



CITY OF LEBANON

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CITY OF LEBANON
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2013



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

330 Washington Street SW | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

CITY OF LEBANON
Linn County, Oregon

CITY OFFICIALS

June 30, 2013

MAYOR

Paul Aziz
(Term began 1/1/13)
312 E. Sherman Street
Lebanon, Oregon 97355

Ken Toombs
(Term expired 12/31/12)
1299 Franklin Street
Lebanon, Oregon 97355

CITY COUNCIL

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97355

Floyd Fisher
170 S. 2nd Street
Lebanon, Oregon 97355

Rebecca Grizzle
(Term began 1/1/13)
333 E. Ash Street
Lebanon, Oregon 97355

Barry Scott
(Term began 1/1/13)
1620 W. Airway Road
Lebanon, Oregon 97355

Ray Weldon
(Term expired 12/31/12)
1610 S. 4th Street
Lebanon, Oregon 97355

Margaret Campbell
(Term expired 12/31/12)
701 N. 5th Street
Lebanon, Oregon 97355

Bob Elliott
795 Binshadler Street
Lebanon, Oregon 97355

Jason Bolen
(Term began 1/1/13)
3426 Duck Place
Lebanon, Oregon 97355

Ron Miller
(Term expired 12/31/12)
1115 Franklin Street
Lebanon, Oregon 97355

CITY MANAGER

Jon Nelson, Interim

Dana Hlavac *(Hired as of 8/26/13)*

CITY OF LEBANON
Linn County, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Paul Aziz, Mayor
And Members of the City Council
City of Lebanon
Lebanon, Oregon 97355

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Lebanon, Linn County, Oregon as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Lebanon, Linn County, Oregon as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 54 through 60 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 management's discussion and analysis 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The individual fund schedules and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic 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 basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 6, 2013 on our tests of the City's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC



By: _____
Kori L. Sarrett, CPA

Albany, Oregon
December 6, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the City of Lebanon, Linn County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2013, total net position of the City of Lebanon amounted to \$51,135,094. Of this amount, \$33,279,008 was invested in capital assets, net of related debt. The remaining balance included \$10,489,164 restricted for various purposes and \$7,366,922 of unrestricted net position.
- The City's total net position increased by \$211,051 during the current fiscal year.
- Overall revenues were \$22,955,841, which exceeded total expenditures of \$22,744,790 by \$211,051.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Lebanon's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, culture and recreation, and community planning and development.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The business-type activities of the City include water, sewer and storm drainage services. The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of the City of Lebanon can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City's near-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 the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, Special Assessment, Northwest Urban Renewal District, Cheadle Lake Urban Renewal District, North Gateway Urban Renewal District, Debt Service, and Capital Projects Funds, all of which are considered to be major governmental funds.

The City of Lebanon adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains one enterprise fund.

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, sewer and storm drain utility operations.

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

□ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is the same as that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 53 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General, Special Revenue, Special Assessment, Northwest Urban Renewal, Cheadle Lake Urban Renewal, and North Gateway Urban Renewal Funds. This required supplementary information can be found on pages 54 through 60 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 61 through 65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$51,135,094, at the close of the most recent fiscal year. This was an increase in net assets of 0.41%.

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Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these 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 this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net position

At the end of the current fiscal year, the City was able to report positive balances in all categories of net position. The City's net position increased by \$211,051 during the current fiscal year even though the City experienced a decrease in property tax revenue.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets	\$ 2,320,561	\$ 13,612,113	\$ 4,212,367	\$ 3,462,023	\$ 6,532,928	\$ 17,074,136
Restricted assets	10,722,549	134,445	-	-	10,722,549	134,445
Noncurrent assets	2,475,009	2,298,028	226,639	245,304	2,701,648	2,543,332
Net capital assets	35,909,457	38,380,706	37,433,543	36,522,308	73,343,000	74,903,014
Total assets	51,427,576	54,425,292	41,872,549	40,229,635	93,300,125	94,654,927
Liabilities						
Current liabilities	2,436,593	1,814,967	1,381,039	1,474,129	3,817,632	3,289,096
Noncurrent liabilities	25,370,196	26,523,072	12,977,203	13,918,716	38,347,399	40,441,788
Total liabilities	27,806,789	28,338,039	14,358,242	15,392,845	42,165,031	43,730,884
Net position						
Net investment in capital assets	9,734,594	10,867,271	23,544,414	21,784,740	33,279,008	32,652,011
Restricted	10,117,153	11,651,475	372,011	372,011	10,489,164	12,023,486
Unrestricted	3,769,040	3,568,507	3,597,882	2,680,039	7,366,922	6,248,546
Total net position	\$ 23,620,787	\$ 26,087,253	\$ 27,514,307	\$ 24,836,790	\$ 51,135,094	\$ 50,924,043

City's Changes in Net position

The condensed statement of activities information shown on the following page explains changes in net position.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for services	\$ 466,247	\$ 2,287,842	\$ 9,382,741	\$ 8,304,690	\$ 9,848,988	\$ 10,592,532
Operating grants and contributions	342,783	431,089	-	-	342,783	431,089
Capital grants and contributions	-	174,335	-	-	-	174,335
Total program revenues	809,030	2,893,266	9,382,741	8,304,690	10,191,771	11,197,956
General revenues						
Property taxes - general	4,841,894	7,147,312	-	19,755	4,841,894	7,167,067
Property taxes - debt service	2,938,540	1,372,602	-	-	2,938,540	1,372,602
Franchise taxes	1,898,832	1,458,442	-	-	1,898,832	1,458,442
Motor fuel taxes	854,197	-	-	-	854,197	-
Alcohol/cigarette taxes	230,329	-	-	-	230,329	-
Transient room taxes	30,162	-	-	-	30,162	-
Intergovernmental	164,930	380,371	-	-	164,930	380,371
Fines and forfeitures	725,630	-	56,588	-	782,218	-
Unrestricted grants and contributions	61,605	-	-	-	61,605	-
Investment income	93,658	-	4,813	-	98,471	-
Gain on disposal of assets	62,516	63,090	-	-	62,516	63,090
Miscellaneous revenue	669,851	183,769	130,525	131,630	800,376	315,399
Total general revenues	12,572,144	10,605,586	191,926	151,385	12,764,070	10,756,971
Total revenues	13,381,174	13,498,852	9,574,667	8,456,075	22,955,841	21,954,927
Program expenses						
General Government	10,193,601	2,492,201	-	-	10,193,601	2,492,201
Public Safety	4,507,518	4,237,377	-	-	4,507,518	4,237,377
Highways and streets	711,593	12,827	-	-	711,593	12,827
Culture and recreation	1,629,143	-	-	-	1,629,143	-
Community planning and dev.	486,140	8,692,710	-	-	486,140	8,692,710
Interest on long-term debt	1,070,600	1,058,118	-	-	1,070,600	1,058,118
Water	-	-	1,555,413	1,030,323	1,555,413	1,030,323
Wastewater	-	-	2,439,795	1,649,129	2,439,795	1,649,129
Storm Drainage	-	-	150,987	73,141	150,987	73,141
Total program expenses	18,598,595	16,493,233	4,146,195	2,752,593	22,744,790	19,245,826
Transfers	2,750,955	3,118,115	(2,750,955)	(3,118,115)	-	-
Change in net position	(2,466,466)	123,734	2,677,517	2,585,367	211,051	2,709,101
Net position -						
beginning of year, as restated	26,087,253	25,963,519	24,836,790	22,251,423	50,924,043	48,214,942
Net position - end of year	\$ 23,620,787	\$ 26,087,253	\$ 27,514,307	\$ 24,836,790	\$ 51,135,094	\$ 50,924,043

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE CITY'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 near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$10,832,496, a decrease of \$824,340 from the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund amounted to \$750,271, a decrease of \$251,011 over the prior year.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the proprietary fund amounted to \$27,214,307 at year-end. Of this amount, \$23,544,414 was invested in capital assets net of related debt, \$372,011 restricted for debt service, and the remaining balance of \$3,597,882 was unrestricted.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts; one approved supplemental budget and two approved appropriation changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Lebanon's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounted to \$35,909,457 and \$37,433,543 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, equipment, and vehicles. Total depreciation expense related to the City's investment in capital assets for its governmental and business-type activities amounted to \$3,534,186 and \$1,058,855, respectively.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Major capital assets activities during the year included completion of the following projects:

- Wastewater treatment plant clarifier
- 5th Street reservoir
- Water/Sewer intercept
- Rose Street sewer improvements

Additional information on the City's capital assets can be found in Note III-D on pages 37 through 40 of this report.

Long-Term Liabilities

At the end of the current fiscal year, the City had total debt outstanding of \$40,063,991. This amount is comprised of debt backed by general obligation bonds, revenue bonds, notes and loans payable. The City's total debt decreased by \$2,434,773 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note III-G on pages 41 through 47 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the City was aware of the following circumstances that could affect its future financial health:

- Unknown options for health insurance coverage and costs due to health care reform both nationally and in the State of Oregon, create some concern as to costs, administration, and future options.
- Even with changes made in PERS by the latest reforms, future PERS rate increases are expected.
- Property tax revenue has decreased. It is hoped for and anticipated that with economic stabilization this will also stabilize.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,225,810	\$ 2,992,709	\$ 4,218,519
Receivables, net - current portion	658,670	1,217,366	1,876,036
Property taxes receivable	319,547	-	319,547
Special assessments receivable	13,572	-	13,572
Prepaid expenses	102,962	2,292	105,254
Total current assets	2,320,561	4,212,367	6,532,928
Restricted assets			
Cash and investments	10,016,444	-	10,016,444
Receivables, net	146,959	-	146,959
Special assessments receivable	198,183	-	198,183
Property taxes receivable	360,963	-	360,963
Total restricted assets	10,722,549	-	10,722,549
Receivables, net - less current portion	863,383	-	863,383
Deferred charges - bond issuance costs	-	226,639	226,639
Net pension asset	1,611,626	-	1,611,626
Capital assets, net of accumulated depreciation	35,909,457	37,433,543	73,343,000
Total assets	51,427,576	41,872,549	93,300,125
LIABILITIES			
Current liabilities			
Accounts payable	161,555	48,278	209,833
Payroll liabilities	817,947	-	817,947
Accrued interest payable	215,510	106,408	321,918
Compensated absences payable, current portion	53,476	9,891	63,367
Deposits payable	14,206	248,430	262,636
Long-term liabilities, current portion	1,173,899	968,032	2,141,931
Total current liabilities	2,436,593	1,381,039	3,817,632
Noncurrent liabilities			
Long-term liabilities, less current portion	25,000,964	12,921,097	37,922,061
Compensated absences payable, less current portion	369,232	56,106	425,338
Total noncurrent liabilities	25,370,196	12,977,203	38,347,399
Total liabilities	27,806,789	14,358,242	42,165,031

(Continued)

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2013

(Continued)

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 9,734,594	\$ 23,544,414	\$ 33,279,008
Restricted for:			
Debt service	242,722	372,011	614,733
Capital improvements	4,113,950	-	4,113,950
Urban renewal	4,517,628	-	4,517,628
Grant projects	1,242,853	-	1,242,853
Unrestricted	3,769,040	3,597,882	7,366,922
Total net position	\$ 23,620,787	\$ 27,514,307	\$ 51,135,094

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General Government	\$ 10,193,601	\$ 411,542	\$ 226,710	\$ -	\$ (9,555,349)	\$ -	\$ (9,555,349)
Public Safety	4,507,518	-	-	-	(4,507,518)	-	(4,507,518)
Highways and streets	711,593	-	17,360	-	(694,233)	-	(694,233)
Culture and recreation	1,629,143	54,705	98,713	-	(1,475,725)	-	(1,475,725)
Community planning and development	486,140	-	-	-	(486,140)	-	(486,140)
Interest on long-term debt	1,070,600	-	-	-	(1,070,600)	-	(1,070,600)
Total governmental activities	<u>\$ 18,598,595</u>	<u>\$ 466,247</u>	<u>\$ 342,783</u>	<u>\$ -</u>	<u>(17,789,565)</u>	<u>-</u>	<u>(17,789,565)</u>
Business-type activities							
Water	\$ 1,555,413	\$ 4,231,975	\$ -	\$ -	-	2,676,562	2,676,562
Wastewater	2,439,795	4,753,165	-	-	-	2,313,370	2,313,370
Storm Drainage	150,987	397,601	-	-	-	246,614	246,614
Total business-type activities	<u>\$ 4,146,195</u>	<u>\$ 9,382,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>5,236,546</u>	<u>5,236,546</u>
General revenues							
Property taxes levied for general purposes					4,841,894	-	4,841,894
Property taxes levied for debt service					2,938,540	-	2,938,540
Franchise taxes					1,898,832	-	1,898,832
Motor fuel taxes					854,197	-	854,197
Alcohol/cigarette taxes					230,329	-	230,329
Transient room taxes					30,162	-	30,162
Intergovernmental					164,930	-	164,930
Fines and forfeitures					725,630	56,588	782,218
Unrestricted grants and contributions					61,605	-	61,605
Investment income					93,658	4,813	98,471
Gain on disposal of assets					62,516	-	62,516
Miscellaneous revenue					669,851	130,525	800,376
Total general revenues					<u>12,572,144</u>	<u>191,926</u>	<u>12,764,070</u>
Transfers					2,750,955	(2,750,955)	-
Change in net position					(2,466,466)	2,677,517	211,051
Net position - beginning, as restated					26,087,253	24,836,790	50,924,043
Net position - ending					<u>\$ 23,620,787</u>	<u>\$ 27,514,307</u>	<u>\$ 51,135,094</u>

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

CITY OF LEBANON
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

	June 30, 2013			
	General Fund	Special Revenue Fund	Special Assessment Fund	Northwest Urban Renewal District
ASSETS				
Cash and investments	\$ 1,225,810	\$ 1,231,907	\$ 31,462	\$ 4,391,764
Accounts receivable	238,670	146,959	-	-
Property taxes receivable	319,547	-	-	189,807
Loans receivable	13,572	3,078	-	2,072
Court fines receivable	1,350,929	-	-	-
Prepaid and other expenses	<u>102,412</u>	<u>2,319</u>	<u>550</u>	<u>-</u>
Total assets	<u>\$ 3,250,940</u>	<u>\$ 1,384,263</u>	<u>\$ 32,012</u>	<u>\$ 4,583,643</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 37,957	\$ 52,575	\$ -	\$ 64,984
Payroll liabilities	<u>811,972</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>849,929</u>	<u>52,575</u>	<u>-</u>	<u>64,984</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	299,811	3,078	550	174,492
Unavailable revenue - court fines	<u>1,350,929</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>1,650,740</u>	<u>3,078</u>	<u>550</u>	<u>174,492</u>
Fund balances				
Restricted for:				
Grant projects	-	1,242,853	-	-
Capital improvements	-	-	31,462	-
Urban renewal	-	-	-	4,344,167
Debt service	-	-	-	-
Committed for insurance costs	24,931	85,757	-	-
Assigned for petty cash	1,800	-	-	-
Unassigned	<u>723,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>750,271</u>	<u>1,328,610</u>	<u>31,462</u>	<u>4,344,167</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,250,940</u>	<u>\$ 1,384,263</u>	<u>\$ 32,012</u>	<u>\$ 4,583,643</u>

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

Cheadle Lake Urban Renewal District	North Gateway Urban Renewal District	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 115,511	\$ 49,392	\$ 107,881	\$ 4,088,527	\$ 11,242,254
-	-	-	-	385,629
21,405	14,910	134,841	-	680,510
-	-	-	193,033	211,755
-	-	-	-	1,350,929
-	-	-	-	105,281
<u>\$ 136,916</u>	<u>\$ 64,302</u>	<u>\$ 242,722</u>	<u>\$ 4,281,560</u>	<u>\$ 13,976,358</u>
\$ -	\$ -	\$ -	\$ 6,039	\$ 161,555
-	-	-	-	811,972
-	-	-	6,039	973,527
18,514	9,243	120,685	193,033	819,406
-	-	-	-	1,350,929
<u>18,514</u>	<u>9,243</u>	<u>120,685</u>	<u>193,033</u>	<u>2,170,335</u>
-	-	-	-	1,242,853
-	-	-	4,082,488	4,113,950
118,402	55,059	-	-	4,517,628
-	-	122,037	-	122,037
-	-	-	-	110,688
-	-	-	-	1,800
-	-	-	-	723,540
<u>118,402</u>	<u>55,059</u>	<u>122,037</u>	<u>4,082,488</u>	<u>10,832,496</u>
<u>\$ 136,916</u>	<u>\$ 64,302</u>	<u>\$ 242,722</u>	<u>\$ 4,281,560</u>	<u>\$ 13,976,358</u>

CITY OF LEBANON
Linn County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2013

Total fund balances		\$ 10,832,496
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	90,607,977	
Accumulated depreciation	<u>(54,698,520)</u>	35,909,457
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		819,406
Court fines and fees are recognized as revenue in the net position of governmental activities when the fines are assessed; however, in the governmental fund statements, they are recognized when available to be used for current year operations		1,350,929
The net pension asset is not available to pay current period expenditures and is therefore deferred in the governmental funds		1,611,626
Allowance for uncollectible receivables is recognized in the net position of the governmental activities; however, in the fund financial statements, the accounts are offset by deferred inflows.		(67,546)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(215,510)	
Compensated absences payable	(422,708)	
Bonds payable, including premiums and issuance costs	(20,611,231)	
Notes payable	(5,563,632)	
Long-term payroll payable	<u>(22,500)</u>	<u>(26,835,581)</u>
Net position of governmental activities		<u>\$ 23,620,787</u>

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Special Assessment Fund	Northwest Urban Renewal District
REVENUES				
Property taxes	\$ 3,930,774	\$ -	\$ -	\$ 1,705,774
Liquor taxes	208,151	-	-	-
Cigarette taxes	22,178	-	-	-
Franchise taxes	1,897,508	1,324	-	-
Transient room taxes	-	33,114	-	-
Fees and charges	-	467,096	-	-
Intergovernmental	2,664	944,185	-	-
State revenue sharing	161,978	-	-	-
Licenses and permits	7,623	75	-	-
Forfeiture revenue	283,187	29,280	-	-
Fines	138,019	-	-	-
Grants and contributions	-	256,603	-	-
Investment earnings	52,960	1,943	-	17,693
Miscellaneous	185,176	98,471	-	-
Total revenues	6,890,218	1,832,091	-	1,723,467
EXPENDITURES				
Current				
General government	1,827,404	2,426,639	-	125,237
Public Safety	4,340,271	41,042	-	-
Highways and streets	-	654,595	-	-
Culture and recreation	1,091,113	333,435	-	-
Community planning	266,144	207,796	-	-
Debt service	138,458	-	-	631,592
Capital outlay	57,616	264,702	-	1,727,287
Total expenditures	7,721,006	3,928,209	-	2,484,116
Excess (deficiency) of revenues over expenditures	(830,788)	(2,096,118)	-	(760,649)
OTHER FINANCING SOURCES (USES)				
Sale of assets	62,516	-	-	-
Transfers in	1,147,202	2,681,684	-	160,286
Transfers out	(629,941)	(428,476)	-	(401,840)
Total other financing sources (uses)	579,777	2,253,208	-	(241,554)
Net change in fund balances	(251,011)	157,090	-	(1,002,203)
Fund balances - beginning, as restated	1,001,282	1,171,520	31,462	5,346,370
Fund balances - ending	\$ 750,271	\$ 1,328,610	\$ 31,462	\$ 4,344,167

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

Cheadle Lake Urban Renewal District	North Gateway Urban Renewal District	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 274,965	\$ 207,764	\$ 1,586,826	\$ -	\$ 7,706,103
-	-	-	-	208,151
-	-	-	-	22,178
-	-	-	-	1,898,832
-	-	-	-	33,114
-	-	-	235,607	702,703
-	-	-	-	946,849
-	-	-	-	161,978
-	-	-	-	7,698
-	-	-	-	312,467
-	-	-	-	138,019
-	-	-	55,133	311,736
2,760	1,848	1,688	14,421	93,313
-	-	162,320	8,939	454,906
<u>277,725</u>	<u>209,612</u>	<u>1,750,834</u>	<u>314,100</u>	<u>12,998,047</u>
-	18,981	-	728	4,398,989
-	-	-	7,547	4,388,860
-	-	-	10,885	665,480
38,922	-	-	62,763	1,526,233
-	-	-	59	473,999
-	291,232	1,666,870	-	2,728,152
-	-	-	404,540	2,454,145
<u>38,922</u>	<u>310,213</u>	<u>1,666,870</u>	<u>486,522</u>	<u>16,635,858</u>
<u>238,803</u>	<u>(100,601)</u>	<u>83,964</u>	<u>(172,422)</u>	<u>(3,637,811)</u>
-	-	-	-	62,516
-	-	-	398,200	4,387,372
<u>(124,804)</u>	<u>(13,826)</u>	<u>-</u>	<u>(37,530)</u>	<u>(1,636,417)</u>
<u>(124,804)</u>	<u>(13,826)</u>	<u>-</u>	<u>360,670</u>	<u>2,813,471</u>
113,999	(114,427)	83,964	188,248	(824,340)
<u>4,403</u>	<u>169,486</u>	<u>38,073</u>	<u>3,894,240</u>	<u>11,656,836</u>
<u>\$ 118,402</u>	<u>\$ 55,059</u>	<u>\$ 122,037</u>	<u>\$ 4,082,488</u>	<u>\$ 10,832,496</u>

CITY OF LEBANON
Linn County, Oregon

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Net change in fund balances		\$ (824,340)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for capital assets	420,055	
Depreciation expense recorded in current year	(3,534,186)	(3,114,131)
<p>Governmental funds report current period PERS lump sum payments to finance an estimated unfunded actuarial liability as an expenditure; however, in the statement of activities, this payment is capitalized and amortized over the life of the unfunded liability</p>		
		(59,897)
<p>Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Debt principal paid	1,338,572	
Accrued interest payable	95,620	1,434,192
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.</p>		
Compensated absences	(132,854)	
Long-term payroll payable	(22,500)	(155,354)
<p>Changes in allowance for doubtful accounts are not reflected in the fund financial statements.</p>		
		(67,546)
<p>Property taxes and court fines that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied, and court fines are recognized when assessed.</p>		
		320,610
Change in net position		\$ (2,466,466)

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2013

	Business-Type Activities
	Enterprise Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,992,709
Accounts receivable	1,217,366
Prepaid expenses	2,292
Total current assets	4,212,367
Deferred charges - debt issuance costs	226,639
Capital assets, net of accumulated depreciation	37,433,543
Total assets	41,872,549
LIABILITIES	
Current liabilities	
Accounts payable	48,278
Accrued interest	106,408
Compensated absences, current portion	9,891
Deposit liability	248,430
Long-term liabilities, current portion	968,032
Total current liabilities	1,381,039
Noncurrent liabilities	
Compensated absences, less current portion	56,106
Long-term liabilities, less current portion	12,921,097
Total noncurrent liabilities	12,977,203
Total liabilities	14,358,242
NET POSITION	
Investment in capital assets	23,544,414
Restricted for debt service	372,011
Unrestricted	3,597,882
Total net position	\$ 27,514,307

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2013

	Business-Type Activities <hr/> Enterprise Fund <hr/>
Operating revenues	
Charges for services	
Water charges	\$ 4,231,975
Wastewater charges	4,809,753
Storm drain charges	397,601
Miscellaneous	<u>130,525</u>
Total operating revenues	<u>9,569,854</u>
Operating expenses	
Water utility	1,205,202
Water utility capital improvement program	147,782
Storm drain utility	137,856
Wastewater utility	975,730
Wastewater utility capital improvement program	49,414
Depreciation	<u>1,058,855</u>
Total operating expenses	<u>3,574,839</u>
Operating income (loss)	<u>5,995,015</u>
Nonoperating revenues (expenses)	
Investment earnings	4,813
Interest expense	<u>(571,356)</u>
Total nonoperating revenue (expenses)	<u>(566,543)</u>
Income (loss) before contributions and transfers	5,428,472
Transfers out	<u>(2,750,955)</u>
Change in net position	2,677,517
Net position - beginning, as restated	<u>24,836,790</u>
Net position - ending	<u><u>\$ 27,514,307</u></u>

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2013

	Business-Type Activities <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 9,203,076
Payments to employees	(1,475,370)
Payments to suppliers	(1,080,456)
Other receipts	<u>90,775</u>
Net cash provided (used) by operating activities	<u>6,738,025</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	<u>(2,750,955)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,750,955)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(1,797,925)
Principal paid on long term debt	(1,096,201)
Interest paid	<u>(582,007)</u>
Net cash provided (used) by noncapital financing activities	<u>(3,476,133)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>4,813</u>
Net cash provided (used) by noncapital financing activities	<u>4,813</u>
Net increase (decrease) in cash and cash equivalents	515,750
Cash and investments - beginning	<u>2,476,959</u>
Cash and investments - ending	<u>\$ 2,992,709</u>

(Continued)

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2013

(Continued)

	Business-Type Activities
	Enterprise Fund
Reconciliation of operating income to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ 5,995,015
Adjustments to reconcile operating income to net cash provided (used)	
by operating activities:	
Depreciation expense	1,058,855
Amortization of deferred charges	18,665
Amortization of bond premium	(13,392)
Changes in assets and liabilities	
(Increase) decrease in:	
Receivables	(236,253)
Increase (decrease)	
Accounts payable	(6,920)
Accrued interest	(5,378)
Deposit liability	(39,750)
Compensated absences	(32,817)
Net cash provided (used) by operating activities	\$ 6,738,025

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2013

	<u>Agency Fund</u> Bail Fund
ASSETS	
Cash and cash equivalents	\$ 14,417
Total assets	<u>\$ 14,417</u>
LIABILITIES	
Due to other agencies	8,602
Bail payable	<u>5,815</u>
Total liabilities	<u>\$ 14,417</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lebanon have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The 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 the city manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

1. Blended component units - Northwest Urban Renewal District, Cheadle Lake Urban Renewal District, North Gateway Urban Renewal District

The aforementioned urban renewal districts serve areas either within the existing city limits of the City of Lebanon or under delayed annexation agreements requiring annexation to the City at the option of the Lebanon City Council. Board members for each agency consist of all of the members of the Lebanon City Council. Each component unit issues separate financial statements. The financial statements can be obtained from the agencies at 925 Main Street, Lebanon, Oregon 97355 or at the City's website at www.ci.lebanon.or.us.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the City. Governmental activities, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except for those required to be accounted for in another fund. The primary source of revenue is property taxes.

Special Revenue Funds

Special Revenue Fund - The Special Revenue Fund accounts for revenues with specific purpose restrictions including state highway tax, and grants. The primary sources of revenue are state highway tax revenues and grants.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Special Revenue Funds

Special Assessment Fund - The Special Assessment Fund accounts for public improvement projects for which reimbursement of costs is expected. These public improvement projects originate at the public's request and usually involve forming a Local Improvement District (LID).

Northwest Urban Renewal District - In 1989, the City established the Northwest Urban Renewal District. The purpose of the District is to provide for the development of infrastructure to serve industrially zoned property within the District boundaries. The area is located west of Highway 20 and north of Highway 34. The primary source of revenue is property taxes.

Cheadle Lake Urban Renewal District - In 2000, the City established the Cheadle Lake Urban Renewal District. The purpose of the District is to provide for development of infrastructure to serve a blighted area of Lebanon generally located north of Cheadle Lake. The primary source of revenue is property taxes.

North Gateway Urban Renewal District - The North Gateway Urban Renewal District was approved in September 2008. The District was established to serve the area where a new medical campus was to be developed. The primary source of revenue is property taxes.

Debt Service Fund - The Debt Service Fund accounts for the repayment of the City's long-term general obligation and pension obligation debt. The primary sources of revenue are property taxes and pension charges to City funds. The primary use of funds is principal and interest due on long-term debt.

Capital Projects Fund - The Capital Projects Fund is used to account for the revenues and expenditures associated with the purchase, construction, and major repair of governmental capital assets. The primary sources of revenue are system development charges, donations and grants.

The City reports the following major proprietary fund:

Enterprise Fund - The Enterprise Fund is used to account for the operations of the City's water, sewer and storm drain utility services. The primary source of revenue is user charges.

The City reports the following fiduciary fund:

Trust & Agency Fund - The Trust & Agency Fund is used for holding funds in trust that are received from clients of the Municipal Court.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and the proprietary funds. Elimination of these transactions would distort their respective financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The City reports deferred inflows of resources on the balance sheet of the governmental funds. Deferred inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the City has a legal claim to the resources, the amounts for deferred inflows of resources are removed from the balance sheet and revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with remaining maturities of one year or less at the date of acquisition.

State statutes authorize the City to invest in legally issued obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Loans Receivable

Loans receivable represent assessment for property improvements. Assessment are recognized at the time the property owners are assessed, interest is accrued when due. Management has determined that no allowance is necessary.

4. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds."

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

5. Accounts Receivable

Receivables are recorded as revenue when earned. Accounts receivable are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is calculated by management based on prior collection experience.

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Depreciation of capital assets is computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-40
Water and sewer systems	40
Licensed vehicles	5-10
Infrastructure	50
Buildings	50

7. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported as liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

10. Retirement Plans

Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

The City provides tax-deferred annuity contracts established under Section 457 of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions from participating employees within the limits specified in the Code.

11. Fund Equity

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., city council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a minimum fund balance policy.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, and enterprise funds. All funds are budgeted on the modified accrual basis of accounting.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the city council by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the department/function level. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the city council at a regular council meeting.

A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there was one supplemental budget. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts, one supplemental budget and two approved appropriation changes.

B. Excess of Expenditures Over Appropriations

The City expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of Expenditures Over Appropriations (Continued)

The following appropriations were over-expended for the fiscal year ended June 30, 2013:

Fund	Department	Appropriations	Expenditures	Excess
General Fund	Human Resources	\$ 389,957	\$ 509,885	\$ 119,928
General Fund	City Attorney	\$ 122,200	\$ 138,305	\$ 16,105
General Fund	Legislative	\$ 135,712	\$ 148,232	\$ 12,520
General Fund	Library	\$ 576,663	\$ 600,403	\$ 23,740
Special Revenue Fund	Park Enterprise	\$ 47,627	\$ 56,432	\$ 8,805
Special Revenue Fund	School Resource Officer	\$ 36,375	\$ 41,042	\$ 4,667
Capital Projects Fund	Senior Services Building Trust	\$ -	\$ 1,604	\$ 1,604
Enterprise Fund	Wastewater 2010 Bond Project	\$ 436,651	\$ 436,874	\$ 223

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Lebanon maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, 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. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City's policy, which adheres to state 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 or Moody's Investors Service or any other national recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

At June 30, 2013, the City's investments were rated as follows:

Credit Quality Rating	Federal Agency Obligations	Corporate Bonds	LGIP	Total
Unrated	\$ -	\$ -	\$ 9,660,562	\$ 9,660,562
Moody Aa1	-	200,000	-	200,000
Moody Aa2	-	1,000,000	-	1,000,000
Moody Aa3	-	550,000	-	550,000
Moody A1	-	1,204,000	-	1,204,000
Moody A2	-	300,000	-	300,000
S&P AA+	341,000	300,000	-	641,000
S&P AA-	-	300,000	-	300,000
Total investments	<u>\$ 341,000</u>	<u>\$ 3,854,000</u>	<u>\$ 9,660,562</u>	<u>\$ 13,855,562</u>

Investments

As of June 30, 2013, the City had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value
Oregon Local Government Investment Pool	70%	-	\$ 9,660,562
Federal Agency Obligations	2%	> 3 years	341,000
Corporate Bonds	6%	< 6 months	800,000
Corporate Bonds	21%	1 - 3 years	2,854,000
Corporate Bonds	1%	> 3 years	<u>200,000</u>
Total investments			<u>\$ 13,855,562</u>

Interest Rate Risk

In accordance with its investments policy, the City manages its exposure to declines in fair value of its investments by limiting investment maturity. All the investments above, except for the investment in the Local Government Investment Pool which is not evidenced by securities, are held in an independent third-party safekeeping institution in the City of Lebanon's name.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Concentration of Credit Risk

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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered 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.

The City holds accounts at Wells Fargo, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2013, the City had deposits of \$250,000 insured by the FDIC and \$761,047 collateralized under the PFCP.

Deposits

The City's deposits and investments at June 30, 2013 were as follows:

Cash on hand	\$ 1,800
Checking account	377,601
Total investments	<u>13,855,562</u>
Total deposits and investments	<u>\$ 14,234,963</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	<u>\$ 1,225,810</u>
Business-type activities - unrestricted	
Enterprise Fund	<u>2,992,709</u>
Total unrestricted cash and investments	<u>4,218,519</u>
Governmental activities - restricted	
Special Revenue Fund	1,231,907
Special Assessment Fund	31,462
Northwest Urban Renewal District	4,391,764
Cheadle Lake Urban Renewal District	115,511
North Gateway Urban Renewal District	49,392
Debt Service Fund	107,881
Capital Projects Fund	<u>4,088,527</u>
Total governmental-activities - restricted	<u>10,016,444</u>
Total cash and investments	<u>\$ 14,234,963</u>

B. Restricted Assets

Restricted assets are held for debt service, grant projects, urban renewal, and capital improvements.

Restricted assets at June 30, 2013 were as follows:

	Governmental Activities
Restricted assets	
Cash and investments	\$ 10,016,444
Receivables, net	146,959
Special assessments (loans) receivable	198,183
Property taxes receivable	<u>360,963</u>
Total restricted assets	<u>\$ 10,722,549</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Accounts Receivable

Accounts receivable at June 30, 2013, including the applicable allowances for uncollectible accounts, were as follows:

	Governmental Activities	Business-Type Activities
Short-term receivables		
Franchise fees	\$ 163,616	\$ -
Court fines	420,000	-
Intergovernmental	150,197	-
Grants	67,496	-
Utilities	-	1,217,257
Other	4,320	109
Total short-term receivables (including \$658,670 of unrestricted receivables, and \$146,959 of restricted receivables)	805,629	1,217,366
Long-term receivables		
Court fines	1,017,671	-
Less allowance for uncollectibles	(154,288)	-
Total long-term receivables	863,383	-
Total receivables	\$ 1,669,012	\$ 1,217,366

D. Capital Assets

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 2,361,657	\$ -	\$ 2,361,657
Construction in progress	7,083	-	7,083
Buildings	18,419,585	(2,894,807)	15,524,778
Vehicles	2,131,949	(1,511,288)	620,661
Machinery and equipment	3,443,743	(2,266,115)	1,177,628
Infrastructure	64,243,960	(48,026,310)	16,217,650
Total governmental capital assets	\$ 90,607,977	\$ (54,698,520)	\$ 35,909,457

(Continued)

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
(Continued)			
Business-type activities			
Land	\$ 1,158,402	\$ -	\$ 1,158,402
Construction in progress	2,440,551	-	2,440,551
Buildings	8,424,953	(4,029,060)	4,395,893
Vehicles	1,010,549	(814,396)	196,153
Machinery and equipment	4,346,625	(2,635,451)	1,711,174
Infrastructure	416,459	(50,037)	366,422
Water/sewer assets	34,948,665	(7,783,717)	27,164,948
Total business-type capital assets	\$ 52,746,204	\$ (15,312,661)	\$ 37,433,543

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,361,657	\$ -	\$ -	\$ 2,361,657
Construction in progress	7,083	-	-	7,083
Total capital assets not being depreciated	2,368,740	-	-	2,368,740
Capital assets being depreciated				
Buildings	18,419,585	-	-	18,419,585
Vehicles	2,131,949	-	-	2,131,949
Machinery and equipment	3,102,928	340,815	-	3,443,743
Infrastructure	64,164,720	79,240	-	64,243,960
Total capital assets being depreciated	87,819,182	420,055	-	88,239,237

(Continued)

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental activities				
(Continued)				
Less accumulated depreciation for				
Buildings	(2,597,582)	(297,225)	-	(2,894,807)
Vehicles	(1,374,717)	(136,571)	-	(1,511,288)
Machinery and equipment	(2,083,643)	(182,472)	-	(2,266,115)
Infrastructure	(45,108,392)	(2,917,918)	-	(48,026,310)
Total accumulated depreciation	<u>(51,164,334)</u>	<u>(3,534,186)</u>	<u>-</u>	<u>(54,698,520)</u>
Total capital assets being depreciated, net	<u>36,654,848</u>	<u>(3,114,131)</u>	<u>-</u>	<u>33,540,717</u>
Governmental activities capital assets, net	<u>\$ 39,023,588</u>	<u>\$ (3,114,131)</u>	<u>\$ -</u>	<u>\$ 35,909,457</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,103,142	\$ 55,260	\$ -	\$ 1,158,402
Construction in progress	<u>5,808,054</u>	<u>1,441,274</u>	<u>(4,808,777)</u>	<u>2,440,551</u>
Total capital assets not being depreciated	<u>6,911,196</u>	<u>1,496,534</u>	<u>(4,808,777)</u>	<u>3,598,953</u>
Capital assets being depreciated				
Buildings	8,424,953	-	-	8,424,953
Vehicles	1,010,549	-	-	1,010,549
Machinery and equipment	4,346,625	-	-	4,346,625
Infrastructure	416,459	-	-	416,459
Water/sewer assets	<u>29,335,316</u>	<u>5,613,349</u>	<u>-</u>	<u>34,948,665</u>
Total capital assets being depreciated	<u>43,533,902</u>	<u>5,613,349</u>	<u>-</u>	<u>49,147,251</u>
Less accumulated depreciation for				
Buildings	(3,910,213)	(118,847)	-	(4,029,060)
Vehicles	(759,987)	(54,409)	-	(814,396)
Machinery and equipment	(2,557,125)	(78,326)	-	(2,635,451)
Infrastructure	(40,468)	(9,569)	-	(50,037)
Water/sewer assets	<u>(6,986,013)</u>	<u>(797,704)</u>	<u>-</u>	<u>(7,783,717)</u>
Total accumulated depreciation	<u>(14,253,806)</u>	<u>(1,058,855)</u>	<u>-</u>	<u>(15,312,661)</u>
Total capital assets being depreciated, net	<u>29,280,096</u>	<u>4,554,494</u>	<u>-</u>	<u>33,834,590</u>
Business-type activities capital assets, net	<u>\$ 36,191,292</u>	<u>\$ 4,609,754</u>	<u>\$ -</u>	<u>\$ 37,433,543</u>
Total capital assets, net	<u>\$ 75,214,880</u>	<u>\$ 1,495,623</u>	<u>\$ -</u>	<u>\$ 73,343,000</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities	
General government	<u>\$ 3,534,186</u>
Business-type activities	
Water	\$ 280,208
Sewer	777,041
Storm drain	<u>1,606</u>
Total business-type activities	<u>\$ 1,058,855</u>

E. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfer in:			
	General Fund	Special Revenue	Capital Projects	Total
Transfers out:				
Governmental activities				
General Fund	\$ -	\$ 473,441	\$ 156,500	\$ 629,941
Special Revenue Fund	210,809	-	115,250	326,059
Northwest Urban Renewal District	206,620	33,614	1,320	241,554
Cheadle Lake Urban Renewal District	72,338	11,036	41,430	124,804
North Gateway Urban Renewal District	6,275	7,551	-	13,826
Capital Projects Fund	<u>27,025</u>	<u>10,505</u>	<u>-</u>	<u>37,530</u>
Total governmental activities	<u>\$ 523,067</u>	<u>\$ 536,147</u>	<u>\$ 314,500</u>	<u>\$ 1,373,714</u>
Business-type activities				
Enterprise Fund	<u>\$ 640,717</u>	<u>\$ 2,022,738</u>	<u>\$ 87,500</u>	<u>\$ 2,750,955</u>

Interfund transfers in balance with interfund transfers out.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	\$ 289,854	\$ 30,150	\$ -	\$ 422,708
Business-type activities				
Compensated absences	\$ 19,187	\$ 46,810	\$ -	\$ 65,997

The General and Enterprise Funds have traditionally been used to liquidate compensated absence liabilities.

G. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
General Obligation Bonds							
2007 Refunding	4-5%	\$ 19,970,000	\$ 17,280,000	\$ -	\$ 725,000	\$ 16,555,000	\$ 620,000
NW Urban Renewal District							
2010 Refunding	2-3.5%	3,310,000	2,715,000	-	300,000	2,415,000	315,000
2002 Pension Obligation Bonds	2-7.36%	2,081,188	1,671,524	-	30,293	1,641,231	30,290
Total bonds		25,361,188	21,666,524	-	1,055,293	20,611,231	965,290
Notes Payable							
Gateway Urban Renewal District							
Samaritan Health Services	6%	1,025,239	1,025,239	-	108,310	916,929	32,500
General Fund							
Special Public Works Fund	3-5.25%	1,779,833	1,596,637	-	66,735	1,529,902	67,146
NW Urban Renewal District							
Special Public Works Fund	4-4.375%	3,677,462	3,225,035	-	108,234	3,116,801	108,963
Total notes		6,482,534	5,846,911	-	283,279	5,563,632	208,609
Total governmental activities		\$ 31,843,722	\$ 27,513,435	\$ -	\$ 1,338,572	\$ 26,174,863	\$ 1,173,899

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

1. Changes in Long-Term Liabilities (Continued)

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Revenue Bonds							
2003 Wastewater Refunding	2-4.125%	\$ 3,775,000	\$ 1,990,000	\$ -	\$ 220,000	\$ 1,770,000	\$ 225,000
2010 Wastewater Refunding	2-3.75%	7,010,000	6,465,000	-	370,000	6,095,000	380,000
2004 Water Refunding	2-4.2%	2,910,000	2,085,000	-	175,000	1,910,000	180,000
Bond premiums	-	267,850	247,761	-	13,392	234,369	-
Total bonds		13,962,850	10,787,761	-	778,392	10,009,369	785,000
2007 Cannibal Project note	4%	4,311,575	3,386,501	-	280,385	3,106,116	144,504
2009 Wastewater DEQ loan	2.93%	900,000	811,067	-	37,424	773,643	38,528
Total business-type activities		<u>\$ 19,174,425</u>	<u>\$ 14,985,329</u>	<u>\$ -</u>	<u>\$ 1,096,201</u>	<u>\$ 13,889,128</u>	<u>\$ 968,032</u>

2. Governmental Activity 2007 General Obligation Refunding Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the City and are payable from ad valorem debt service levy proceeds. The 2007 Refunding Bonds were issued to prepay or partially prepay three outstanding general obligation bond issues. The bonds are payable on June 1 and December 1 of each year. Interest is variable over a fixed schedule, set out at the issuance date. The City's outstanding general obligation bonds represent funding primarily for capital projects. The Debt Service Fund has been used to liquidate the general obligation debt. Loan #LEBGO2007, final maturity in 2027, interest 4%-5%, original issue amount \$19,970,000.

3. Governmental Activity NW Urban Renewal District 2010 General Obligation Refunding Bonds

On November 2, 2010, the City issued general obligation bonds of \$3,310,000 (par value) with interest rates of 2% to 3.5% to advance refund the portion of the Series 2000 general obligation bonds maturing December 1, 2010, with interest rates of 5.75% to 6%, and a par value of \$3,420,000. All defeased bonds have been paid in full. As a result of the advance refunding, the City reduced its total debt service requirements by \$658,966, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$431,283. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 1 and December 1 of each year. The NW Urban Renewal District Fund has been used to liquidate the debt. Loan #LebanonUR10, final maturity 2020.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

4. Governmental Activity Pension Obligation Bonds

The City issued the 2002 pension obligation bonds for the purpose of funding the City's portion of the PERS Unfunded Actuarial Liability (UAL). Interest is fixed and ranges between 2% and 7.36%. Interest rates increase in accordance with the original bond agreements. Interest is due semiannually on June 1 and December 1. The Debt Service Fund has been used to liquidate the debt. Loan #PERS, final maturity 2028, original issue amount \$2,081,188.

5. Governmental Activity Note Payable - Samaritan Health Services

The City signed the note payable in 2009 to finance the purchase of infrastructure additions in the North Gateway Urban Renewal District. The note calls for annual payments on February 14. The North Gateway Urban Renewal District Fund has been used to liquidate the note payable. Final maturity 2030, interest at 6%, original issue amount \$1,025,239.

6. Governmental Activity Note Payable - General Fund Special Public Works

The City signed the note payable in 2009 to complete various capital projects. The note calls for annual payments on December 1. The General Fund has been used to liquidate the note payable. Loan #B07002, final maturity 2028, interest 3%-5.25%, original issue amount \$1,779,833.

7. Governmental Activity Note Payable - NW Urban Renewal District Special Public Works Fund

The City signed the note payable on May 1, 2007. The funds were used for urban renewal projects. Interest rates increase in accordance with the original debt agreements. Interest is due annually on December 1. The NW Urban Renewal District Fund has been used to liquidate the note payable. Loan #B05003, final maturity 2031, interest 4%-4.375%, original issue amount \$3,677,462.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

8. Governmental Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 965,290	\$ 965,120	\$ 1,930,410
2015	1,041,704	939,456	1,981,160
2016	1,122,796	911,164	2,033,960
2017	1,208,687	879,973	2,088,660
2018	1,292,872	837,514	2,130,386
2019-2023	7,244,882	3,143,778	10,388,660
2024-2028	7,735,000	1,042,217	8,777,217
Total	<u>\$ 20,611,231</u>	<u>\$ 8,719,222</u>	<u>\$ 29,330,453</u>

9. Governmental Activity Future Maturities of Notes Payable

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 208,609	\$ 256,891	\$ 465,500
2015	221,743	248,233	469,976
2016	230,102	238,674	468,776
2017	243,636	228,739	472,375
2018	252,356	218,219	470,575
2019-2023	1,420,618	913,941	2,334,559
2024-2028	1,813,224	545,080	2,358,304
2029-2032	1,173,344	118,884	1,292,228
Total	<u>\$ 5,563,632</u>	<u>\$ 2,768,661</u>	<u>\$ 8,332,293</u>

10. Business-Type Activity 2003 Wastewater Revenue Refunding Bonds

On October 3, 2003, the City issued revenue refunding bonds of \$3,775,000 (par value) with interest rates of 2% to 4.125% to advance refund the portion of the Series 2000 revenue bonds maturing December 1, 2003 and June 1, 2004, with a par value of \$3,840,000. All defeased bonds have been paid in full. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 1 and December 1 of each year. The Enterprise Fund has been used to liquidate the debt. Loan #Lebwaste03, final maturity 2020.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

11. Business-Type Activity 2010 Wastewater Revenue Refunding Bonds

On October 13, 2010, the City issued wastewater revenue refunding bonds of \$7,010,000 (par value) with interest rates of 2% to 3.75% to advance refund the portion of the Series 2000 wastewater revenue bonds maturing November 12, 2010, with interest rates of 5.25% to 5.7%, and a par value of \$2,140,000. All defeased bonds have been paid in full. As a result of the advance refunding, the City reduced its total debt service requirements by \$355,618, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$304,730. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on March 1 and September 1 of each year. The Enterprise Fund has been used to liquidate the debt. Loan #LebanonWW10, final maturity 2031.

12. Business-Type Activity 2004 Water Revenue Refunding Bonds

On January 22, 2004, the City issued water revenue refunding bonds of \$2,910,000 (par value) with interest rates of 2% to 4.2% to refund the 1993 special lease obligation. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on April 1 and October 1 of each year. The Enterprise Fund has been used to liquidate the debt. Loan #Lebanon2004, final maturity 2021.

13. Business-Type Activity Note Payable - Cannibal Project

The note payable was signed in 2007 to finance wastewater system projects. The note calls for semiannual payments on June 27 and December 27. The Enterprise Fund has been used to liquidate the debt. Loan #Siemens, final maturity 2022, interest 4.087%, original issue amount \$4,311,575. The note agreement requires that net revenue in each fiscal year is at least 1.25 times the year's annual debt service.

14. Business-Type Activity Loan Payable - DEQ

The loan payable was signed in 2009 to pay the cost of wastewater improvement projects. The loan is backed by utility revenues. The loan calls for semiannual payments on April 1 and October 1. The Enterprise Fund has been used to liquidate the debt. Loan #R56200, final maturity 2029, interest 2.93%, original issue amount \$900,000.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

15. Business-Type Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 785,000	\$ 369,159	\$ 1,154,159
2015	810,000	343,348	1,153,348
2016	840,000	317,548	1,157,548
2017	875,000	288,872	1,163,872
2018	905,000	254,260	1,159,260
2019-2023	3,125,000	763,452	3,888,452
2024-2028	1,435,000	357,326	1,792,326
2029-2033	1,000,000	75,938	1,075,938
Total	<u>\$ 9,775,000</u>	<u>\$ 2,769,903</u>	<u>\$ 12,544,903</u>

16. Business-Type Activity Future Maturities of Note Payable

Year Ending June 30	Cannibal Project Note		
	Principal	Interest	Total
2014	\$ 144,504	\$ 63,474	\$ 207,978
2015	147,457	60,521	207,978
2016	150,471	57,507	207,978
2017	153,545	54,433	207,978
2018	156,683	51,295	207,978
2019-2023	832,771	207,119	1,039,890
2024-2028	921,410	118,480	1,039,890
2029-2031	599,275	24,659	623,934
Total	<u>\$ 3,106,116</u>	<u>\$ 637,488</u>	<u>\$ 3,743,604</u>

17. Business-Type Activities Interest Expense

Interest expense for business-type activities is reported on the statement of activities as follows:

Business-type activities	
Water	\$ 80,863
Sewer	490,493
Total business-type activities	<u>\$ 571,356</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

18. Business-Type Activity Future Maturities of Loan Payable

Year Ending June 30	DEQ Loan		
	Principal	Interest	Total
2014	\$ 38,528	\$ 22,388	\$ 60,916
2015	39,666	21,250	60,916
2016	40,837	20,079	60,916
2017	42,042	18,874	60,916
2018	43,283	17,633	60,916
2019-2023	236,345	68,235	304,580
2024-2028	273,344	31,236	304,580
2029	59,598	1,313	60,911
Total	<u>\$ 773,643</u>	<u>\$ 201,008</u>	<u>\$ 974,651</u>

19. Legal Debt Limit

The City's legal annual debt service limit (as defined by Oregon Revised Statute 478.410) as of June 30, 2013 was approximately \$32,079,241. The City's legal debt service limit is 3% of the real market value of property within the City.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Commitments

The City has entered into an agreement with Samaritan Health Services under which the City will repay amounts invested by Samaritan Health Services to improve or add infrastructure within the North Gateway Urban Renewal District. The total costs allowed to be repaid under the agreement are \$5,105,900. Improvements must be in place no later than 2029. Amounts invested by Samaritan Health Services are added to an existing loan agreement as described in Note III-G. As of June 30, 2013, \$1,025,239 had been invested under the agreement.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

C. Retirement Plans

1. Oregon Public Employees Retirement System

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the pension program and the defined benefit portion of the plan. OPSRP applies to qualifying City employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Funding Policy

The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan and a general service rate for the qualifying employees under the OPSRP plan. The OPERF, OPSRP, and OPSRP Fire and Police rates in effect for the year ended June 30, 2013 were 11.10%, 7.22%, and 9.93%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The City has elected to pay the required employee contribution of 6% of covered payroll, which is invested in the OPSRP Individual Account Program.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

C. Retirement Plans (Continued)

1. Oregon Public Employees Retirement System (Continued)

Annual Pension Cost

The City's contributions to PERS for the years ending June 30, 2011, 2012, and 2013 were equal to the required contribution for each year. In 2002, the City issued a pension obligation bond, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. (See Note III-G.)

Annual pension expenses/expenditures are summarized as follows:

Fiscal Year Ended June 30	Required Contribution to Oregon PERS	Annual Debt Service	Total Annual Pension Cost (APC)	Percentage of APC Contributed
2011	\$ 854,421	\$ 367,772	\$ 1,222,193	100%
2012	\$ 783,496	\$ 124,904	\$ 908,400	100%
2013	\$ 962,330	\$ 127,563	\$ 1,089,893	100%

2. Deferred Compensation Plan

The City has authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the City for amounts earned by them, not to be paid until a future date when they are terminated by reason of death, permanent disability, retirement, or separation. The deferred compensation plan is authorized under Internal Revenue Code (IRC) Section 457 and has been approved by the Internal Revenue Service. Under the plan document, the City has a fiduciary responsibility to administer the plan in accordance with the requirements of IRC Section 457. The City has no liability for any losses that may be incurred under the plan.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits

1. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and requires supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

1. Retirement Health Insurance Account (RHIA) (Continued)

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.59% of covered OPERF payroll and 0.50% of covered OPSRP payroll. The OPERS board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The City's contributions to RHIA for the years ended June 30, 2011, 2012, and 2013 were \$14,772, \$25,801, and \$24,282, respectively, which equaled the required contributions each year.

E. Bargaining Unit

At June 30, 2013, the City had a total of approximately 93.85 FTE employees. Of this total, approximately 75% are represented by unions. The union agreement with AFSCME was ratified on March 20, 2013 and extends through June 30, 2016. The union agreement with Teamsters was ratified on October 16, 2013 and extends through June 30, 2014.

F. Restatements

Beginning net position of the City was restated as follows:

	Governmental Activities	Business-Type Activities
Net position - beginning, as originally reported	\$ 27,302,344	\$ 24,079,350
Correction of accounts receivable adjustment incorrectly recorded	(642,903)	397,980
Correction of accumulated depreciation previously reported	(57,858)	-
Adjustment to record assets associated with Samaritan Health Services loan, including accumulated depreciation	620,108	359,460
Adjustment to record previously omitted Samaritan Health Services loan, including accrued interest	(1,134,438)	-
Net position - beginning, as restated	\$ 26,087,253	\$ 24,836,790

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

F. Restatements (Continued)

Beginning fund balance has been restated as follows:

	General Fund	NW Urban Renewal Fund	Cheadle Lake Urban Renewal	N. Gateway Urban Renewal	Debt Service Fund
Fund balance - beginning, as originally reported	\$ 1,166,418	\$ 5,376,280	\$ 7,961	\$ 168,427	\$ (43,644)
Correction of deferred revenue misstatement	(59,364)	(29,910)	(3,558)	1,059	(24,055)
Correction of previously reported interfund balances	<u>(105,772)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,772</u>
Fund balance - beginning, as restated	<u>\$ 1,001,282</u>	<u>\$ 5,346,370</u>	<u>\$ 4,403</u>	<u>\$ 169,486</u>	<u>\$ 38,073</u>

Budget basis fund net position has been restated as follows:

	Enterprise Fund
Fund net position - beginning, as originally reported	\$ 3,196,490
Reversal of depreciation expense booked at budget basis in prior year	<u>144,236</u>
Fund net position - beginning, as restated	<u>\$ 3,340,726</u>

G. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its fiscal year ending June 30, 2014. GASB Concepts Statement No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

IV. OTHER INFORMATION (Continued)

G. New Pronouncements (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the City beginning with its fiscal year ending June 30, 2015. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

H. Subsequent Events

Management has evaluated subsequent events through December 6, 2013, which was the date that the financial statements were available to be issued.

1. On July 31, 2013, the City issued the Full Faith and Credit Refunding Obligations, Series 2013 in the amount of \$15,235,000 to refund the 2003 Wastewater Refunding and 2004 Water Refunding Bonds, and to make payments related to the Lowe's distribution center.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 3,804,000	\$ 4,104,000	\$ (125,199)	\$ 3,978,801	\$ -	\$ 3,978,801
Licenses and permits	1,981,950	1,981,950	(76,819)	1,905,131	-	1,905,131
Fines and forfeits	521,000	521,000	(99,794)	421,206	-	421,206
Intergovernmental	339,000	339,000	55,971	394,971	-	394,971
Charges for services	9,100	9,100	(5,565)	3,535	-	3,535
Miscellaneous	190,000	190,000	59,090	249,090	-	249,090
Total revenues	<u>6,845,050</u>	<u>7,145,050</u>	<u>(192,316)</u>	<u>6,952,734</u>	<u>-</u>	<u>6,952,734</u>
EXPENDITURES						
Current						
Administration and economic dev.	219,550	220,910	(18,602)	202,308	(2,956)	199,352
Human resources	336,957	389,957	119,928	509,885	(6,294)	503,591
City attorney	122,200	122,200	16,105	138,305	-	138,305
Planning	280,003	287,503	(18,818)	268,685	(2,540)	266,145
Parks	457,972	459,268	(13,337)	445,931	(46,911)	399,020
Finance	460,429	460,729	(22,154)	438,575	(6,295)	432,280
Legislative	135,712	135,712	12,520	148,232	(9,671)	138,561
Library	574,863	576,663	23,740	600,403	(77,744)	522,659
Municipal court	282,500	292,995	(32,182)	260,813	(26,206)	234,607
Police	4,588,660	4,538,960	(254,113)	4,284,847	(179,183)	4,105,664
Senior and disabled servies	220,173	220,173	(8,724)	211,449	(42,015)	169,434
Non-departmental	1,470,657	1,687,265	(845,751)	841,514	(426,200)	415,314
Capital outlay	-	-	-	-	57,616	57,616
Debt service	-	-	-	-	138,458	138,458
Total expenditures	<u>9,149,676</u>	<u>9,392,335</u>	<u>(1,041,388)</u>	<u>8,350,947</u>	<u>(629,941)</u>	<u>7,721,006</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,304,626)</u>	<u>(2,247,285)</u>	<u>849,072</u>	<u>(1,398,213)</u>	<u>629,941</u>	<u>(768,272)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,204,626	1,147,285	(83)	1,147,202	-	1,147,202
Transfers out	-	-	-	-	(629,941)	(629,941)
Total other financing sources (uses)	<u>1,204,626</u>	<u>1,147,285</u>	<u>(83)</u>	<u>1,147,202</u>	<u>(629,941)</u>	<u>517,261</u>
Net change in fund balance	(1,100,000)	(1,100,000)	848,989	(251,011)	-	(251,011)
Fund balance - beginning, as restated	1,100,000	1,100,000	(98,718)	1,001,282	-	1,001,282
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750,271</u>	<u>\$ 750,271</u>	<u>\$ -</u>	<u>\$ 750,271</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	Adjustments	GAAP Basis
REVENUES						
Taxes and assessments	\$ 25,500	\$ 40,500	\$ (6,537)	\$ 33,963	\$ -	\$ 33,963
Licenses and permits	216,105	216,105	196,836	412,941	-	412,941
Intergovernmental	1,446,104	1,489,204	(282,272)	1,206,932	-	1,206,932
Charges for services	13,000	13,000	(10,375)	2,625	-	2,625
Miscellaneous	<u>174,838</u>	<u>174,838</u>	<u>792</u>	<u>175,630</u>	<u>-</u>	<u>175,630</u>
Total revenues	1,875,547	1,933,647	(101,556)	1,832,091	-	1,832,091
EXPENDITURES						
Current						
City facilities repair	111,528	111,528	(107,829)	3,699	(3,699)	-
Motel tax	25,000	40,000	(1,363)	38,637	(3,857)	34,780
Building inspection	311,105	311,105	(28,880)	282,225	(142,556)	139,669
Gazebo donations	-	40,000	(22,640)	17,360	-	17,360
Park enterprise	47,627	47,627	8,805	56,432	-	56,432
Parks grant	145,100	145,100	(58,477)	86,623	(86,623)	-
Operations and environmental	1,862,000	1,862,000	(227,999)	1,634,001	(103,858)	1,530,143
Geographic information services	218,500	218,500	(60,312)	158,188	(45,926)	112,262
Informations systems service	699,822	774,822	(19,613)	755,209	(117,465)	637,744
Custodial and maintenance services	170,143	170,143	(13,395)	156,748	(10,258)	146,490
Foot and Bikepath	18,800	18,800	(18,800)	-	-	-
Engineering improvements permits	31,300	31,300	(9,707)	21,593	(9,636)	11,957
Streets	885,600	885,600	(121,827)	763,773	(126,543)	637,230
911 taxes	75,000	75,000	(75,000)	-	-	-
School resource officer	36,375	36,375	4,667	41,042	-	41,042
Dial-A-Bus	268,596	268,596	(11,452)	257,144	(42,631)	214,513
STP streets	305,780	305,780	(305,774)	6	(1)	5
Donations - trails	101	101	-	101	(101)	-
LSTA library grant	29,872	29,872	(11,188)	18,684	-	18,684
83/84 housing rehabilitation	75,000	75,000	(75,000)	-	-	-
Gills landing	11,510	15,068	(6,018)	9,050	(24)	9,026
93 housing rehabilitation	25,000	25,000	(25,000)	-	-	-
96 housing rehabilitation	69,737	69,737	(25,000)	44,737	-	44,737
98 housing rehabilitation	36,433	36,433	(25,000)	11,433	-	11,433
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,702</u>	<u>264,702</u>
Total expenditures	<u>5,459,929</u>	<u>5,593,487</u>	<u>(1,236,802)</u>	<u>4,356,685</u>	<u>(428,476)</u>	<u>3,928,209</u>

(Continued)

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2013

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(3,584,382)	(3,659,840)	1,135,246	(2,524,594)	428,476	(2,096,118)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,756,684	2,831,684	(150,000)	2,681,684	-	2,681,684
Transfers out	-	-	-	-	(428,476)	(428,476)
Total other financing sources (uses)	<u>2,756,684</u>	<u>2,831,684</u>	<u>(150,000)</u>	<u>2,681,684</u>	<u>(428,476)</u>	<u>2,253,208</u>
Net change in fund balance	(827,698)	(828,156)	985,246	157,090	-	157,090
Fund balance - beginning	<u>827,698</u>	<u>828,156</u>	<u>343,364</u>	<u>1,171,520</u>	<u>-</u>	<u>1,171,520</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,328,610</u>	<u>\$ 1,328,610</u>	<u>\$ -</u>	<u>\$ 1,328,610</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL ASSESSMENT FUND

For the Year Ended June 30, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital Outlay				
Public improvements	31,378	(31,378)	-	-
Excess (deficiency) of revenues over (under) expenditures	(31,378)	31,378	-	-
Fund balance - beginning	31,378	84	31,462	31,462
Fund balance - ending	\$ -	\$ 31,462	\$ 31,462	\$ 31,462

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

NORTHWEST URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 3,397,101	\$ 1,737,364	\$ (17,139)	\$ 1,720,225	\$ -	\$ 1,720,225
Miscellaneous	<u>2,400</u>	<u>2,400</u>	<u>842</u>	<u>3,242</u>	<u>-</u>	<u>3,242</u>
Total revenues	3,399,501	1,739,764	(16,297)	1,723,467	-	1,723,467
EXPENDITURES						
Current						
Wetlands mitigation	927,012	927,012	(927,012)	-	-	-
NW Lebanon urban renewal district	13,964,139	16,304,402	(14,210,324)	2,094,078	(1,968,841)	125,237
Project construction	160,286	160,286	-	160,286	(160,286)	-
NW Lebanon urban renewal bonds	1,723,222	1,381,591	(749,999)	631,592	(631,592)	-
Capital outlay	-	-	-	-	1,727,287	1,727,287
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>631,592</u>	<u>631,592</u>
Total expenditures	<u>16,774,659</u>	<u>18,773,291</u>	<u>(15,887,335)</u>	<u>2,885,956</u>	<u>(401,840)</u>	<u>2,484,116</u>
Excess (deficiency) of revenues over (under) expenditures	(13,375,158)	(17,033,527)	15,871,038	(1,162,489)	401,840	(760,649)
OTHER FINANCING SOURCES (USES)						
Bond sale proceeds	8,000,000	12,000,000	(12,000,000)	-	-	-
Transfers in	160,286	160,286	-	160,286	-	160,286
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(401,840)</u>	<u>(401,840)</u>
Total other financing sources (uses)	<u>8,160,286</u>	<u>12,160,286</u>	<u>(12,000,000)</u>	<u>160,286</u>	<u>(401,840)</u>	<u>(241,554)</u>
Net change in fund balance	(5,214,872)	(4,873,241)	3,871,038	(1,002,203)	-	(1,002,203)
Fund balance - beginning, as restated	<u>5,214,872</u>	<u>4,873,241</u>	<u>473,129</u>	<u>5,346,370</u>	<u>-</u>	<u>5,346,370</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,344,167</u>	<u>\$ 4,344,167</u>	<u>\$ -</u>	<u>\$ 4,344,167</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CHEADLE LAKE URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Property taxes	\$ 201,450	\$ 75,920	\$ 277,370	\$ -	\$ 277,370
Miscellaneous	-	355	355	-	355
Total revenues	201,450	76,275	277,725	-	277,725
EXPENDITURES					
Current					
Cheadle Lake urban renewal district	201,450	(37,724)	163,726	(124,804)	38,922
Cheadle Lake urban renewal district debt	201,450	(201,450)	-	-	-
Total expenditures	402,900	(239,174)	163,726	(124,804)	38,922
Excess (deficiency) of revenues over (under) expenditures	(201,450)	315,449	113,999	124,804	238,803
OTHER FINANCING SOURCES (USES)					
Bond sale proceeds	201,450	(201,450)	-	-	-
Transfers out	-	-	-	(124,804)	(124,804)
Total other financing sources (uses)	201,450	(201,450)	-	(124,804)	(124,804)
Net change in fund balance	-	113,999	113,999	-	113,999
Fund balance - beginning, as restated	-	4,403	4,403	-	4,403
Fund balance - ending	\$ -	\$ 118,402	\$ 118,402	\$ -	\$ 118,402

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

NORTH GATEWAY URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 157,903	\$ 157,903	\$ 51,692	\$ 209,595	\$ -	\$ 209,595
Miscellaneous	740	740	(722)	18	-	18
Total revenues	158,643	158,643	50,970	209,613	-	209,613
EXPENDITURES						
North gateway urban renewal district	181,741	327,295	(3,256)	324,039	(305,058)	18,981
Debt service	-	-	-	-	291,232	291,232
Total expenditures	181,741	327,295	(3,256)	324,039	(13,826)	310,213
Excess (deficiency) of revenues over (under) expenditures	(23,098)	(168,652)	54,226	(114,426)	13,826	(100,600)
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	(13,826)	(13,826)
Net change in fund balance	(23,098)	(168,652)	54,226	(114,426)	-	(114,426)
Fund balance - beginning, as restated	23,098	168,652	834	169,486	-	169,486
Fund balance - ending	\$ -	\$ -	\$ 55,060	\$ 55,060	\$ -	\$ 55,060

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Property taxes	\$ 1,523,600	\$ 63,276	\$ 1,586,876	\$ -	\$ 1,586,876
Intergovernmental	162,171	149	162,320	-	162,320
Miscellaneous	<u>1,100</u>	<u>538</u>	<u>1,638</u>	<u>-</u>	<u>1,638</u>
Total revenues	1,686,871	63,963	1,750,834	-	1,750,834
EXPENDITURES					
Debt service					
G.O. bonds 2007	1,504,600	-	1,504,600	-	1,504,600
Pension bond series 2002	<u>162,271</u>	<u>(1)</u>	<u>162,270</u>	<u>-</u>	<u>162,270</u>
Total expenditures	<u>1,666,871</u>	<u>(1)</u>	<u>1,666,870</u>	<u>-</u>	<u>1,666,870</u>
Excess (deficiency) of revenues over (under) expenditures	20,000	63,964	83,964	-	83,964
Fund balance - beginning, as restated	<u>(20,000)</u>	<u>58,073</u>	<u>38,073</u>	<u>-</u>	<u>38,073</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 122,037</u>	<u>\$ 122,037</u>	<u>\$ -</u>	<u>\$ 122,037</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Taxes and assessments	\$ 103,760	\$ 131,420	\$ 235,180	\$ -	\$ 235,180
Intergovernmental	2,049	(2,049)	-	-	-
Miscellaneous	748,590	(669,670)	78,920	-	78,920
Total revenues	854,399	(540,299)	314,100	-	314,100
EXPENDITURES					
Grant street bridge	4,922	-	4,922	(4,922)	-
State highway signal maintenance	82,500	(71,693)	10,807	-	10,807
Equipment acquisition and replacement	1,465,745	(1,102,389)	363,356	(362,646)	710
Historic resource commission trust	79	(79)	-	-	-
Pioneer cemetery	9,151	(9,021)	130	(130)	-
Police trust	17,050	(9,503)	7,547	-	7,547
Library trust	265,349	(233,670)	31,679	-	31,679
Library building trust	646,700	(633,193)	13,507	-	13,507
Senior services building trust	-	1,604	1,604	(1,604)	-
Senior services trust	189,110	(169,909)	19,201	(5,471)	13,730
Snedaker trust	33,200	(29,353)	3,847	-	3,847
Streets capital improvement projects	424,479	(404,113)	20,366	(20,308)	58
Infrastructure deferral	55,409	(55,409)	-	-	-
Drainage SDC	133,625	(127,061)	6,564	(6,546)	18
Drainage reimbursement	3,405	(3,405)	-	-	-
Parks SDC	308,450	(287,636)	20,814	(20,814)	-
Parks reimbursement	17,839	(17,839)	-	-	-
Sewer SDC	326,174	(319,518)	6,656	(6,615)	41
Sewer SDC reimbursement	205,450	(205,450)	-	-	-
Streets SDC	997,800	(991,273)	6,527	(6,507)	20
Streets SDC reimbursement	36,780	(36,780)	-	-	-
Water SDC	76,200	(69,675)	6,525	(6,507)	18
Water SDC reimbursement	24,590	(24,590)	-	-	-
Capital outlay	-	-	-	404,540	404,540
Total expenditures	5,324,007	(4,799,955)	524,052	(37,530)	486,522

(Continued)

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CAPITAL PRJOECTS FUND

For the Year Ended June 30, 2013

(Continued)

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(4,469,608)	4,259,656	(209,952)	37,530	(172,422)
OTHER FINANCING SOURCES (USES)					
Transfers in	398,200	-	398,200	-	398,200
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,530)</u>	<u>(37,530)</u>
Total other financing sources (uses)	<u>398,200</u>	<u>-</u>	<u>398,200</u>	<u>(37,530)</u>	<u>360,670</u>
Net change in fund balance	(4,071,408)	4,259,656	188,248	-	188,248
Fund balance - beginning	<u>4,071,408</u>	<u>(177,168)</u>	<u>3,894,240</u>	<u>-</u>	<u>3,894,240</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 4,082,488</u>	<u>\$ 4,082,488</u>	<u>\$ -</u>	<u>\$ 4,082,488</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

ENTERPRISE FUND

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Charges for services, net	\$ 9,158,000	\$ 9,158,000	\$ 281,329	\$ 9,439,329	\$ -	\$ 9,439,329
Miscellaneous	<u>138,710</u>	<u>138,710</u>	<u>(3,372)</u>	<u>135,338</u>	<u>-</u>	<u>135,338</u>
Total revenues	<u>9,296,710</u>	<u>9,296,710</u>	<u>277,957</u>	<u>9,574,667</u>	<u>-</u>	<u>9,574,667</u>
EXPENSES						
Current						
Water department	4,182,028	4,182,028	(181,579)	4,000,449	(2,795,247)	1,205,202
Water capital improvement	1,444,168	1,444,168	(922,206)	521,962	(374,180)	147,782
Water bond debt service	252,203	252,203	-	252,203	(252,203)	-
Storm drainage	660,510	660,510	(455,121)	205,389	(67,533)	137,856
Wastewater	5,436,000	5,436,000	(177,040)	5,258,960	(4,283,230)	975,730
Sewer and lateral repair program	339,200	339,200	(61,127)	278,073	(278,073)	-
Wastewater capital improvement	1,281,000	1,281,000	(476,756)	804,244	(754,830)	49,414
Wastewater bond debt service	1,385,654	1,385,654	(1,983)	1,383,671	(1,383,671)	-
Wastewater 2010 bond project	224,820	436,651	223	436,874	(431,872)	5,002
Depreciation	-	-	146,368	146,368	912,487	1,058,855
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>566,354</u>	<u>566,354</u>
Total expenses	<u>15,205,583</u>	<u>15,417,414</u>	<u>(2,129,221)</u>	<u>13,288,193</u>	<u>(9,141,998)</u>	<u>4,146,195</u>
Excess (deficiency) of revenues over (under) expenses	<u>(5,908,873)</u>	<u>(6,120,704)</u>	<u>2,407,178</u>	<u>(3,713,526)</u>	<u>9,141,998</u>	<u>5,428,472</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	4,288,462	4,288,462	-	4,288,462	-	4,288,462
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,039,417)</u>	<u>(7,039,417)</u>
Total other financing sources (uses)	4,288,462	4,288,462	-	4,288,462	(7,039,417)	(2,750,955)
Change in net position	(1,620,411)	(1,832,242)	2,407,178	574,936	2,102,581	2,677,517
Net position - beginning, as restated	<u>1,620,411</u>	<u>1,832,242</u>	<u>1,508,484</u>	<u>3,340,726</u>	<u>21,496,064</u>	<u>24,836,790</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,915,662</u>	<u>\$ 3,915,662</u>	<u>\$ 23,598,645</u>	<u>\$ 27,514,307</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

TRUST AND AGENCY FUND

For the Year Ended June 30, 2013

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Fines and forfeits	\$ 185,000	\$ (85,749)	\$ 99,251	\$ 99,251
EXPENDITURES				
Bail and trust	185,000	(79,062)	105,938	105,938
Excess (deficiency) of revenues over (under) expenditures	-	(6,687)	(6,687)	(6,687)
Fund balance - beginning	-	2,326	2,326	2,326
Fund deficit - ending	<u>\$ -</u>	<u>\$ (4,361)</u>	<u>\$ (4,361)</u>	<u>\$ (4,361)</u>

OTHER FINANCIAL SCHEDULES

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2013

Fiscal Year Ending June 30	2010 Northwest Urban Renewal Refunding Bonds			2002 Pension Obligation Bonds			2007 General Obligation Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2014	\$ 315,000	\$ 77,540	\$ 392,540	\$ 30,290	\$ 136,980	\$ 167,270	\$ 620,000	\$ 750,600
2015	320,000	68,090	388,090	31,704	145,566	177,270	690,000	725,800	1,415,800
2016	330,000	58,490	388,490	32,796	154,474	187,270	760,000	698,200	1,458,200
2017	345,000	48,590	393,590	33,687	163,583	197,270	830,000	667,800	1,497,800
2018	355,000	36,516	391,516	32,872	169,398	202,270	905,000	631,600	1,536,600
2019	370,000	25,510	395,510	33,233	179,037	212,270	1,000,000	595,400	1,595,400
2020	380,000	13,300	393,300	51,649	170,621	222,270	1,080,000	555,400	1,635,400
2021	-	-	-	140,000	95,558	235,558	1,175,000	506,800	1,681,800
2022	-	-	-	160,000	85,968	245,968	1,280,000	450,988	1,730,988
2023	-	-	-	185,000	75,008	260,008	1,390,000	390,188	1,780,188
2024	-	-	-	205,000	62,335	267,335	1,510,000	324,162	1,834,162
2025	-	-	-	-	48,293	48,293	1,635,000	252,438	1,887,438
2026	-	-	-	260,000	48,293	308,293	1,775,000	170,688	1,945,688
2027	-	-	-	295,000	30,483	325,483	1,905,000	95,250	2,000,250
2028	-	-	-	150,000	10,275	160,275	-	-	-
	<u>\$ 2,415,000</u>	<u>\$ 328,036</u>	<u>\$ 2,743,036</u>	<u>\$ 1,641,231</u>	<u>\$ 1,575,872</u>	<u>\$ 3,217,103</u>	<u>\$ 16,555,000</u>	<u>\$ 6,815,314</u>	<u>\$ 23,370,314</u>

Fiscal Year Ending June 30	Northwest Urban Renewal District Special Public Works Fund			General Fund Special Public Works Fund			Samaritan Health Services Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2014	\$ 108,963	\$ 132,488	\$ 241,451	\$ 67,146	\$ 69,387	\$ 136,533	\$ 32,500	\$ 55,016
2015	114,722	128,130	242,852	72,571	67,037	139,608	34,450	53,066	87,516
2016	120,511	123,541	244,052	73,074	64,134	137,208	36,517	50,999	87,516
2017	126,331	118,720	245,051	78,597	61,211	139,808	38,708	48,808	87,516
2018	132,184	113,667	245,851	79,141	58,067	137,208	41,031	46,485	87,516
2019	133,072	108,380	241,452	84,707	54,902	139,609	43,493	44,023	87,516
2020	138,994	103,057	242,051	85,332	51,302	136,634	46,102	41,414	87,516
2021	144,984	97,323	242,307	91,022	47,462	138,484	48,869	38,648	87,517
2022	151,034	91,234	242,268	91,663	43,821	135,484	51,801	35,715	87,516
2023	157,140	84,815	241,955	97,496	39,238	136,734	54,909	32,607	87,516
2024	168,293	78,137	246,430	103,371	34,363	137,734	58,203	29,313	87,516
2025	174,510	70,900	245,410	109,105	30,228	139,333	61,695	25,821	87,516
2026	180,801	63,265	244,066	115,061	24,773	139,834	65,397	22,119	87,516
2027	187,149	55,355	242,504	121,114	18,732	139,846	69,321	18,195	87,516
2028	198,555	47,167	245,722	127,169	12,676	139,845	73,480	14,036	87,516
2029	205,023	38,481	243,504	133,333	6,000	139,333	77,889	9,627	87,516
2030	216,556	29,511	246,067	-	-	-	82,564	4,954	87,518
2031	223,155	20,037	243,192	-	-	-	-	-	-
2032	234,824	10,274	245,098	-	-	-	-	-	-
	<u>\$ 3,116,801</u>	<u>\$ 1,514,482</u>	<u>\$ 4,631,283</u>	<u>\$ 1,529,902</u>	<u>\$ 683,333</u>	<u>\$ 2,213,235</u>	<u>\$ 916,929</u>	<u>\$ 570,846</u>	<u>\$ 1,487,775</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
BUSINESS-TYPE ACTIVITIES

For the Year Ended June 30, 2013

Fiscal Year Ending June 30	2003 Wastewater Refunding Bonds			2010 Wastewater Refunding Bonds			2004 Water Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2014	\$ 225,000	\$ 68,318	\$ 293,318	\$ 380,000	\$ 229,276	\$ 609,276	\$ 180,000	\$ 71,565
2015	235,000	60,162	295,162	390,000	217,876	607,876	185,000	65,310	250,310
2016	245,000	51,628	296,628	400,000	207,450	607,450	195,000	58,470	253,470
2017	255,000	42,562	297,562	415,000	195,450	610,450	205,000	50,860	255,860
2018	260,000	32,850	292,850	435,000	178,850	613,850	210,000	42,560	252,560
2019	270,000	22,450	292,450	445,000	161,450	606,450	225,000	33,860	258,860
2020	280,000	11,550	291,550	460,000	143,650	603,650	230,000	24,760	254,760
2021	-	-	-	235,000	125,250	360,250	235,000	15,225	250,225
2022	-	-	-	245,000	115,262	360,262	245,000	5,145	250,145
2023	-	-	-	255,000	104,850	359,850	-	-	-
2024	-	-	-	265,000	94,012	359,012	-	-	-
2025	-	-	-	275,000	82,750	357,750	-	-	-
2026	-	-	-	285,000	71,062	356,062	-	-	-
2027	-	-	-	300,000	60,376	360,376	-	-	-
2028	-	-	-	310,000	49,126	359,126	-	-	-
2029	-	-	-	320,000	37,500	357,500	-	-	-
2030	-	-	-	335,000	25,500	360,500	-	-	-
2031	-	-	-	345,000	12,938	357,938	-	-	-
	<u>\$ 1,770,000</u>	<u>\$ 289,520</u>	<u>\$ 2,059,520</u>	<u>\$ 6,095,000</u>	<u>\$ 2,112,628</u>	<u>\$ 8,207,628</u>	<u>\$ 1,910,000</u>	<u>\$ 367,755</u>	<u>\$ 2,277,755</u>

Fiscal Year Ending June 30	2009 Wastewater DEQ Loan			2007 Cannibal Project Note		
	Principal	Interest	Total	Principal	Interest	Total
	2014	\$ 38,528	\$ 22,388	\$ 60,916	\$ 144,504	\$ 63,474
2015	39,666	21,250	60,916	147,457	60,521	207,978
2016	40,837	20,079	60,916	150,471	57,507	207,978
2017	42,042	18,874	60,916	153,545	54,433	207,978
2018	43,283	17,633	60,916	156,683	51,295	207,978
2019	44,560	16,356	60,916	159,885	48,093	207,978
2020	45,875	15,041	60,916	163,152	44,826	207,978
2021	47,229	13,687	60,916	166,486	41,492	207,978
2022	48,623	12,293	60,916	169,888	38,090	207,978
2023	50,058	10,858	60,916	173,360	34,618	207,978
2024	51,535	9,381	60,916	176,903	31,075	207,978
2025	53,056	7,860	60,916	180,518	27,460	207,978
2026	54,623	6,293	60,916	184,206	23,772	207,978
2027	56,235	4,681	60,916	187,971	20,007	207,978
2028	57,895	3,021	60,916	191,812	16,166	207,978
2029	59,598	1,313	60,911	195,732	12,246	207,978
2030	-	-	-	199,731	8,247	207,978
2031	-	-	-	203,812	4,166	207,978
	<u>\$ 773,643</u>	<u>\$ 201,008</u>	<u>\$ 974,651</u>	<u>\$ 3,106,116</u>	<u>\$ 637,488</u>	<u>\$ 3,743,604</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2013

Tax Year	Taxes Receivable July 1, 2012	2012-2013 Levy	Adjustments	Collections	Taxes Receivable June 30, 2013
2012-2013	\$ -	\$ 7,970,748	\$ (258,127)	\$ 7,405,792	\$ 306,829
2011-2012	377,997	-	(9,533)	168,828	199,636
2010-2011	196,313	-	(13,452)	67,955	114,906
2009-2010	93,268	-	(1,718)	50,313	41,237
2008-2009	45,203	-	(1,002)	37,151	7,050
2007-2008	8,376	-	(867)	3,541	3,968
2006-2007	3,071	-	(562)	1,237	1,272
Prior	<u>5,721</u>	<u>-</u>	<u>336</u>	<u>445</u>	<u>5,612</u>
Subtotal - Prior	<u>729,949</u>	<u>-</u>	<u>(26,798)</u>	<u>329,470</u>	<u>373,681</u>
Total	<u>\$ 729,949</u>	<u>\$ 7,970,748</u>	<u>\$ (284,925)</u>	7,735,262	<u>\$ 680,510</u>
Add:					
Other taxes and interest				48,077	
Undistributed taxes with county, July 1, 2012				<u>-</u>	
Total available				7,783,339	
Less: Turnovers to District				<u>7,783,339</u>	
Undistributed taxes with county, June 30, 2013				<u>\$ -</u>	

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

City Council
City of Lebanon
Lebanon, Oregon 97355

We have audited the basic financial statements of the City of Lebanon as of and for the year ended June 30, 2013, and have issued our report thereon dated December 6, 2013. 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'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 162-010-0000 through 162-010-0320 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 statement 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

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

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, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as noted below.

1. The City was not in compliance with ORS Chapters 279A, 279B, and 279C as they relate to public contracts and purchasing.
2. The City expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriations were over-expended for the fiscal year ended June 30, 2013:

Fund	Department	Appropriations	Expenditures	Excess
General Fund	Human Resources	\$ 389,957	\$ 509,885	\$ 119,928
General Fund	City Attorney	\$ 122,200	\$ 138,305	\$ 16,105
General Fund	Legislative	\$ 135,712	\$ 148,232	\$ 12,520
General Fund	Library	\$ 576,663	\$ 600,403	\$ 23,740
Special Revenue Fund	Park Enterprise	\$ 47,627	\$ 56,432	\$ 8,805
Special Revenue Fund	School Resource Officer	\$ 36,375	\$ 41,042	\$ 4,667
Capital Projects Fund	Senior Services Building Trust	\$ -	\$ 1,604	\$ 1,604
Enterprise Fund	Wastewater 2010 Bond Project	\$ 436,651	\$ 436,874	\$ 223

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City of Lebanon’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lebanon’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated December 6, 2013.

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



Accuity, LLC

December 6, 2013