<u>5,372,247</u>	<u>6,169,485</u>

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (4,191,200)	\$ (4,241,200)	\$ (2,805,653)	\$ 1,435,547
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,741,914	2,791,914	2,522,591	(269,323)
Transfers out	(597,075)	(597,075)	(411,491)	185,584
<i>Total Other Financing Sources (Uses)</i>	<u>2,144,839</u>	<u>2,194,839</u>	<u>2,111,100</u>	<u>(83,739)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,046,361)	(2,046,361)	(694,553)	1,351,808
<b>FUND BALANCE, Beginning of year</b>	<u>2,046,361</u>	<u>2,046,361</u>	<u>2,015,735</u>	<u>(30,626)</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,182</u>	<u>\$ 1,321,182</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, 2010**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 1,904,588	\$ 1,904,588	\$ 2,082,711	\$ 178,123
Intergovernmental	85,000	85,000	54,170	(30,830)
Miscellaneous	40,020	40,020	38,857	(1,163)
<i>Total Revenues</i>	2,029,608	2,029,608	2,175,738	146,130
<b>EXPENDITURES</b>				
Personal services	251,152	251,152	228,605	22,547
Materials and services	1,066,501	1,066,501	20,783	1,045,718
Capital outlay	788,250	738,250	71,051	667,199
Debt service				
Principal	341,210	341,210	341,210	-
Interest	364,035	364,035	364,035	-
Contingency	509,138	509,138	-	509,138
<i>Total Expenditures</i>	3,320,286	3,270,286	1,025,684	2,244,602
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(1,290,678)	(1,240,678)	1,150,054	2,390,732
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,165,000	1,165,000	1,165,493	493
Transfers out	(1,194,822)	(1,244,822)	(1,245,315)	(493)
<i>Total Other Financing Sources (Uses)</i>	(29,822)	(79,822)	(79,822)	-
<b>NET CHANGE IN FUND BALANCE</b>	(1,320,500)	(1,320,500)	1,070,232	2,390,732
<b>FUND BALANCE, Beginning of year</b>	1,320,500	1,320,500	1,440,405	119,905
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 2,510,637	\$ 2,510,637

***OTHER SUPPLEMENTARY INFORMATION***



**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL – DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 1,307,200	\$ 1,307,200	\$ 1,299,372	\$ (7,828)
Intergovernmental	150,000	150,000	131,110	(18,890)
Miscellaneous	14,000	14,000	5,642	(8,358)
<i>Total Revenues</i>	<u>1,471,200</u>	<u>1,471,200</u>	<u>1,436,124</u>	<u>(35,076)</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	483,468	483,468	483,468	-
Interest	975,512	975,512	975,503	9
<i>Total Expenditures</i>	<u>1,458,980</u>	<u>1,458,980</u>	<u>1,458,971</u>	<u>9</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	12,220	12,220	(22,847)	(35,067)
<b>FUND BALANCE, Beginning of year</b>	<u>(12,220)</u>	<u>(12,220)</u>	<u>9,366</u>	<u>21,586</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,481)</u>	<u>\$ (13,481)</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL – CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 426,100	\$ 426,100	\$ 205,866	\$ (220,234)
Miscellaneous	1,247,570	1,247,570	409,280	(838,290)
<i>Total Revenues</i>	1,673,670	1,673,670	615,146	(1,058,524)
<b>EXPENDITURES</b>				
Equipment acquisition	753,016	753,016	571,329	181,687
Historic resources	110	110	-	110
Grant street bridge	19,726	19,726	24,976	(5,250)
Pioneer Cemetery	3,560	3,560	-	3,560
D.A.R.E.	356,129	356,129	1,876	354,253
Police	16,600	16,600	5,793	10,807
Library	242,768	242,768	60,325	182,443
Library building	797,494	797,494	311,063	486,431
Senior center building	20,445	20,445	15,344	5,101
Library/senior center building	4,010,000	4,010,000	472,097	3,537,903
Senior services	24,300	24,300	15,984	8,316
Snedaker trust	72,000	72,000	5,668	66,332
Streets	15,242	15,242	8,453	6,789
Streets capital projects	599,659	599,659	202,892	396,767
Infrastructure deferral	55,600	55,600	-	55,600
SDC drainage	62,000	62,000	44,099	17,901
SDC drainage improvement	149,872	149,872	6,647	143,225
SDC park improvement	420,112	420,112	5,968	414,144
SDC wastewater improvement	631,869	506,869	28,817	478,052
SDC wastewater reimbursement	180,000	180,000	-	180,000
SDC streets improvement	829,034	829,034	157,798	671,236
Restricted SDC water	2,050	2,050	-	2,050
SDC water improvement	699,815	699,815	541,817	157,998
SDC water reimbursement	65,000	65,000	-	65,000
Contingency	1,041,633	1,041,633	-	1,041,633
<i>Total Expenditures</i>	11,068,034	10,943,034	2,480,946	8,462,088

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (9,394,364)	\$ (9,269,364)	\$ (1,865,800)	\$ 7,403,564
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	387,240	387,240	387,240	-
Transfers out	(28,245)	(153,245)	(153,245)	-
<i>Total Other Financing Sources (Uses)</i>	358,995	233,995	233,995	-
<b>NET CHANGE IN FUND BALANCE</b>	(9,035,369)	(9,035,369)	(1,631,805)	7,403,564
<b>FUND BALANCE, Beginning of year</b>	9,035,369	9,035,369	5,910,061	(3,125,308)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 4,278,256	\$ 4,278,256

**CITY OF LEBANON, OREGON**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	<b><i>Cheadle Lake Urban Renewal</i></b>	<b><i>NW Gateway Urban Renewal</i></b>	<b><i>Recorder</i></b>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 57,699	\$ 132,297
Accounts receivable	-	-	57,788
Property taxes receivable	16,714	3,844	-
Special assessments/loans	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<b>\$ 16,714</b>	<b>\$ 61,543</b>	<b>\$ 190,085</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b><i>Liabilities</i></b>			
Accounts payable	\$ 451	\$ 374	\$ 33,717
Payroll taxes payable	-	-	156,368
Deferred revenues	15,416	3,540	-
Due to other funds	165,587	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	181,454	3,914	190,085
<b><i>Fund Balances</i></b>			
Unreserved, reported in:			
Special revenue funds	(164,740)	57,629	-
Debt service funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	(164,740)	57,629	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<b>\$ 16,714</b>	<b>\$ 61,543</b>	<b>\$ 190,085</b>

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<i>Bail Refund</i>	<i>Bancroft Bond</i>	<i>Totals</i>
\$ 7,761	\$ 25,681	\$ 223,438
6,379	1,833	66,000
-	-	20,558
-	795	795
<u>\$ 14,140</u>	<u>\$ 28,309</u>	<u>\$ 310,791</u>
\$ 14,374	\$ -	\$ 48,916
-	-	156,368
-	2,628	21,584
-	-	165,587
<u>14,374</u>	<u>2,628</u>	<u>392,455</u>
(234)	-	(107,345)
-	25,681	25,681
<u>(234)</u>	<u>25,681</u>	<u>(81,664)</u>
<u>\$ 14,140</u>	<u>\$ 28,309</u>	<u>\$ 310,791</u>

**CITY OF LEBANON, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010**

	<b><i>Cheadle Lake Urban Renewal</i></b>	<b><i>NW Gateway Urban Renewal</i></b>	<b><i>Bail Refund</i></b>
<b>REVENUES</b>			
Taxes and assessments	\$ 220,747	\$ 82,830	\$ -
Intergovernmental	40,000	-	-
Fines and forfeitures	-	-	149,467
Miscellaneous	278	571	7,459
<i>Total Revenues</i>	261,025	83,401	156,926
<b>EXPENDITURES</b>			
Current operating:			
Community services and development	158,877	25,772	-
Public safety	-	-	157,160
Capital outlay	235,844	-	-
Debt service			
Principal	177,008	-	-
Interest	8,735	-	-
<i>Total Expenditures</i>	580,464	25,772	157,160
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(319,439)	57,629	(234)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	125,000	-	-
Transfers out	(19,515)	-	-
<i>Total Other Financing Sources (Uses)</i>	105,485	-	-
<b>NET CHANGE IN FUND BALANCES</b>	(213,954)	57,629	(234)
<b>FUND BALANCES (DEFICIT), Beginning of year</b>	49,214	-	-
<b>FUND BALANCES (DEFICIT), End of year</b>	\$ (164,740)	\$ 57,629	\$ (234)

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<i><b>Bancroft Bond</b></i>	<i><b>Totals</b></i>
\$ -	\$ 303,577
-	40,000
-	149,467
513	8,821
<hr/>	
513	501,865
-	184,649
-	157,160
-	235,844
-	177,008
-	8,735
<hr/>	
-	763,396
<hr/>	
513	(261,531)
-	125,000
(772)	(20,287)
<hr/>	
(772)	104,713
<hr/>	
(259)	(156,818)
25,940	75,154
<hr/>	
<u>\$ 25,681</u>	<u>\$ (81,664)</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, 2010**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 192,938	\$ 192,938	\$ 220,747	\$ 27,809
Intergovernmental	40,000	40,000	40,000	-
Miscellaneous	1,000	1,000	278	(722)
<i>Total Revenues</i>	<u>233,938</u>	<u>233,938</u>	<u>261,025</u>	<u>27,087</u>
<b>EXPENDITURES</b>				
Personal services	124,888	124,888	119,950	4,938
Materials and services	25,408	29,408	38,927	(9,519)
Capital outlay	110,050	110,050	235,844	(125,794)
Debt service				
Principal	189,681	189,681	177,008	12,673
Interest	3,257	3,257	8,735	(5,478)
Contingency	1,820	1,820	-	1,820
<i>Total Expenditures</i>	<u>455,104</u>	<u>459,104</u>	<u>580,464</u>	<u>(121,360)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(221,166)	(225,166)	(319,439)	(94,273)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	189,681	189,681	-	(189,681)
Transfers in	-	125,000	125,000	-
Transfers out	(19,515)	(140,515)	(19,515)	121,000
<i>Total Other Financing Sources (Uses)</i>	<u>170,166</u>	<u>174,166</u>	<u>105,485</u>	<u>(68,681)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(51,000)	(51,000)	(213,954)	(162,954)
<b>FUND BALANCE, Beginning of year</b>	<u>51,000</u>	<u>51,000</u>	<u>49,214</u>	<u>(1,786)</u>
<b>FUND BALANCE (DEFICIT), End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (164,740)</u>	<u>\$ (164,740)</u>



**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – NW GATEWAY URBAN RENEWAL  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 30,000	\$ 30,000	\$ 82,830	\$ 52,830
Miscellaneous	5,106,400	5,106,400	571	(5,105,829)
<i>Total Revenues</i>	5,136,400	5,136,400	83,401	(5,052,999)
<b>EXPENDITURES</b>				
Personal services	26,166	26,166	24,184	1,982
Materials and services	3,281	3,281	1,588	1,693
Capital outlay	5,105,900	5,105,900	-	5,105,900
Contingency	1,053	1,053	-	1,053
<i>Total Expenditures</i>	5,136,400	5,136,400	25,772	5,110,628
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	57,629	57,629
<b>FUND BALANCE, Beginning of year</b>	-	-	-	-
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 57,629	\$ 57,629

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BANCROFT BOND FUND  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Miscellaneous	850	850	513	(337)
	<u>2,850</u>	<u>2,850</u>	<u>513</u>	<u>(2,337)</u>
<b>EXPENDITURES</b>				
Materials and services	26,000	26,000	-	26,000
Contingency	750	750	-	750
	<u>26,750</u>	<u>26,750</u>	<u>-</u>	<u>26,750</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(23,900)	(23,900)	513	24,413
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,100)	(2,100)	(772)	1,328
<b>NET CHANGE IN FUND BALANCE</b>	(26,000)	(26,000)	(259)	25,741
<b>FUND BALANCE, Beginning of year</b>	26,000	26,000	25,940	(60)
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,681</u>	<u>\$ 25,681</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BAIL REFUND FUND**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures	\$ 171,600	\$ 171,600	\$ 149,467	\$ (22,133)
Miscellaneous	13,400	13,400	7,459	(5,941)
<i>Total Revenues</i>	185,000	185,000	156,926	(28,074)
<b>EXPENDITURES</b>				
Materials and services	185,000	185,000	157,160	27,840
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	-	(234)	(234)
<b>FUND BALANCE, Beginning of year</b>	-	-	-	-
<b>FUND BALANCE (DEFICIT), End of year</b>	\$ -	\$ -	\$ (234)	\$ (234)

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

JUNE 30, 2010

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 140,209	\$ 360,007	\$ 63
Accounts receivable	389,883	-	-
Property taxes receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Current Assets</i>	530,092	360,007	63
<b>Noncurrent assets</b>			
Deferred charges	-	55,176	-
Nondepreciable capital assets	608,551	13,501	-
Other capital assets, net of depreciation	5,357,505	-	54,936
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	6,496,148	428,684	54,999
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	11,873	9	-
Deposits	123,815	-	-
Loan payable - current portion	-	-	-
Bonds payable - current portion	-	165,000	-
Compensated absences payable - current portion	18,139	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Current Liabilities</i>	153,827	165,009	-
<b>Noncurrent liabilities</b>			
Loans payable	-	-	-
Bonds payable	-	2,250,000	-
Compensated absences payable	70,985	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Noncurrent Liabilities</i>	70,985	2,250,000	-
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	5,966,056	(2,401,499)	54,936
Unrestricted	305,280	415,174	63
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 6,271,336</u>	<u>\$ (1,986,325)</u>	<u>\$ 54,999</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ 439,377	\$ 267,454	\$ 363	\$ 1,207,473
-	453,452	-	-	843,335
-	1,107	-	-	1,107
-	893,936	267,454	363	2,051,915
-	-	113,287	-	168,463
-	494,591	41,517	-	1,158,160
-	23,583,875	-	-	28,996,316
-	24,972,402	422,258	363	32,374,854
-	53,191	194	-	65,267
-	-	-	-	123,815
-	-	254,671	-	254,671
-	-	410,309	-	575,309
443	14,408	-	-	32,990
443	67,599	665,174	-	1,052,052
-	-	3,659,690	-	3,659,690
-	-	5,022,417	-	7,272,417
551	58,077	-	-	129,613
551	58,077	8,682,107	-	11,061,720
-	24,078,466	(9,305,570)	-	18,392,389
(994)	768,260	380,547	363	1,868,693
\$ (994)	\$ 24,846,726	\$ (8,925,023)	\$ 363	\$ 20,261,082

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**ALL PROPRIETARY FUND DEPARTMENTS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,674,739	\$ -	\$ -
Intergovernmental	-	-	-
Miscellaneous	135,972	275	87
<i>Total Operating Revenues</i>	2,810,711	275	87
<b>OPERATING EXPENSES</b>			
Personal services	782,715	93,418	-
Materials and services	-	269,615	-
Capital outlay/depreciation	254,026	-	5,317
<i>Total Operating Expenses</i>	1,036,741	363,033	5,317
<b>OPERATING INCOME (LOSS)</b>	1,773,970	(362,758)	(5,230)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers in	255,638	722,177	33,385
Transfers out	(1,701,833)	(18,514)	-
Interest income	6,670	2,467	-
Interest expense	-	(90,788)	-
<i>Total Nonoperating Revenue (Expenses)</i>	(1,439,525)	615,342	33,385
<b>CHANGE IN NET ASSETS</b>	334,445	252,584	28,155
<b>NET ASSETS (DEFICIT), Beginning of year</b>	5,936,891	(2,238,909)	26,844
<b>NET ASSETS (DEFICIT), End of year</b>	\$ 6,271,336	\$ (1,986,325)	\$ 54,999

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ 3,427,779	\$ -	\$ -	\$ 6,102,518
-	-	205,486	-	205,486
-	52,385	4,394	102	193,215
-	3,480,164	209,880	102	6,501,219
-	689,982	78,046	-	1,644,161
-	-	275,756	5	545,376
-	748,118	-	-	1,007,461
-	1,438,100	353,802	5	3,196,998
-	2,042,064	(143,922)	97	3,304,221
-	1,986,045	1,301,978	-	4,299,223
(994)	(2,411,108)	(2,273,844)	-	(6,406,293)
-	3,200	7,435	5	19,777
-	-	(431,185)	-	(521,973)
(994)	(421,863)	(1,395,616)	5	(2,609,266)
(994)	1,620,201	(1,539,538)	102	694,955
-	23,226,525	(7,385,485)	261	19,566,127
\$ (994)	\$ 24,846,726	\$ (8,925,023)	\$ 363	\$ 20,261,082

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WATER DEPARTMENT  
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 2,717,000	\$ 2,717,000	\$ 2,656,404	\$ 2,674,739
Miscellaneous	189,850	189,850	168,765	142,642
<i>Total Revenues</i>	2,906,850	2,906,850	2,825,169	2,817,381
<b>EXPENSES</b>				
Personal services	878,377	878,377	781,355	782,715
Materials and services	350,536	350,536	361,467	-
Capital outlay/depreciation	18,985	18,985	19,513	254,026
Contingency	147,880	147,880	-	-
<i>Total Expenses</i>	1,395,778	1,395,778	1,162,335	1,036,741
<b>REVENUES OVER (UNDER) EXPENSES</b>				
	1,511,072	1,511,072	1,662,834	1,780,640
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	255,638
Transfers out	(1,671,572)	(1,671,572)	(1,673,765)	(1,701,833)
<b>NET CHANGE IN NET ASSETS</b>	(160,500)	(160,500)	(10,931)	334,445
<b>NET ASSETS, Beginning of year</b>	160,500	160,500	142,654	5,936,891
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 131,723	\$ 6,271,336



**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WATER CAPITAL IMPROVEMENT DEPARTMENT  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 19,000	\$ 19,000	\$ 2,742	\$ 2,742
<b>EXPENSES</b>				
Personal services	96,186	96,186	93,418	93,418
Materials and services	80,542	80,542	4,287	269,615
Capital outlay/depreciation	505,000	505,000	272,392	-
Debt service				
Principal	160,000	160,000	160,000	-
Interest	90,788	90,788	90,788	90,788
Contingency	2,758	2,758	-	-
<i>Total Expenses</i>	<u>935,274</u>	<u>935,274</u>	<u>620,885</u>	<u>453,821</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(916,274)	(916,274)	(618,143)	(451,079)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	714,788	714,788	714,788	722,177
Transfers out	(18,514)	(18,514)	(18,514)	(18,514)
<i>Total Other Financing Sources (Uses)</i>	<u>696,274</u>	<u>696,274</u>	<u>696,274</u>	<u>703,663</u>
<b>NET CHANGE IN NET ASSETS</b>	(220,000)	(220,000)	78,131	252,584
<b>NET ASSETS, Beginning of year</b>	<u>220,000</u>	<u>220,000</u>	<u>281,867</u>	<u>(2,238,909)</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,998</u>	<u>\$ (1,986,325)</u>

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
SMALL WATER LINE DEPARTMENT  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 87	\$ 87
<b>EXPENSES</b>				
Capital outlay/depreciation	-	-	-	5,317
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	-	-	87	(5,230)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	33,385
<b>NET CHANGE IN NET ASSETS</b>	-	-	87	28,155
<b>NET ASSETS, Beginning of year</b>	-	-	(24)	26,844
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 63	\$ 54,999

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
STORM DRAIN UTILITY DEPARTMENT  
YEAR ENDED JUNE 30, 2010**

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	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENSES</b>	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	-	(994)
<b>NET ASSETS, Beginning of year</b>	-	-	(994)	-
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (994)</u>	<u>\$ (994)</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WASTEWATER DEPARTMENT  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 3,319,000	\$ 3,319,000	\$ 3,403,469	\$ 3,427,779
Miscellaneous	100,500	100,500	55,586	55,585
<i>Total Revenues</i>	3,419,500	3,419,500	3,459,055	3,483,364
<b>EXPENSES</b>				
Personal services	731,262	731,262	677,663	689,982
Materials and services	269,717	269,717	243,642	-
Capital outlay/depreciation	56,250	56,250	57,644	748,118
Contingency	223,021	223,021	-	-
<i>Total Expenses</i>	1,280,250	1,280,250	978,949	1,438,100
<b>REVENUES OVER (UNDER) EXPENSES</b>	2,139,250	2,139,250	2,480,106	2,045,264
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	1,986,045
Transfers out	(2,396,750)	(2,396,750)	(2,411,108)	(2,411,108)
<b>NET CHANGE IN NET ASSETS</b>	(257,500)	(257,500)	68,998	1,620,201
<b>NET ASSETS, Beginning of year</b>	257,500	257,500	317,188	23,226,525
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 386,186	\$ 24,846,726

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WASTEWATER CAPITAL IMPROVEMENT DEPARTMENT  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 205,486	\$ 205,486
Miscellaneous	16,250	16,250	11,829	11,829
<i>Total Revenues</i>	166,250	166,250	217,315	217,315
<b>EXPENSES</b>				
Personal services	79,179	79,179	78,045	78,046
Materials and services	60,058	60,058	80,838	275,756
Capital outlay/depreciation	1,061,250	1,061,250	561,759	-
Debt service				
Principal	608,338	608,338	625,610	-
Interest	390,640	390,640	431,185	431,185
Contingency	11,314	11,314	-	-
<i>Total Expenses</i>	2,210,779	2,210,779	1,777,437	784,987
<b>REVENUES OVER (UNDER) EXPENSES</b>	(2,044,529)	(2,044,529)	(1,560,122)	(567,672)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,301,978	1,301,978	1,301,978	1,301,978
Transfers out	(20,449)	(20,449)	(20,449)	(2,273,844)
<i>Total Other Financing Sources (Uses)</i>	1,281,529	1,281,529	1,281,529	(971,866)
<b>NET CHANGE IN NET ASSETS</b>	(763,000)	(763,000)	(278,593)	(1,539,538)
<b>NET ASSETS, Beginning of year</b>	763,000	763,000	545,855	(7,385,485)
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 267,262	\$ (8,925,023)

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
RAILROAD DEPARTMENT  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
<b>REVENUES</b>				
Miscellaneous	\$ 110	\$ 110	\$ 107	\$ 107
<b>EXPENSES</b>				
Materials and services	220	220	5	5
<b>REVENUES OVER (UNDER) EXPENSES</b>	(110)	(110)	102	102
<b>NET ASSETS, Beginning of year</b>	110	110	261	261
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 363	\$ 363

***OTHER SCHEDULES***

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2010**

<b>Tax Year</b>	<b>Uncollected Balances July 1, 2009</b>	<b>2009-2010 Levy</b>	<b>Added To Rolls</b>	<b>Interest, Discounts &amp; Adjustments</b>	<b>Turnovers</b>	<b>Uncollected Balances June 30, 2010</b>
2009-10	\$ -	\$ 6,755,155	\$ 867	\$ (191,806)	\$ (6,272,891)	\$ 291,325
2008-09	328,296	-	-	(15,825)	(150,617)	161,854
2007-08	122,232	-	-	(4,054)	(52,670)	65,508
2006-07	46,966	-	-	(791)	(21,211)	24,964
2005-06	18,158	-	-	(774)	(10,983)	6,401
2004-05	4,557	-	-	(605)	(152)	3,800
2003-04	1,725	-	-	(457)	(96)	1,172
Prior Years	5,238	-	-	(88)	(639)	4,511
<b>Total</b>	<b>\$ 527,172</b>	<b>\$ 6,755,155</b>	<b>\$ 867</b>	<b>\$ (214,400)</b>	<b>\$ (6,509,259)</b>	<b>\$ 559,535</b>



**CITY OF LEBANON, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2010**

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
<b>PRINCIPAL TRANSACTIONS</b>			
Governmental Activities			
2000 GO Urban Renewal	4.75-6.000%	2000	2019-20
2002 GO Pension Pool	2.00-7.360%	2002	2027-28
2007 GO Refunding	4.00-5.000%	2007	2026-27
NWURD SPWF	4.00-4.375%	2007	2031-32
General Fund SPWF	3.77%	2007	2009-10
National Mortgage Loan	7.5%	2009	2010-11
Business-type Activities			
2000 Wastewater Revenue	4.70-5.700%	2000	2019-20
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	2019-20
2004 Water Refunding	2.00-4.200%	2004	2020-21
2007 Cannibal Project Financing	2.10-4.22%	2007	2021-22
2009 Wastewater CIP SRF Loan	2.93%	2009	2028-29
			<b>Unmatured Interest Outstanding July 1, 2009</b>
<b>BOND INTEREST TRANSACTIONS</b>			
Governmental Activities			
2000 GO Urban Renewal	4.75-6.000%	2000	\$ 1,431,628
2002 GO Pension Pool	2.00-7.360%	2002	2,314,571
2007 GO Refunding	4.00-5.000%	2007	10,074,512
NWURD SPWF	4.00-4.375%	2007	2,085,984
General Fund SPWF	3.77%	2007	945,945
National Mortgage Loan	7.5%	2009	24,001
Business-type Activities			
2000 Wastewater Revenue	4.70-5.700%	2000	844,076
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	634,777
2004 Water Refunding	2.00-4.200%	2004	704,755
2007 Cannibal Project Financing	2.10-4.22%	2007	1,277,140
2009 Wastewater CIP SRF Loan	2.93%	2009	315,218
			<u>\$ 20,652,607</u>

<i>Outstanding July 1, 2009</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2010</i>
\$ 3,665,000	\$ -	\$ (245,000)	\$ 3,420,000
1,984,770	-	(23,468)	1,961,302
18,945,000	-	(460,000)	18,485,000
3,520,636	-	(96,210)	3,424,426
1,779,833	-	(60,740)	1,719,093
177,008	-	(177,008)	-
2,300,000	-	(160,000)	2,140,000
2,610,000	-	(200,000)	2,410,000
2,575,000	-	(160,000)	2,415,000
4,162,698	-	(248,338)	3,914,360
900,000	-	(17,273)	882,727
<u>\$ 42,619,945</u>	<u>\$ -</u>	<u>\$ (1,848,037)</u>	<u>\$ 40,771,908</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Other Adjustments</i>	<i>Unmatured Interest June 30, 2010</i>
\$ -	\$ (215,393)	\$ -	\$ 1,216,235
-	(129,303)	-	2,185,268
-	(846,200)	-	9,228,312
-	(148,642)	-	1,937,342
-	(41,929)	-	904,016
-	(8,735)	(15,266)	-
-	(127,206)	-	716,870
-	(95,816)	-	538,961
-	(90,788)	-	613,967
-	(167,618)	-	1,109,522
-	(40,546)	-	274,672
<u>\$ -</u>	<u>\$ (1,912,176)</u>	<u>\$ (15,266)</u>	<u>\$ 18,725,165</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS**  
**JUNE 30, 2010**

<i>Fiscal Year</i>	<i>Ending</i>	<i>2000 GO Urban Renewal</i>			<i>2002 GO Pension Pool</i>		
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$	260,000	\$ 201,550	\$ 461,550	\$ 27,144	\$ 135,636	\$ 162,780
2012		275,000	186,600	461,600	27,634	140,146	167,780
2013		290,000	170,787	460,787	30,293	147,487	177,780
2014		310,000	154,112	464,112	30,290	152,490	182,780
2015		325,000	136,287	461,287	31,704	161,076	192,780
2016		345,000	117,600	462,600	32,796	169,984	202,780
2017		370,000	96,900	466,900	33,687	179,093	212,780
2018		390,000	74,700	464,700	32,872	184,908	217,780
2019		415,000	51,300	466,300	33,233	194,547	227,780
2020		440,000	26,399	466,399	51,648	186,132	237,780
2021		-	-	-	140,000	111,068	251,068
2022		-	-	-	160,000	101,478	261,478
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		-	-	-	150,001	10,284	160,285
2029		-	-	-	-	-	-
2030		-	-	-	-	-	-
2031		-	-	-	-	-	-
2032		-	-	-	-	-	-
		<u>\$ 3,420,000</u>	<u>\$ 1,216,235</u>	<u>\$ 4,636,235</u>	<u>\$ 1,961,302</u>	<u>\$ 2,185,268</u>	<u>\$ 4,146,570</u>

<i>2007 GO Refunding</i>			<i>NWURD SPWF</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 555,000	\$ 827,800	\$ 1,382,800	\$ 96,858	\$ 144,793	\$ 241,651
650,000	805,600	1,455,600	102,533	140,919	243,452
725,000	779,600	1,504,600	108,234	136,818	245,052
620,000	750,600	1,370,600	108,963	132,488	241,451
690,000	725,800	1,415,800	114,722	128,130	242,852
760,000	698,200	1,458,200	120,511	123,541	244,052
830,000	667,800	1,497,800	126,331	118,720	245,051
905,000	631,600	1,536,600	132,184	113,667	245,851
1,000,000	595,400	1,595,400	133,072	108,380	241,452
1,080,000	555,400	1,635,400	138,994	103,057	242,051
1,175,000	506,800	1,681,800	144,984	97,323	242,307
1,280,000	450,988	1,730,988	151,034	91,234	242,268
1,390,000	390,187	1,780,187	157,140	84,815	241,955
1,510,000	324,162	1,834,162	168,293	78,137	246,430
1,635,000	252,437	1,887,437	174,510	70,900	245,410
1,775,000	170,688	1,945,688	180,801	63,265	244,066
1,905,000	95,250	2,000,250	187,149	55,355	242,504
-	-	-	198,555	47,167	245,722
-	-	-	205,023	38,481	243,504
-	-	-	216,556	29,511	246,067
-	-	-	223,155	20,367	243,522
-	-	-	234,824	10,274	245,098
<b>\$ 18,485,000</b>	<b>\$ 9,228,312</b>	<b>\$ 27,713,312</b>	<b>\$ 3,424,426</b>	<b>\$ 1,937,342</b>	<b>\$ 5,361,768</b>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)**  
**JUNE 30, 2010**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>General Fund SPWF</i>			<i>2003 Wastewater Revenue Refunding</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 61,062	\$ 75,396	\$ 136,458	\$ 210,000	\$ 89,816	\$ 299,816
2012	61,394	73,565	134,959	210,000	83,329	293,329
2013	66,735	71,723	138,458	220,000	76,294	296,294
2014	67,146	69,387	136,533	225,000	68,319	293,319
2015	72,571	67,037	139,608	235,000	60,163	295,163
2016	73,074	64,134	137,208	245,000	51,627	296,627
2017	78,597	61,211	139,808	255,000	42,563	297,563
2018	79,141	58,067	137,208	260,000	32,850	292,850
2019	84,707	54,902	139,609	270,000	22,450	292,450
2020	85,332	51,302	136,634	280,000	11,550	291,550
2021	91,022	47,462	138,484	-	-	-
2022	91,663	43,821	135,484	-	-	-
2023	97,496	39,237	136,733	-	-	-
2024	103,371	34,363	137,734	-	-	-
2025	109,105	30,228	139,333	-	-	-
2026	115,061	24,773	139,834	-	-	-
2027	121,114	18,732	139,846	-	-	-
2028	127,169	12,676	139,845	-	-	-
2029	133,333	6,000	139,333	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 1,719,093</u>	<u>\$ 904,016</u>	<u>\$ 2,623,109</u>	<u>\$ 2,410,000</u>	<u>\$ 538,961</u>	<u>\$ 2,948,961</u>



**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)**  
**JUNE 30, 2010**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2007 Cannibal Project Financing</i>			<i>2009 Water CIP SRF Loan</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 254,671	\$ 161,285	\$ 415,956	\$ 35,309	\$ 25,607	\$ 60,916
2012	265,531	150,425	415,956	36,351	24,565	60,916
2013	276,853	139,103	415,956	37,424	23,492	60,916
2014	288,659	127,297	415,956	38,528	22,388	60,916
2015	300,968	114,988	415,956	39,666	21,250	60,916
2016	313,802	102,154	415,956	40,837	20,079	60,916
2017	327,184	88,772	415,956	42,042	18,874	60,916
2018	341,136	74,820	415,956	43,283	17,633	60,916
2019	355,683	60,273	415,956	44,560	16,356	60,916
2020	370,850	45,106	415,956	45,875	15,041	60,916
2021	386,664	28,412	415,076	47,229	13,687	60,916
2022	432,359	16,887	449,246	48,623	12,293	60,916
2023	-	-	-	50,058	10,858	60,916
2024	-	-	-	51,535	9,381	60,916
2025	-	-	-	53,056	7,860	60,916
2026	-	-	-	54,623	6,293	60,916
2027	-	-	-	56,235	4,681	60,916
2028	-	-	-	57,895	3,021	60,916
2029	-	-	-	59,598	1,313	60,911
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 3,914,360</u>	<u>\$ 1,109,522</u>	<u>\$ 5,023,882</u>	<u>\$ 882,727</u>	<u>\$ 274,672</u>	<u>\$ 1,157,399</u>

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<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 1,830,044	\$ 1,867,531	\$ 3,697,575
2012	1,968,443	1,797,638	3,766,081
2013	2,114,539	1,723,455	3,837,994
2014	2,063,586	1,639,696	3,703,282
2015	2,199,631	1,560,561	3,760,192
2016	2,341,020	1,474,829	3,815,849
2017	2,497,841	1,381,793	3,879,634
2018	2,638,616	1,274,695	3,913,311
2019	2,816,255	1,167,393	3,983,648
2020	2,992,699	1,034,136	4,026,835
2021	2,219,899	819,977	3,039,876
2022	2,408,679	721,826	3,130,505
2023	1,879,694	615,615	2,495,309
2024	2,038,199	523,888	2,562,087
2025	2,206,671	425,227	2,631,898
2026	2,385,485	313,311	2,698,796
2027	2,564,498	204,500	2,768,998
2028	533,620	73,148	606,768
2029	397,954	45,794	443,748
2030	216,556	29,511	246,067
2031	223,155	20,367	243,522
2032	234,824	10,274	245,098
	<u>\$ 40,771,908</u>	<u>\$ 18,725,165</u>	<u>\$ 59,497,073</u>



***COMPLIANCE SECTION***



## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

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

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

We have audited the basic financial statements of the City of Lebanon, Oregon as of and for the year ended June 30, 2010, and have issued our report thereon dated February 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of Lebanon, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for overexpenditures of appropriations and deficit fund balances as disclosed in the notes to the basic financial statements.

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.


Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did issue a separate significant deficiency letter to management dated February 18, 2011.

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

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

By:   
Charles A. Swank, A Shareholder  
February 18, 2011