



CITY OF LEBANON

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CITY OF LEBANON
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2015



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

436 1st Avenue W | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

CITY OF LEBANON
Linn County, Oregon

CITY OFFICIALS

June 30, 2015

MAYOR

Paul Aziz
312 E. Sherman Street
Lebanon, Oregon 97355

CITY COUNCIL

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97355

Bob Elliott, Council President
795 Binshadler Street
Lebanon, Oregon 97355

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

Jason Bolen
3426 Duck Place
Lebanon, Oregon 97355

Rebecca Grizzle
333 E. Ash Street
Lebanon, Oregon 97355

Robert Furlow (*appointed July 23, 2014*)
785 Wassom Street
Lebanon, OR 97355

CITY MANAGER

Gary Marks

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

Report on the Financial Statements

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, 2015, 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, 2015, 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.

Change in Accounting Principle

The City adopted new accounting guidance, GASB Statement No. 68, Accounting and Reporting for Pensions, as well as the provisions of GASB Statement No. 71, Pensions Transition for Contributions Made Subsequent to the Measurement Date, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and employer contributions and budgetary comparison information on pages 4 through 11 and 56 through 62 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

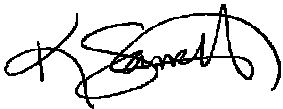
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The individual fund schedules and schedule of property tax transactions are presented for purposes of additional analysis and are not a 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 28, 2015 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 28, 2015

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, 2015. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2015, total net position of the City of Lebanon amounted to \$48,319,523. Of this amount, \$30,742,794 was invested in capital assets, net of related debt. The remaining balance included \$9,679,144 restricted for various purposes and \$7,897,585 of unrestricted net position.
- The City's total net position increased by \$8,012,825 during the current fiscal year.
- Overall revenues were \$26,428,279, which exceeded total expenses of \$18,415,454 by \$8,012,825.
- The city completed a refinancing of two debt issues with a net savings on the 2007 GO Bond of \$1,155,310 and \$85,617 on the 2007 Siemens Wastewater Loan.
- The City adopted GASB 68 which required the City to recognize the long-term obligation for pension benefits. GASB 68 enhanced the accountability and transparency through revised note disclosures and required supplemental information. The net effect of GASB 68 is a reduction in the beginning net position on the government wide statements of \$4,289,326.

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).

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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.

The business-type activities of the City include water, sewer and storm drainage services. The government-wide financial statements can be found on pages 12 through 14 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 seven 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, 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.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 15 through 18 of this report.

□ **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 19 through 22 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 23 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 24 through 55 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, Northwest Urban Renewal, Cheadle Lake Urban Renewal, and North Gateway Urban Renewal Funds. This required supplementary information can be found on pages 56 through 62 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 63 through 67 of this report.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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 \$48,319,523, at the close of the most recent fiscal year. This was an increase in net assets of 19%. The City adopted GASB 68 which required the City to recognize the long-term obligation for pension benefits. GASB 68 enhanced the accountability and transparency through revised note disclosures and required supplemental information. The net effect of GASB 68 is a reduction in the beginning net position balance on the government wide statements of \$4,289,326.

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 \$8,012,825 during the current fiscal year.

Condensed statement of net position information is shown below.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Assets						
Current assets	\$ 3,294,919	\$ 2,395,906	\$ 6,175,401	\$ 4,108,828	\$ 9,470,320	\$ 6,504,734
Restricted assets	10,502,154	10,196,486	-	-	10,502,154	10,196,486
Noncurrent assets	2,295,850	2,414,407	99,324	154,777	2,395,174	2,569,184
Net capital assets	33,545,085	34,800,641	44,052,454	42,662,018	77,597,539	77,462,659
Total assets	49,638,008	49,807,440	50,327,179	46,925,623	99,965,187	96,733,063
Deferred Outflows	426,730	509,970	31,135	37,208	457,865	547,178
Liabilities						
Current liabilities	3,701,678	3,616,021	1,229,535	1,049,491	4,931,213	4,665,512
Noncurrent liabilities	36,298,614	43,149,565	8,020,228	9,158,466	44,318,842	52,308,031
Total liabilities	40,000,292	46,765,586	9,249,763	10,207,957	49,250,055	56,973,543
Deferred Inflows	2,659,438	-	194,036	-	2,853,474	-
Net position						
Net investment in capital assets	(4,571,488)	(5,561,848)	35,314,282	33,176,772	30,742,794	27,614,924
Restricted	9,307,133	9,077,679	372,011	372,011	9,679,144	9,449,690
Unrestricted	2,669,363	35,993	5,228,222	3,206,091	7,897,585	3,242,084
Total net position	\$ 7,405,008	\$ 3,551,824	\$ 40,914,515	\$ 36,754,874	\$ 48,319,523	\$ 40,306,698

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	
	2015	2014	2015	2014	2015	2014
Program revenues						
Charges for services	\$ 961,410	\$ 833,670	\$ 9,938,954	\$ 9,428,022	\$ 10,900,364	\$ 10,261,692
Operating grants and contributions	310,046	291,697	4,207	-	314,253	291,697
Capital grants and contributions	219,070	-	-	-	219,070	-
Total program revenues	1,490,526	1,125,367	9,943,161	9,428,022	11,433,687	10,553,389
General revenues						
Property taxes - general	6,618,292	5,968,262	-	-	6,618,292	5,968,262
Property taxes - debt service	2,080,147	2,348,076	-	-	2,080,147	2,348,076
Franchise taxes	2,099,554	2,000,707	-	-	2,099,554	2,000,707
Motor fuel taxes	907,817	895,783	-	-	907,817	895,783
Alcohol/cigarette taxes	247,478	240,676	-	-	247,478	240,676
Transient room taxes	69,872	53,412	-	-	69,872	53,412
Intergovernmental	174,866	168,922	-	-	174,866	168,922
Unrestricted grants and contributions	397,395	81,801	-	-	397,395	81,801
Investment income	154,932	151,205	34,778	15,447	189,710	166,652
Pension credit	1,256,759	-	91,695	-	1,348,454	-
Miscellaneous revenue	757,083	1,007,001	103,924	107,341	861,007	1,114,342
Total general revenues	14,764,195	12,915,845	230,397	122,788	14,994,592	13,038,633
Total revenues	16,254,721	14,041,212	10,173,558	9,550,810	26,428,279	23,592,022
Program expenses						
General Government	3,838,417	16,032,243	-	-	3,838,417	16,032,243
Public Safety	4,371,024	4,492,848	-	-	4,371,024	4,492,848
Highways and streets	924,469	735,708	-	-	924,469	735,708
Culture and recreation	1,463,996	1,562,044	-	-	1,463,996	1,562,044
Community planning and dev.	1,313,438	1,604,091	-	-	1,313,438	1,604,091
Interest on long-term debt	1,465,963	974,686	-	-	1,465,963	974,686
Water	-	-	1,712,057	1,403,335	1,712,057	1,403,335
Wastewater	-	-	3,093,617	1,962,983	3,093,617	1,962,983
Storm Drainage	-	-	232,473	174,433	232,473	174,433
Total program expenses	13,377,307	25,401,620	5,038,147	3,540,751	18,415,454	28,942,371
Transfers	975,770	(3,583,491)	(975,770)	3,583,491	-	-
Change in net position	3,853,184	(14,943,899)	4,159,641	9,593,550	8,012,825	(5,350,349)
Net position -						
beginning of year, as restated	3,551,824	18,495,723	36,754,874	27,161,324	40,306,698	45,657,047
Net position - end of year	<u>\$ 7,405,008</u>	<u>\$ 3,551,824</u>	<u>\$ 40,914,515</u>	<u>\$ 36,754,874</u>	<u>\$ 48,319,523</u>	<u>\$ 40,306,698</u>

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 \$11,084,750, an increase of \$1,074,850 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 \$1,836,626, an increase of \$847,769 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 \$40,914,515 at year-end. Of this amount, \$35,314,282 was invested in capital assets net of related debt, \$372,011 restricted for debt service, and the remaining balance of \$5,228,222 was unrestricted.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts; four approved supplemental budgets 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, 2015 amounted to \$33,545,085 and \$44,052,454 (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 \$1,471,734 and \$1,177,820, 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:

- Vine Street sewer replacement
- Sewer lateral program replaced 10 property owners sewer laterals
- Cascade Road improvements
- River Road property purchase for water treatment plant upgrades

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 \$46,854,745. This amount is comprised of debt backed by general obligation bonds, revenue bonds, notes and loans payable, and related premiums. The City's total debt decreased by \$2,992,990 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:

- PERS rate increases are expected. Rates for the 7/1/17 - 6/30/19 period were announced. Tier 1 & 2 18.65% up 28%, OPSRP general 9.2%, and OPSRP police 14% up 23.1%.
- Property tax revenue increased over last year. It is hoped for and anticipated that with economic growth this trend will continue.

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 2,164,030	\$ 4,752,121	\$ 6,916,151
Receivables, net - current portion	639,152	1,343,600	1,982,752
Property taxes receivable	406,603	-	406,603
Due from other funds	-	77,388	77,388
Special assessments receivable	29,929	-	29,929
Prepaid expenses	55,205	2,292	57,497
Total current assets	3,294,919	6,175,401	9,470,320
Restricted assets			
Cash and investments	9,364,758		9,364,758
Receivables, net	310,404	-	310,404
Special assessments receivable	360,574	-	360,574
Property taxes receivable	466,418	-	466,418
Total restricted assets	10,502,154	-	10,502,154
Receivables, net - less current portion	934,514	-	934,514
Net pension asset	1,361,336	99,324	1,460,660
Capital assets not being depreciated	2,511,591	9,176,514	11,688,105
Capital assets, net of accumulated depreciation	31,033,494	34,875,940	65,909,434
Total assets	49,638,008	50,327,179	99,965,187
DEFERRED OUTFLOWS OF RESOURCES	426,730	31,135	457,865
LIABILITIES			
Current liabilities			
Accounts payable	398,073	94,016	492,089
Payroll liabilities	639,134	-	639,134
Due to other funds	77,388	-	77,388
Accrued interest payable	238,726	78,010	316,736
Compensated absences payable, current portion	64,957	5,134	70,091
Deposits payable	-	294,970	294,970
Long-term liabilities, current portion	2,283,400	757,405	3,040,805
Total current liabilities	3,701,678	1,229,535	4,931,213

(Continued)

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2015

(Continued)

	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities			
Long-term liabilities, less current portion	35,833,173	7,980,767	43,813,940
Compensated absences payable, less current portion	465,441	39,461	504,902
Total noncurrent liabilities	36,298,614	8,020,228	44,318,842
Total liabilities	40,000,292	9,249,763	49,250,055
DEFERRED OUTFLOWS OF RESOURCES	\$ 2,659,438	\$ 194,036	\$ 2,853,474
NET POSITION			
Net investment in capital assets	(4,571,488)	35,314,282	30,742,794
Restricted for:			
Debt service	394,633	372,011	766,644
Capital improvements	6,010,586	-	6,010,586
Urban renewal	1,833,600	-	1,833,600
Grant projects	1,068,314	-	1,068,314
Unrestricted	2,669,363	5,228,222	7,897,585
Total net position	\$ 7,405,008	\$ 40,914,515	\$ 48,319,523

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, 2015

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	\$ 3,838,417	\$ 425,842	\$ 198,976	\$ -	\$ (3,213,599)	\$ -	\$ (3,213,599)
Public Safety	4,371,024	471,251	11,879	-	(3,887,894)	-	(3,887,894)
Highways and streets	924,469	-	14,150	219,005	(691,314)	-	(691,314)
Culture and recreation	1,463,996	64,317	85,041	65	(1,314,573)	-	(1,314,573)
Community planning and development	1,313,438	-	-	-	(1,313,438)	-	(1,313,438)
Interest on long-term debt	1,465,963	-	-	-	(1,465,963)	-	(1,465,963)
Total governmental activities	\$ 13,377,307	\$ 961,410	\$ 310,046	\$ 219,070	(11,886,781)	-	(11,886,781)
Business-type activities							
Water	\$ 1,712,057	\$ 4,533,296	\$ 4,207	\$ -	-	2,825,446	2,825,446
Wastewater	3,093,617	4,980,435	-	-	-	1,886,818	1,886,818
Storm Drainage	232,473	425,223	-	-	-	192,750	192,750
Total business-type activities	\$ 5,038,147	\$ 9,938,954	\$ 4,207	\$ -	-	4,905,014	4,905,014
General revenues							
Property taxes levied for general purposes					6,618,292	-	6,618,292
Property taxes levied for debt service					2,080,147	-	2,080,147
Franchise taxes					2,099,554	-	2,099,554
Motor fuel taxes					907,817	-	907,817
Alcohol/cigarette taxes					247,478	-	247,478
Transient room taxes					69,872	-	69,872
Intergovernmental					174,866	-	174,866
Unrestricted grants and contributions					397,395	-	397,395
Investment income					154,932	34,778	189,710
Miscellaneous revenue					757,083	103,924	861,007
Pension credit					1,256,759	91,695	1,348,454
Total general revenues					14,764,195	230,397	14,994,592
Transfers					975,770	(975,770)	-
Change in net position					3,853,184	4,159,641	8,012,825
Net position - beginning, as restated					3,551,824	36,754,874	40,306,698
Net position - ending					\$ 7,405,008	\$ 40,914,515	\$ 48,319,523

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

CITY OF LEBANON
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue Fund	Northwest Urban Renewal District	Cheadle Lake Urban Renewal District
ASSETS				
Cash and investments	\$ 2,164,030	\$ 786,357	\$ 2,932,344	\$ 224,725
Accounts receivable	219,152	275,690	-	-
Property taxes receivable	406,603	-	249,975	30,942
Loans receivable	29,929	3,078	1,044	-
Court fines receivable	1,354,514	-	-	-
Due from other funds	-	134,099	-	-
Prepaid and other expenses	55,205	2,319	-	-
Total assets	\$ 4,229,433	\$ 1,201,543	\$ 3,183,363	\$ 255,667
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 19,063	\$ 42,075	\$ 323,526	\$ -
Due to other funds	-	-	136,517	-
Payroll liabilities	637,674	-	-	-
Total liabilities	656,737	42,075	460,043	-
Deferred inflows of resources				
Unavailable revenue - property taxes	385,141	3,078	233,853	28,982
Unavailable revenue - court fines	1,350,929	-	-	-
Total deferred inflows of resources	1,736,070	3,078	233,853	28,982
Fund balances				
Nonspendable - prepaid items	55,205	2,319	-	-
Restricted for:				
Grant projects	-	1,068,314	-	-
Capital improvements	-	-	-	-
Urban renewal	-	-	2,489,467	-
Debt service	-	-	-	-
Committed for insurance costs	24,931	85,757	-	-
Assigned for petty cash	1,800	-	-	-
Unassigned	1,754,690	-	-	226,685
Total fund balances (deficit)	1,836,626	1,156,390	2,489,467	226,685
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,229,433	\$ 1,201,543	\$ 3,183,363	\$ 255,667

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

North Gateway Urban Renewal District	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 205,672	\$ 237,761	\$ 4,977,899	\$ 11,528,788
-	-	34,714	529,556
28,629	156,872	-	873,021
-	-	356,452	390,503
-	-	-	1,354,514
-	-	1,015,161	1,149,260
-	-	-	57,524
<u>\$ 234,301</u>	<u>\$ 394,633</u>	<u>\$ 6,384,226</u>	<u>\$ 15,883,166</u>
\$ -	\$ -	\$ 17,188	\$ 401,852
1,090,131	-	-	1,226,648
<u>-</u>	<u>-</u>	<u>-</u>	<u>637,674</u>
<u>1,090,131</u>	<u>-</u>	<u>17,188</u>	<u>2,266,174</u>
26,722	147,085	356,452	1,181,313
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350,929</u>
<u>26,722</u>	<u>147,085</u>	<u>356,452</u>	<u>2,532,242</u>
-	-	-	57,524
-	-	-	1,068,314
-	-	6,010,586	6,010,586
-	-	-	2,489,467
-	247,548	-	247,548
-	-	-	110,688
-	-	-	1,800
<u>(882,552)</u>	<u>-</u>	<u>-</u>	<u>1,098,823</u>
<u>(882,552)</u>	<u>247,548</u>	<u>6,010,586</u>	<u>11,084,750</u>
<u>\$ 234,301</u>	<u>\$ 394,633</u>	<u>\$ 6,384,226</u>	<u>\$ 15,883,166</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, 2015

Total fund balances		\$ 11,084,750
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	91,190,423	
Accumulated depreciation	<u>(57,645,338)</u>	33,545,085
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.		1,181,313
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		1,361,336
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		426,730
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		(2,659,438)
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	(238,726)	
Compensated absences payable	(530,398)	
Bonds payable, including premiums	(32,761,389)	
Notes payable	<u>(5,355,184)</u>	<u>(38,885,697)</u>
Net position of governmental activities		<u><u>\$ 7,405,008</u></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, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Northwest Urban Renewal District</u>	<u>Cheadle Lake Urban Renewal District</u>
REVENUES				
Property taxes	\$ 4,038,625	\$ -	\$ 2,500,987	\$ 341,886
Liquor taxes	226,500	-	-	-
Cigarette taxes	20,978	-	-	-
Franchise taxes	2,098,383	1,171	-	-
Transient room taxes	-	70,152	-	-
Fees and charges	-	490,857	-	-
Intergovernmental	-	991,846	-	-
State revenue sharing	174,586	-	-	-
Licenses and permits	4,520	-	-	-
Forfeiture revenue	338,432	52,771	-	-
Fines	133,607	-	-	-
Grants and contributions	-	477,023	-	-
Investment earnings	45,895	7,335	46,579	4,338
Miscellaneous	164,546	55,108	-	-
Total revenues	<u>7,246,072</u>	<u>2,146,263</u>	<u>2,547,566</u>	<u>346,224</u>
EXPENDITURES				
Current				
General government	1,426,453	667,350	107,140	-
Public Safety	4,311,642	51,628	-	-
Highways and streets	-	620,745	-	-
Culture and recreation	1,001,681	335,005	-	320
Community planning	1,193,993	119,445	-	-
Debt service	139,608	-	630,942	63,403
Capital outlay	14,096	431,431	1,019,179	-
Total expenditures	<u>8,087,473</u>	<u>2,225,604</u>	<u>1,757,261</u>	<u>63,723</u>
Excess (deficiency) of revenues over expenditures	<u>(841,401)</u>	<u>(79,341)</u>	<u>790,305</u>	<u>282,501</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,189,789	858,393	-	-
Transfers out	<u>(500,619)</u>	<u>(962,557)</u>	<u>(1,017,516)</u>	<u>(58,142)</u>
Total other financing sources (uses)	<u>1,689,170</u>	<u>(104,164)</u>	<u>(1,017,516)</u>	<u>(58,142)</u>
Net change in fund balances	847,769	(183,505)	(227,211)	224,359
Fund balances (deficit) - beginning, as restated	<u>988,857</u>	<u>1,339,895</u>	<u>2,716,678</u>	<u>2,326</u>
Fund balances (deficit) - ending	<u>\$ 1,836,626</u>	<u>\$ 1,156,390</u>	<u>\$ 2,489,467</u>	<u>\$ 226,685</u>

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

North Gateway Urban Renewal District	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 385,566	\$ 1,436,755	\$ -	\$ 8,703,819
-	-	-	226,500
-	-	-	20,978
-	-	-	2,099,554
-	-	-	70,152
-	-	369,833	860,690
-	-	-	991,846
-	-	-	174,586
-	-	-	4,520
-	-	-	391,203
-	-	-	133,607
-	-	365,394	842,417
1,329	9,498	38,247	153,221
-	-	14,413	234,067
<u>386,895</u>	<u>1,446,253</u>	<u>787,887</u>	<u>14,907,160</u>
66,243	-	-	2,267,186
-	-	8,504	4,371,774
-	-	26,750	647,495
-	-	69,341	1,406,347
-	-	-	1,313,438
93,855	2,935,620	-	3,863,428
-	-	766,893	2,231,599
<u>160,098</u>	<u>2,935,620</u>	<u>871,488</u>	<u>16,101,267</u>
<u>226,797</u>	<u>(1,489,367)</u>	<u>(83,601)</u>	<u>(1,194,107)</u>
-	1,519,573	338,965	4,906,720
<u>(57,033)</u>	<u>-</u>	<u>(41,896)</u>	<u>(2,637,763)</u>
<u>(57,033)</u>	<u>1,519,573</u>	<u>297,069</u>	<u>2,268,957</u>
169,764	30,206	213,468	1,074,850
<u>(1,052,316)</u>	<u>217,342</u>	<u>5,797,118</u>	<u>10,009,900</u>
<u>\$ (882,552)</u>	<u>\$ 247,548</u>	<u>\$ 6,010,586</u>	<u>\$ 11,084,750</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, 2015

Net change in fund balances		\$ 1,074,850
Amounts reported for governmental activities in the statement of activities are different because:		
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.		
Expenditures for capital assets	216,178	
Depreciation expense recorded in current year	<u>(1,471,734)</u>	(1,255,556)
Changes in net pension assets and liabilities, as well as the related changes in deferred outflows and deferred inflows of resources are not recognized as expenditures in the governmental funds.		
		1,683,489
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.		
Debt principal paid		2,215,366
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.		
Compensated absences	(39,298)	
Accrued interest	50,131	
Amortization of debt premium	<u>30,550</u>	41,383
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.		
		<u>93,652</u>
Change in net position		<u>\$ 3,853,184</u>

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, 2015

	Business-Type Activities <u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 4,752,121
Accounts receivable	1,343,600
Due from other funds	77,388
Prepaid expenses	<u>2,292</u>
Total current assets	6,175,401
Net pension asset	99,324
Capital assets not being depreciated	9,176,514
Capital assets, net of accumulated depreciation	<u>34,875,940</u>
Total assets	<u>50,327,179</u>
DEFERRED OUTFLOWS OF RESOURCES	31,135
LIABILITIES	
Current liabilities	
Accounts payable	94,016
Accrued interest	78,010
Compensated absences, current portion	5,134
Deposit liability	294,970
Long-term liabilities, current portion	<u>757,405</u>
Total current liabilities	<u>1,229,535</u>
Noncurrent liabilities	
Compensated absences, less current portion	39,461
Long-term liabilities, less current portion	<u>7,980,767</u>
Total noncurrent liabilities	<u>8,020,228</u>
Total liabilities	<u>9,249,763</u>
DEFERRED INFLOWS OF RESOURCES	194,036
NET POSITION	
Net investment in capital assets	35,314,282
Restricted for debt service	372,011
Unrestricted	<u>5,228,222</u>
Total net position	<u>\$ 40,914,515</u>

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, 2015

	Business-Type Activities <hr/> Enterprise Fund <hr/>
Operating revenues	
Charges for services	
Water charges	\$ 4,533,296
Wastewater charges	4,980,435
Storm drain charges	425,223
Miscellaneous	<u>103,924</u>
Total operating revenues	<u>10,042,878</u>
Operating expenses	
Water utility	1,303,148
Water utility capital improvement program	402,678
Storm drain utility	35,283
Wastewater utility	1,766,639
Wastewater utility capital improvement program	11,325
Depreciation	<u>1,177,824</u>
Total operating expenses	<u>4,696,897</u>
Operating income (loss)	<u>5,345,981</u>
Nonoperating revenues (expenses)	
Investment earnings	34,778
Grant revenue	4,207
Pension credit	91,695
Interest expense	<u>(341,250)</u>
Total nonoperating revenue (expenses)	<u>(210,570)</u>
Income (loss) before contributions and transfers	5,135,411
Transfers in	<u>(975,770)</u>
Change in net position	4,159,641
Net position - beginning, as restated	<u>36,754,874</u>
Net position - ending	<u><u>\$ 40,914,515</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, 2015

	Business-Type Activities <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 9,952,287
Payments to employees	(569,787)
Payments to suppliers	(2,984,138)
Other receipts	<u>103,924</u>
Net cash provided (used) by operating activities	<u>6,502,286</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	<u>411,773</u>
Net cash provided (used) by noncapital financing activities	<u>411,773</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(3,875,594)
Capital grants	4,207
Principal paid on long term debt	(733,682)
Interest paid on long term debt	<u>(341,250)</u>
Net cash provided (used) by noncapital financing activities	<u>(4,946,319)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>34,778</u>
Net cash provided (used) by noncapital financing activities	<u>34,778</u>
Net increase (decrease) in cash and cash equivalents	2,002,518
Cash and investments - beginning	<u>2,749,603</u>
Cash and investments - ending	<u>\$ 4,752,121</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, 2015

(Continued)

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ 5,345,981
Adjustments to reconcile operating income to net cash provided (used)	
by operating activities:	
Depreciation expense	1,177,824
Amortization of bond premium	(13,392)
Changes in assets and liabilities	
(Increase) decrease in:	
Receivables	(13,333)
Increase (decrease)	
Accounts payable	(10,561)
Deposit liability	15,080
Compensated absences	6,760
Deferred outflows of resources	<u>(6,073)</u>
Net cash provided (used) by operating activities	<u>\$ 6,502,286</u>

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, 2015

	<u>Agency Fund</u> Bail Fund
ASSETS	
Cash and cash equivalents	\$ 15,091
Accounts receivable	<u>4,479</u>
Total assets	<u>\$ 19,570</u>
LIABILITIES	
Due to other agencies	13,755
Bail payable	<u>5,815</u>
Total liabilities	<u>\$ 19,570</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, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statements of activities) report information on all of the activities of the City. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

B. 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.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities incorporate data from governmental funds, while the business-type activities incorporate data from enterprise funds. Separate financial statements are provided for all governmental and proprietary funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate financial statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. 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.

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.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

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.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activity column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The governmental fund financial statements are reported using the current financial resources

CITY OF LEBANON
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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 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount received during the period or within the availability period for this revenues source (within 30 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

F. Budgetary Basis of Accounting

Annual budgets are adopted on the modified accrual basis of accounting. The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, capital projects, debt service and enterprise funds. 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. Total personnel services, materials and services, debt service, capital outlay, interfund transfers, and operating contingencies are the levels of control established by the resolution. 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 of less than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and

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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 were four supplemental budgets.

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

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

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. 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.

3. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Intefund receivables and payables between funds are eliminated in the statement of net position.

4. 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.

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5. 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

6. 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.

7. Deferred Outflows/Inflows of Resources (non-pension related)

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 so will 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 elements, deferred

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inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

9. Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned, fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The city council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The city council (council) has by resolution authorized the City Administrator to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City has adopted a minimum fund balance policy that requires undesignated reserves of 17% of the next year's budgeted expenditures (exclusive of transfers and contingency).

H. 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.

I. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other intentionally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1st. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 15 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

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

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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 30 days of fiscal year-end are recognized as revenue, while the remaining are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

The City expended funds in excess of the amounts appropriated, which is in violation of ORS 294.100. The following appropriation was over-expended for the fiscal year ended June 30, 2015:

Fund	Department	Appropriations	Expenditures	Excess
General Fund	Human Resources	\$ 93,763	\$ 98,715	\$ 4,952

B. Deficit Fund Balance

At June 30, 2015, the N. Gateway Urban Renewal District had a deficit fund balance of \$882,552 due to interfund payables. The deficit will be corrected as property tax revenue is received.

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.

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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.

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

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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.

At June 30, 2015, the City's investments were rated as follows:

<u>Credit Quality Rating</u>	<u>Federal Agency Obligations</u>	<u>Municipal Bonds</u>	<u>Corporate Bonds</u>	<u>LGIP</u>	<u>Total</u>
Unrated	\$ 3,486,859	\$ -	\$ -	\$ 7,960,537	\$ 11,447,396
Moody Aa1	-	300,132	197,963	-	498,095
Moody Aa2	-	199,496	1,608,734	-	1,808,230
Moody Aa3	-	332,565	804,901	-	1,137,466
Moody A1	-	-	204,807	-	204,807
Moody Aaa	-	-	805,251	-	805,251
Moody Aa	-	-	203,581	-	203,581
S&P AA	-	130,066	-	-	130,066
 Total investments	 <u>\$ 3,486,859</u>	 <u>\$ 962,259</u>	 <u>\$ 3,825,237</u>	 <u>\$ 7,960,537</u>	 <u>\$ 16,234,892</u>

Investments

As of June 30, 2015, the City had the following investments:

	<u>Percent of Investment Portfolio</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	49%	-	\$ 7,960,537
Federal Agency Obligations	21%	1 - 3 years	3,486,859
Municipal Bonds	6%	1 - 3 years	962,260
Corporate Bonds	24%	1 - 3 years	<u>3,825,236</u>
 Total investments			 <u>\$ 16,234,892</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.

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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 and Key Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2015, the City had deposits of \$289,900 insured by the FDIC and \$220,891 collateralized under the PFCP.

Deposits

The City's deposits and investments at June 30, 2015 were as follows:

Cash on hand	\$ 1,700
Checking account	44,317
Total investments	<u>16,234,892</u>
 Total deposits and investments	 <u>\$ 16,280,909</u>

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Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	<u>\$ 2,164,030</u>
Business-type activities - unrestricted	
Enterprise Fund	<u>4,752,121</u>
Total unrestricted cash and investments	<u>6,916,151</u>
Governmental activities - restricted	
Special Revenue Fund	786,357
Northwest Urban Renewal District	2,932,344
Cheadle Lake Urban Renewal District	224,725
North Gateway Urban Renewal District	205,672
Debt Service Fund	237,761
Capital Projects Fund	<u>4,977,899</u>
Total governmental-activities - restricted	<u>9,364,758</u>
Total cash and investments	<u><u>\$ 16,280,909</u></u>

B. Restricted Assets

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

Restricted assets at June 30, 2015 were as follows:

	<u>Governmental</u>
	<u>Activities</u>
Restricted assets	
Cash and investments	\$ 9,364,758
Receivables, net	310,404
Special assessments (loans) receivable	360,574
Property taxes receivable	<u>466,418</u>
Total restricted assets	<u><u>\$ 10,502,154</u></u>

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C. Accounts Receivable

Accounts receivable at June 30, 2015, including the applicable allowances for uncollectible accounts, were as follows:

	Governmental Activities	Business-Type Activities
Short-term receivables		
Franchise fees	\$ 162,762	\$ -
Court fines	420,000	-
Intergovernmental	281,535	-
Grants	43,592	-
Utilities	-	1,343,600
Other	41,667	-
Total short-term receivables (including \$633,919 of unrestricted receivables, and \$110,482 of restricted receivables)	949,556	1,343,600
Long-term receivables		
Court fines	1,005,804	-
Less allowance for uncollectibles	(71,290)	-
Total long-term receivables	934,514	-
Total receivables	\$ 1,884,070	\$ 1,343,600

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	\$ 2,403,825	\$ -	\$ 2,403,825
Construction in progress	107,766	-	107,766
Buildings	18,419,585	(3,789,258)	14,630,327
Vehicles	2,173,120	(1,777,961)	395,159
Machinery and equipment	3,794,413	(2,665,191)	1,129,222
Infrastructure	64,291,714	(49,412,928)	14,878,786
Total governmental capital assets	\$ 91,190,423	\$ (57,645,338)	\$ 33,545,085

(Continued)

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

	Capital Assets	Accumulated Depreciation	Net Capital Assets
(Continued)			
Business-type activities			
Land	\$ 1,278,826	\$ -	\$ 1,278,826
Construction in progress	7,897,688	-	7,897,688
Buildings	8,424,953	(4,265,670)	4,159,283
Vehicles	1,020,549	(919,497)	101,052
Machinery and equipment	4,352,202	(2,785,985)	1,566,217
Infrastructure	1,485,870	(84,998)	1,400,872
Water/sewer assets	37,226,576	(9,578,060)	27,648,516
Total business-type capital assets	\$ 61,686,664	\$ (17,634,210)	\$ 44,052,454

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,361,657	\$ 42,168	\$ -	\$ 2,403,825
Construction in progress	68,281	39,485	-	107,766
Total capital assets not being depreciated	2,429,938	81,653	-	2,511,591
Capital assets being depreciated				
Buildings	18,419,585	-	-	18,419,585
Vehicles	2,131,949	41,171	-	2,173,120
Machinery and equipment	3,701,059	93,354	-	3,794,413
Infrastructure	64,291,714	-	-	64,291,714
Total capital assets being depreciated	88,544,307	134,525	-	88,678,832

(Continued)

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	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
(Continued)				
Less accumulated depreciation for				
Buildings	(3,392,032)	(397,226)	-	(3,789,258)
Vehicles	(1,646,176)	(131,785)	-	(1,777,961)
Machinery and equipment	(2,466,016)	(199,175)	-	(2,665,191)
Infrastructure	(48,669,380)	(743,548)	-	(49,412,928)
Total accumulated depreciation	(56,173,604)	(1,471,734)	-	(57,645,338)
Total capital assets being depreciated, net	32,370,703	(1,337,209)	-	31,033,494
Governmental activities capital assets, net	\$ 34,800,641	\$ (1,255,556)	\$ -	\$ 33,545,085
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,158,402	\$ 120,424	\$ -	\$ 1,278,826
Construction in progress	6,953,431	1,090,157	(145,900)	7,897,688
Total capital assets not being depreciated	8,111,833	1,210,581	(145,900)	9,176,514
Capital assets being depreciated				
Buildings	8,424,953	-	-	8,424,953
Vehicles	1,010,549	10,000	-	1,020,549
Machinery and equipment	4,352,202	-	-	4,352,202
Infrastructure	533,272	952,598	-	1,485,870
Water/sewer assets	36,685,599	540,977	-	37,226,576
Total capital assets being depreciated	51,006,575	1,503,575	-	52,510,150
Less accumulated depreciation for				
Buildings	(4,147,365)	(118,305)	-	(4,265,670)
Vehicles	(866,947)	(52,550)	-	(919,497)
Machinery and equipment	(2,711,868)	(74,117)	-	(2,785,985)
Infrastructure	(60,776)	(24,222)	-	(84,998)
Water/sewer assets	(8,669,434)	(908,626)	-	(9,578,060)
Total accumulated depreciation	(16,456,390)	(1,177,820)	-	(17,634,210)
Total capital assets being depreciated, net	34,550,185	325,755	-	34,875,940
Business-type activities capital assets, net	\$ 42,662,018	\$ 446,179	\$ -	\$ 44,052,454
Total capital assets, net	\$ 77,462,659	\$ (809,377)	\$ -	\$ 77,597,539

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

Governmental activities	
General government	<u>\$ 1,471,734</u>
Business-type activities	
Water	\$ 309,006
Sewer	866,227
Storm drain	<u>2,587</u>
Total business-type activities	<u>\$ 1,177,820</u>

E. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfer in:					
	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise Fund	Total
Transfers out:						
Governmental activities						
General Fund	\$ -	\$ 342,420	\$ 110,799	\$ 47,400	\$ -	\$ 500,619
Special Revenue Fund	384,664	158,781	23,422	123,000	272,690	962,557
Northwest Urban Renewal District	143,969	17,632	826,350	29,565	-	1,017,516
Cheadle Lake Urban Renewal District	52,526	5,616	-	-	-	58,142
North Gateway Urban Renewal District	50,770	6,263	-	-	-	57,033
Capital Projects Fund	<u>30,908</u>	<u>10,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,896</u>
Total governmental activities	<u>\$ 662,837</u>	<u>\$ 541,700</u>	<u>\$ 960,571</u>	<u>\$ 199,965</u>	<u>\$ 272,690</u>	<u>\$ 2,637,763</u>
Business-type activities						
Enterprise Fund	<u>\$ 1,526,952</u>	<u>\$ 316,693</u>	<u>\$ 559,002</u>	<u>\$ 139,000</u>	<u>\$ -</u>	<u>\$ 2,541,647</u>

Interfund transfers in balance with interfund transfers out. Transfers are made to cover salary and benefits costs as well as for future capital improvements and debt service requirements.

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F. Intefund Balances

At June 30, 2015, interfund balances consisted of the following:

	Payable Fund			Total
	NW Urban Renewal	Cheadle Lake Urban Renewal	N. Gateway Urban Renewal	
Receivable Fund:				
Governmental activities				
Special Revenue Fund	\$ -	\$ -	\$ 134,099	\$ 134,099
Capital Projects Fund	59,129	-	956,032	1,015,161
Total governmental activities	59,129	-	1,090,131	1,149,260
Business-type activities				
Enterprise Fund	77,388	-	-	77,388
Total	<u>\$ 136,517</u>	<u>\$ -</u>	<u>\$ 1,090,131</u>	<u>\$ 1,226,648</u>

Interfund balances represent charges for system development charges.

G. Compensated Absences

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	<u>\$ 422,708</u>	<u>\$ 107,690</u>	<u>\$ -</u>	<u>\$ 530,398</u>
Business-type activities				
Compensated absences	<u>\$ 65,997</u>	<u>\$ -</u>	<u>\$ 21,402</u>	<u>\$ 44,595</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

H. 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	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
<u>Bonds</u>							
General Obligation Bonds							
2007 Refunding	4-5%	\$ 19,970,000	\$ 15,935,000	\$ -	\$ 690,000	\$ 15,245,000	\$ 760,000
NW Urban Renewal District							
2010 Refunding	2-3.5%	3,310,000	2,100,000	-	320,000	1,780,000	330,000
2013 Full Faith & Credit	2-4%	15,235,000	14,565,000	-	805,000	13,760,000	855,000
2002 Pension Obligation Bonds	2-7.36%	2,081,188	1,610,941	-	31,704	1,579,237	32,796
Bond premiums	-	458,252	427,702	-	30,550	397,152	-
Total bonds		41,054,440	34,638,643	-	1,877,254	32,761,389	1,977,796
<u>Notes Payable</u>							
N. Gateway Urban Renewal District							
Samaritan Health Services	6%	1,025,239	832,305	-	52,019	780,286	52,019
Oregon Department of Veteran's Affairs	6%	140,947	65,947	-	65,947	-	-
Cheadle Lake Urban Renewal District							
McKinney Apartments	12%	355,000	355,000	-	63,403	291,597	60,000
General Fund							
Special Public Works Fund	3-5.25%	1,779,833	1,462,756	-	72,571	1,390,185	73,074
NW Urban Renewal District							
Special Public Works Fund	4-4.375%	3,677,462	3,007,838	-	114,722	2,893,116	120,511
Total notes		6,978,481	5,723,846	-	368,662	5,355,184	305,604
Total governmental activities		<u>\$ 48,032,921</u>	<u>\$ 40,362,489</u>	<u>\$ -</u>	<u>\$ 2,245,916</u>	<u>\$ 38,116,573</u>	<u>\$ 2,283,400</u>
Business-type activities							
Revenue Bonds							
2010 Wastewater Refunding	2-3.75%	\$ 7,010,000	\$ 5,715,000	\$ -	\$ 390,000	\$ 5,325,000	400,000
Bond premiums	-	267,850	220,976	-	13,392	207,584	-
Total bonds		7,277,850	5,935,976	-	403,392	5,532,584	400,000
2007 Cannibal Project note	4%	4,311,575	2,814,155	-	304,016	2,510,139	316,568
2009 Wastewater DEQ loan	2.93%	900,000	735,115	-	39,666	695,449	40,837
Total business-type activities		<u>\$ 12,489,425</u>	<u>\$ 9,485,246</u>	<u>\$ -</u>	<u>\$ 747,074</u>	<u>\$ 8,738,172</u>	<u>\$ 757,405</u>

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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.

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.

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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.

8. Governmental Activity 2013 Full Faith & Credit Bonds Payable

On July 31, 2013, the City issued full faith and credit bonds of \$15,235,000 (par value) with interest rates of 2% to 4% to pay contractual obligations related to urban renewal projects, and to advance refund the 2003 wastewater bonds maturing August 30, 2013, with interest rates of 3.625% to 4.125%, and a par value of \$1,770,000. The 2013 bonds were also used to advance refund the 2004 special water revenue refunding bonds maturing October 1, 2013, with interest rates of 3.6% to 4.2%, and a part value of \$1,730,000. All defeased bonds have been paid in full.

9. Governmental Activity 2013 Full Faith & Credit Bonds Payable (Continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$218,573, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$215,086. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 30 and December 31 of each year. The Debt Service Fund has been used to liquidate the debt. Loan #LebanonFFC2013, final maturity 2028.

10. Governmental Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 1,977,796	\$ 1,432,614	\$ 3,410,410
2017	2,078,687	1,375,773	3,454,460
2018	2,192,872	1,307,214	3,500,086
2019	2,353,233	1,233,647	3,586,880
2020	2,501,649	1,135,021	3,636,670
2021-2025	13,215,000	3,665,438	16,880,438
2026-2028	8,045,000	652,189	8,697,189
Total	<u>\$ 32,364,237</u>	<u>\$ 10,801,896</u>	<u>\$ 43,166,133</u>

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11. Governmental Activity Future Maturities of Notes Payable

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 305,604	\$ 238,674	\$ 544,278
2017	279,136	228,739	507,875
2018	287,856	218,219	506,075
2019	296,772	207,305	504,077
2020	305,928	195,773	501,701
2021-2025	1,653,692	779,625	2,433,317
2026-2030	1,768,217	359,937	2,128,154
2031-2032	457,979	30,311	488,290
Total	<u>\$ 5,355,184</u>	<u>\$ 2,258,583</u>	<u>\$ 7,613,767</u>

12. 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. The bonds were defeased by the 2013 full faith and credit bonds, and paid in full on August 30, 2013. Loan #Lebwaste03.

13. 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. 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.

14. 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. For fiscal year 2015, ended June 30, 2015, based on the Financing Agreement dated December 27, 2007, between the City of Lebanon, OR and Siemens Financial Services, Inc. net revenue was \$4,753,223 and annual debt service was \$1,423,053. The ratio of net revenue to

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annual debt service for fiscal year 2015 is 3.34, and is therefore in compliance with the provisions of section 12.5 of the Financing Agreement.

15. 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.

16. Business-Type Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 400,000	\$ 207,450	\$ 607,450
2017	415,000	195,450	610,450
2018	435,000	178,850	613,850
2019	445,000	161,450	606,450
2020	460,000	143,650	603,650
2021-2025	1,275,000	522,124	1,797,124
2026-2030	1,550,000	243,564	1,793,564
2031	345,000	12,938	357,938
Total	<u>\$ 5,325,000</u>	<u>\$ 1,665,476</u>	<u>\$ 6,990,476</u>

17. Business-Type Activity Future Maturities of Note Payable

Year Ending June 30	Cannibal Project Note		
	Principal	Interest	Total
2016	\$ 316,568	\$ 99,388	\$ 415,956
2017	329,638	86,318	415,956
2018	343,248	72,708	415,956
2019	357,421	58,535	415,956
2020	372,177	43,779	415,956
2021-2022	791,087	40,825	831,912
Total	<u>\$ 2,510,139</u>	<u>\$ 401,553</u>	<u>\$ 2,911,692</u>
	\$ 2,510,139		

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18. Business-Type Activity Future Maturities of Loan Payable

2016	\$ 40,837	\$ 20,079	\$ 60,916
2017	42,042	18,874	60,916
2018	43,283	17,633	60,916
2019	44,560	16,356	60,916
2020	45,875	15,041	60,916
2021-2025	250,501	54,079	304,580
2026-2029	<u>228,351</u>	<u>15,308</u>	<u>243,659</u>
Total	<u>\$ 695,449</u>	<u>\$ 157,370</u>	<u>\$ 852,819</u>
	\$ 695,449		

19. Legal Debt Limit

The City’s legal annual debt service limit related to general obligation bonds (as defined by Oregon Revised Statute 478.410) as of June 30, 2015 was approximately \$35,379,912. 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, 2015, \$1,025,239 had been invested under the agreement.

At June 30, 2015, the City had outstanding construction contracts for various capital improvement projects. The remaining contract commitments were \$1,506,318.

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C. Retirement Plans

1. Oregon Public Employees Retirement System

General Information about the Pension Plan

Name of Pension Plan

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

Description of Benefit Terms

Plan Benefits - PERS Pension (Chapter 238)

Plan benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapters 238 and 238A

PERS Pension

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a PERS employer at the time of death
- Member died within 120 days after termination of PERS-covered employment
- Member died as a result of injury sustained while employed in a PERS-covered job, or
- Member was on an official leave of absence from a PERS-covered job at the time of death

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Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for a either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

Pension Benefits

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: police and fire - 1.8 percent is multiplied by the number of years of service and the final average salary.

Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General Service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which the termination becomes effective.

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Death Benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July 1, 2013. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced.

Employer contributions for the year ended June 30, 2015 were \$457,865.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

Actuarial Valuations

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded

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actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial liabilities being amortized over 16 years.

Actuarial Methods and Assumptions:

Valuation Date	December 31, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll: Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year) amortization periods are closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

Discount Rate

The discount rate used to measure the total pension liability/asset was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all

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projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability or asset.

Pension Liabilities or Assets, Pension Expense or Credit, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported an asset of \$1,460,660 for its proportionate share of the net pension asset. The net pension asset was measured at June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014 the City's proportion was 0.06443958%.

For the year ended June 30, 2015, the City recognized pension credits of \$81,609. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments		\$ 2,818,485
Changes in proportion and differences between employer contributions and proportionate share of contributions		\$ 34,990
Contributions made after measurement date	\$ 457,865	

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Amounts reported as deferred outflows or inflows of resources related to pension will be recognized in pension expense (credit) as follows:

Year ended June 30:	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date contributions)
2016	\$ (712,227)
2017	\$ (712,227)
2018	\$ (712,227)
2019	\$ (712,227)
2020	\$ (4,566)

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a higher discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

City's proportionate share of the net pension liability (asset):

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$ 30,931,535	\$ (1,460,661)	\$ (5,312,121)

Plan Changes Reflected

Two legislative changes that occurred after the December 31, 2012 Actuarial Valuation Date affected the plan provisions reflected for financial reporting liability calculations. Senate Bill 822, signed into law May 2013, introduces a graded schedule to determine a retiree's post-retirement COLA and eliminated the Senate Bill 656 and House Bill 3349 tax remedy benefits for retirees and payees not subject to Oregon income tax. Senate Bill 861, signed into law October 2013, reduced the COLA further beginning 2014.

For GASB 68, the benefits valued in the Total Pension Liability or Asset are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year end for the PERS

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system. Due to the timing of the benefit changes, the combined effects of Senate Bills 822 and 861 are reflected in the June 30, 2014 Measurement Date Total Pension Liability or Asset.

Changes Subsequent to the Measurement Date

As described above, GASB 68 requires the Total Pension Liability or Asset to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occurs after that date are reflected in amounts reported for the subsequent Measurement Date. However, paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's reporting date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability or Asset, along with an estimate of the resulting change, if available.

Because the *Moro* (*Moro v. State of Oregon, April 2015*) decision occurred after the Measurement Date of June 30, 2014, it is treated as a subsequent event. The effect of the decision was to restrict the COLA changes made by Senate Bills 822 and 861 such that they only apply to benefits earned after the legislation was enacted. As a result, the majority of benefits currently accrued will receive a full 2% COLA. Reflecting the larger COLA will increase the PERS system's Total Pension Liability or Asset and Net Pension Liability or Asset.

Certain aspects of how the *Moro* decision will be implemented administratively are not yet finalized at the time of this letter's publication, including the methodology for determining COLAs payable to members with service both before and after the relevant dates. However it is estimated that the change in the City's share of the Net Pension Liability will be approximately \$3,170,427.

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.

D. Bargaining Unit

At June 30, 2015, the City had a total of approximately 82.893 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 July 16, 2015 and extends through June 30, 2017.

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E. Contingent Liability

The City is currently in a dispute with the City of Albany over fees due related to maintenance of the Santiam-Albany Canal. The agencies are working cooperatively to come to a resolution at this point and no amounts have been recorded into the financial statements related to the dispute.

F. Restatements

Beginning net position of the City was restated as follows:

	Governmental Activities	Business-Type Activities
Net position - beginning, as originally reported	\$ 7,651,031	\$ 37,148,037
Implementation of GASB No. 68 and 71	(4,102,919)	(186,407)
Removal of bond issuance costs	-	(207,972)
Net position - beginning, as restated	\$ 3,548,112	\$ 36,753,658

G. Subsequent Events

Subsequent to year end, the City issued refunding bonds in the amount of \$15,185,000.

Management has evaluated subsequent events through December 28, 2015, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEBANON
Linn County, Oregon

SCHEDULES OF THE CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) AND CITY CONTRIBUTIONS

OREGON PERS SYSTEM

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

	2015
City's proportion of the net pension liability (asset)	0.06443958%
City's proportionate share of the net pension liability (asset)	\$ (1,460,660)
City's covered-employee payroll	\$ 5,261,418
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-28%
 Plan fiduciary net position as a percentage of the total pension liability (asset)	 103.59%

Schedule of City Contributions

	2015
Contractually required contribution	\$ 457,865
Contributions in relation to the contractually required contribution	(457,865)
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	\$ 5,261,418
Contributions as a percentage of covered-employee payroll	9%

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, 2015

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 3,810,021	\$ 3,810,021	\$ 260,267	\$ 4,070,288	\$ -	\$ 4,070,288
Licenses and permits	2,029,850	2,029,850	73,053	2,102,903	-	2,102,903
Fines and forfeits	432,500	432,500	39,539	472,039	-	472,039
Intergovernmental	373,487	413,745	8,319	422,064	-	422,064
Charges for services	4,520	4,520	(2,419)	2,101	-	2,101
Miscellaneous	117,000	117,000	59,677	176,677	-	176,677
Total revenues	<u>6,767,378</u>	<u>6,807,636</u>	<u>438,436</u>	<u>7,246,072</u>	<u>-</u>	<u>7,246,072</u>
EXPENDITURES						
Current						
Administration and economic dev.	251,119	312,119	(21,852)	290,267	(6,497)	283,770
Human resources	93,763	93,763	4,952	98,715	(1,461)	97,254
City attorney	175,050	175,050	(38,816)	136,234	-	136,234
Planning	204,516	204,516	(7,309)	197,207	(7,895)	189,312
Engineering	977,897	1,044,533	(39,852)	1,004,681	-	1,004,681
Parks	496,066	496,066	(40,029)	456,037	(28,108)	427,929
Finance	484,978	484,978	(25,126)	459,852	(8,822)	451,030
Legislative	156,386	156,386	(12,467)	143,919	(4,409)	139,510
Library	473,986	473,986	(1,006)	472,980	(58,180)	414,800
Municipal court	271,477	271,477	(2,454)	269,023	(23,847)	245,176
Police	4,603,088	4,603,088	(284,785)	4,318,303	(251,837)	4,066,466
Senior and disabled services	191,091	191,091	(1,202)	189,889	(30,937)	158,952
Non-departmental	1,002,857	1,014,534	(463,549)	550,985	(232,330)	318,655
Capital outlay	-	-	-	-	14,096	14,096
Debt service	-	-	-	-	139,608	139,608
Total expenditures	<u>9,382,274</u>	<u>9,521,587</u>	<u>(933,495)</u>	<u>8,588,092</u>	<u>(500,619)</u>	<u>8,087,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,614,896)</u>	<u>(2,713,951)</u>	<u>1,371,931</u>	<u>(1,342,020)</u>	<u>500,619</u>	<u>(841,401)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,141,690	2,192,859	(3,070)	2,189,789	-	2,189,789
Transfers out	-	-	-	-	(500,619)	(500,619)
Total other financing sources (uses)	<u>2,141,690</u>	<u>2,192,859</u>	<u>(3,070)</u>	<u>2,189,789</u>	<u>(500,619)</u>	<u>1,689,170</u>
Net change in fund balance	(473,206)	(521,092)	1,368,861	847,769	-	847,769
Fund balance - beginning	<u>473,206</u>	<u>521,092</u>	<u>467,765</u>	<u>988,857</u>	<u>-</u>	<u>988,857</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,836,626</u>	<u>\$ 1,836,626</u>	<u>\$ -</u>	<u>\$ 1,836,626</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, 2015

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Taxes and assessments	\$ 45,100	\$ 55,100	\$ 15,750	\$ 70,850	\$ -	\$ 70,850
Licenses and permits	162,800	162,800	264,213	427,013	-	427,013
Intergovernmental	2,175,317	2,178,174	(705,288)	1,472,886	-	1,472,886
Charges for services	10,500	10,500	(2,625)	7,875	-	7,875
Miscellaneous	157,900	166,900	739	167,639	-	167,639
Total revenues	2,551,617	2,573,474	(427,211)	2,146,263	-	2,146,263
EXPENDITURES						
Current						
City facilities repair	35,314	35,314	-	35,314	(35,314)	-
Motel tax	45,000	60,536	(580)	59,956	(6,085)	53,871
Youth court	5,000	5,000	(5,000)	-	-	-
Police reserves	12,874	-	-	-	-	-
Gazebo donations	40,000	40,000	(25,850)	14,150	-	14,150
Building inspection	230,000	246,500	(19)	246,481	(127,423)	119,058
Park enterprise	78,500	87,500	(38,568)	48,932	-	48,932
Parks grant	397,592	397,592	(326,592)	71,000	(71,000)	-
Operations and environmental	272,690	272,690	-	272,690	(272,690)	-
Geographic information services	200,000	200,000	(82,964)	117,036	(85,165)	31,871
Information systems service	731,716	737,816	(37,276)	700,540	(166,607)	533,933
Custodial and maintenance services	130,689	130,689	(11,443)	119,246	(17,700)	101,546
Foot and Bike path	39,110	39,110	(39,110)	-	-	-
Engineering improvements permits	53,163	53,163	(8,386)	44,777	(44,390)	387
Streets	1,010,224	1,022,620	(125,760)	896,860	(290,265)	606,595
School resource officer	36,065	59,771	(8,143)	51,628	-	51,628
Dial-A-Bus	254,033	254,033	(15,012)	239,021	(33,826)	205,195
STP streets	654,950	654,950	(423,891)	231,059	(231,059)	-
Byrne justice asst grant	-	26,053	(14,174)	11,879	(11,879)	-
LSTA library grant	16,784	19,641	-	19,641	(585)	19,056
Gills landing	7,400	7,400	551	7,951	-	7,951
Capital outlay	-	-	-	-	431,431	431,431
Total expenditures (1)	4,251,104	4,350,378	(1,162,217)	3,188,161	(962,557)	2,225,604

(1) appropriation level

(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, 2015

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(1,699,487)	(1,776,904)	735,006	(1,041,898)	962,557	(79,341)
OTHER FINANCING SOURCES (USES)						
Transfers in	858,393	858,393	-	858,393	-	858,393
Transfers out	-	-	-	-	(962,557)	(962,557)
Total other financing sources (uses)	<u>858,393</u>	<u>858,393</u>	<u>-</u>	<u>858,393</u>	<u>(962,557)</u>	<u>(104,164)</u>
Net change in fund balance	(841,094)	(918,511)	735,006	(183,505)	-	(183,505)
Fund balance - beginning	<u>841,094</u>	<u>918,511</u>	<u>421,384</u>	<u>1,339,895</u>	<u>-</u>	<u>1,339,895</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,156,390</u>	<u>\$ 1,156,390</u>	<u>\$ -</u>	<u>\$ 1,156,390</u>

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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Property taxes	\$ 2,417,889	\$ 103,740	\$ 2,521,629	\$ -	\$ 2,521,629
Miscellaneous	4,200	21,737	25,937	-	25,937
Total revenues	2,422,089	125,477	2,547,566	-	2,547,566
EXPENDITURES					
Current					
NW Lebanon urban renewal district	3,664,008	(1,520,173)	2,143,835	(2,036,695)	107,140
NW Lebanon urban renewal bonds	1,922,573	(1,291,631)	630,942	(630,942)	-
Capital outlay	-	-	-	1,019,179	1,019,179
Debt service	-	-	-	630,942	630,942
Total expenditures	5,586,581	(2,811,804)	2,774,777	(1,017,516)	1,757,261
Excess (deficiency) of revenues over (under) expenditures	(3,164,492)	2,937,281	(227,211)	1,017,516	790,305
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(1,017,516)	(1,017,516)
Total other financing sources (uses)	-	-	-	(1,017,516)	(1,017,516)
Net change in fund balance	(3,164,492)	2,937,281	(227,211)	-	(227,211)
Fund balance - beginning	3,164,492	(447,814)	2,716,678	-	2,716,678
Fund balance - ending	\$ -	\$ 2,489,467	\$ 2,489,467	\$ -	\$ 2,489,467

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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	Adjustments	GAAP Basis
REVENUES					
Property taxes	\$ 265,600	\$ 78,411	\$ 344,011	\$ -	\$ 344,011
Miscellaneous	<u>300</u>	<u>1,913</u>	<u>2,213</u>	<u>-</u>	<u>2,213</u>
Total revenues	265,900	80,324	346,224	-	346,224
EXPENDITURES					
Current					
Cheadle Lake urban renewal district	535,900	(414,035)	121,865	(121,545)	320
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,403</u>	<u>63,403</u>
Total expenditures	<u>535,900</u>	<u>(414,035)</u>	<u>121,865</u>	<u>(58,142)</u>	<u>63,723</u>
Excess (deficiency) of revenues over (under) expenditures	(270,000)	494,359	224,359	58,142	282,501
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,142)</u>	<u>(58,142)</u>
Net change in fund balance	(270,000)	494,359	224,359	-	224,359
Fund balance - beginning	<u>270,000</u>	<u>(267,674)</u>	<u>2,326</u>	<u>-</u>	<u>2,326</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 226,685</u>	<u>\$ 226,685</u>	<u>\$ -</u>	<u>\$ 226,685</u>

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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Property taxes	\$ 234,919	\$ 150,647	\$ 385,566	\$ -	\$ 385,566
Miscellaneous	<u>200</u>	<u>1,129</u>	<u>1,329</u>	<u>-</u>	<u>1,329</u>
Total revenues	235,119	151,776	386,895	-	386,895
EXPENDITURES					
North gateway urban renewal district	255,119	(37,988)	217,131	(150,888)	66,243
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,855</u>	<u>93,855</u>
Total expenditures	<u>255,119</u>	<u>(37,988)</u>	<u>217,131</u>	<u>(57,033)</u>	<u>160,098</u>
Excess (deficiency) of revenues over (under) expenditures	(20,000)	189,764	169,764	57,033	226,797
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,033)</u>	<u>(57,033)</u>
Net change in fund balance	(20,000)	189,764	169,764	-	169,764
Fund balance (deficit) - beginning	<u>20,000</u>	<u>(1,072,316)</u>	<u>(1,052,316)</u>	<u>-</u>	<u>(1,052,316)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ (882,552)</u>	<u>\$ (882,552)</u>	<u>\$ -</u>	<u>\$ (882,552)</u>

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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Property taxes	\$ 1,417,000	\$ 19,755	\$ 1,436,755	\$ -	\$ 1,436,755
Miscellaneous	800	8,698	9,498	-	9,498
Total revenues	1,417,800	28,453	1,446,253	-	1,446,253
EXPENDITURES					
Debt service	2,975,620	(40,000)	2,935,620	-	2,935,620
Total expenditures	2,975,620	(40,000)	2,935,620	-	2,935,620
Excess (deficiency) of revenues over (under) expenditures	(1,557,820)	68,453	(1,489,367)	-	(1,489,367)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,519,573	-	1,519,573	-	1,519,573
Total other financing sources (uses)	1,519,573	-	1,519,573	-	1,519,573
Net change in fund balance	(38,247)	68,453	30,206	-	30,206
Fund balance - beginning,	38,247	179,095	217,342	-	217,342
Fund balance - ending	\$ -	\$ 247,548	\$ 247,548	\$ -	\$ 247,548

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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES					
Taxes and assessments	\$ 161,600	\$ 208,163	\$ 369,763	\$ -	\$ 369,763
Intergovernmental	500,000	(174,021)	325,979	-	325,979
Miscellaneous	90,215	1,930	92,145	-	92,145
Total revenues	751,815	36,072	787,887	-	787,887
EXPENDITURES					
Grant street bridge	-	-	-	-	-
State highway signal maintenance	63,950	(52,962)	10,988	(10,988)	-
Equipment acquisition and replacement	1,044,416	(763,096)	281,320	(281,320)	-
Historic resource commission trust	80	(80)	-	-	-
Pioneer cemetery	9,130	(9,130)	-	-	-
Police trust	23,462	(13,958)	9,504	(1,000)	8,504
Library trust	220,400	(165,561)	54,839	-	54,839
Library building trust	34,211	(33,742)	469	-	469
Senior services building trust	-	-	-	-	-
Senior services trust	179,598	(166,297)	13,301	(725)	12,576
Snedaker trust	26,380	(24,923)	1,457	-	1,457
Streets capital improvement projects	878,304	(557,289)	321,015	(294,265)	26,750
Infrastructure deferral	55,568	(55,568)	-	-	-
Drainage SDC	35,591	(29,409)	6,182	(6,182)	-
Drainage reimbursement	4,380	(4,380)	-	-	-
Parks SDC	461,640	(455,458)	6,182	(6,182)	-
Parks reimbursement	4,050	(4,050)	-	-	-
Sewer SDC	571,408	(565,226)	6,182	(6,182)	-
Sewer SDC reimbursement	226,700	(226,700)	-	-	-
Streets SDC	1,258,769	(1,063,005)	195,764	(195,764)	-
Streets SDC reimbursement	10,000	(10,000)	-	-	-
Water SDC	233,285	(227,104)	6,181	(6,181)	-
Water SDC reimbursement	24,475	(24,475)	-	-	-
Capital outlay	-	-	-	766,893	766,893
Total expenditures (1)	5,365,797	(4,452,413)	913,384	(41,896)	871,488

(1) appropriation level

(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, 2015

(Continued)

	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(4,613,982)	4,488,485	(125,497)	41,896	(83,601)
OTHER FINANCING SOURCES (USES)					
Transfers in	638,643	(299,678)	338,965	-	338,965
Transfers out	-	-	-	(41,896)	(41,896)
Total other financing sources (uses)	<u>638,643</u>	<u>(299,678)</u>	<u>338,965</u>	<u>(41,896)</u>	<u>297,069</u>
Net change in fund balance	(3,975,339)	4,188,807	213,468	-	213,468
Fund balance - beginning	<u>3,975,339</u>	<u>1,821,779</u>	<u>5,797,118</u>	<u>-</u>	<u>5,797,118</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 6,010,586</u>	<u>\$ 6,010,586</u>	<u>\$ -</u>	<u>\$ 6,010,586</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, 2015

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Charges for services, net	\$ 9,605,000	\$ 9,605,000	\$ 333,954	\$ 9,938,954	\$ -	\$ 9,938,954
Taxes and assessments	-	-	297	297	-	-
Intergovernmental	-	30,000	(25,793)	4,207	-	4,207
Miscellaneous	113,800	113,800	24,605	138,405	-	138,702
Total revenues	9,718,800	9,748,800	333,063	10,081,863	-	10,081,863
EXPENSES						
Current						
Water	8,856,917	8,899,313	(2,592,603)	6,306,710	(4,918,907)	1,387,803
Storm drainage	810,000	810,000	(395,095)	414,905	(379,622)	35,283
Wastewater	8,351,156	8,424,552	(2,012,487)	6,412,065	(4,634,101)	1,777,964
Wastewater bond debt service	1,158,324	1,158,324	(70,000)	1,088,324	(1,088,324)	-
Depreciation	-	-	-	-	1,177,824	1,177,824
Capital outlay	-	-	-	-	318,023	318,023
Debt service	-	-	-	-	341,250	341,250
Total expenses	19,176,397	19,292,189	(5,070,185)	14,222,004	(9,183,857)	5,038,147
Excess (deficiency) of revenues over (under) expenses	(9,457,597)	(9,543,389)	5,403,248	(4,140,141)	9,183,857	5,043,716
OTHER FINANCING SOURCES (USES)						
Pension credit	-	-	-	-	91,695	91,695
Transfers in	6,123,597	6,123,597	(77,389)	6,046,208	1,323,851	7,370,059
Transfers out	-	-	-	-	(8,345,829)	(8,345,829)
Total other financing sources (uses)	6,123,597	6,123,597	(77,389)	6,046,208	(6,930,283)	(884,075)
Change in net position	(3,334,000)	(3,419,792)	5,325,859	1,906,067	2,253,574	4,159,641
Net position - beginning, as restated	3,334,000	3,419,792	(607,548)	2,812,244	33,942,630	36,754,874
Net position - ending	\$ -	\$ -	\$ 4,718,311	\$ 4,718,311	\$ 36,196,204	\$ 40,914,515

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, 2015

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Fines and forfeits	\$ 147,092	\$ (18,251)	\$ 128,841	\$ 128,841
EXPENDITURES				
Bail and trust	147,092	(19,525)	127,567	127,567
Excess (deficiency) of revenues over (under) expenditures	-	1,274	1,274	1,274
Fund balance - beginning	-	(1,499)	(1,499)	(1,499)
Fund deficit - ending	\$ -	\$ (225)	\$ (225)	\$ (225)

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, 2015

Fiscal Year Ending June 30	2010 Northwest Urban Renewal Refunding Bonds			2002 Pension Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
	2016	\$ 330,000	\$ 58,490	\$ 388,490	\$ 32,796	\$ 154,474
2017	345,000	48,590	393,590	33,687	163,583	197,270
2018	355,000	36,516	391,516	32,872	169,398	202,270
2019	370,000	25,510	395,510	33,233	179,037	212,270
2020	380,000	13,300	393,300	51,649	170,621	222,270
2021	-	-	-	140,000	95,558	235,558
2022	-	-	-	160,000	85,968	245,968
2023	-	-	-	185,000	75,008	260,008
2024	-	-	-	205,000	62,335	267,335
2025	-	-	-	-	48,293	48,293
2026	-	-	-	260,000	48,293	308,293
2027	-	-	-	295,000	30,483	325,483
2028	-	-	-	150,000	10,275	160,275
	<u>\$ 1,780,000</u>	<u>\$ 182,406</u>	<u>\$ 1,962,406</u>	<u>\$ 1,579,237</u>	<u>\$ 1,293,326</u>	<u>\$ 2,872,563</u>

Fiscal Year Ending June 30	Northwest Urban Renewal District Special Public Works Fund			General Fund Special Public Works Fund		
	Principal	Interest	Total	Principal	Interest	Total
	2016	\$ 120,511	\$ 123,541	\$ 244,052	\$ 73,074	\$ 64,134
2017	126,331	118,720	245,051	78,597	61,211	139,808
2018	132,184	113,667	245,851	79,141	58,067	137,208
2019	133,072	108,380	241,452	84,707	54,902	139,609
2020	138,994	103,057	242,051	85,332	51,302	136,634
2021	144,984	97,323	242,307	91,022	47,462	138,484
2022	151,034	91,234	242,268	91,663	43,821	135,484
2023	157,140	84,815	241,955	97,496	39,238	136,734
2024	168,293	78,137	246,430	103,371	34,363	137,734
2025	174,510	70,900	245,410	109,105	30,228	139,333
2026	180,801	63,265	244,066	115,061	24,773	139,834
2027	187,149	55,355	242,504	121,114	18,732	139,846
2028	198,555	47,167	245,722	127,169	12,676	139,845
2029	205,023	38,481	243,504	133,333	6,000	139,333
2030	216,556	29,511	246,067	-	-	-
2031	223,155	20,037	243,192	-	-	-
2032	<u>234,824</u>	<u>10,274</u>	<u>245,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,893,116</u>	<u>\$ 1,253,864</u>	<u>\$ 4,146,980</u>	<u>\$ 1,390,185</u>	<u>\$ 546,909</u>	<u>\$ 1,937,094</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2015

Fiscal Year Ending June 30	Northwest Urban Renewal District			Cheadle Lake Urban Renewal District		
	2013 Full Faith & Credit Bonds			McKinney Apartment Note		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 855,000	\$ 521,450	\$ 1,376,450	\$ 35,500	\$ -	\$ 35,500
2017	870,000	495,800	1,365,800	35,500	-	35,500
2018	900,000	469,700	1,369,700	35,500	-	35,500
2019	950,000	433,700	1,383,700	35,500	-	35,500
2020	990,000	395,700	1,385,700	35,500	-	35,500
2021	1,155,000	356,100	1,511,100	35,500	-	35,500
2022	1,210,000	309,900	1,519,900	35,500	-	35,500
2023	1,010,000	273,600	1,283,600	35,500	-	35,500
2024	1,050,000	243,300	1,293,300	7,597	-	7,597
2025	1,110,000	190,800	1,300,800	-	-	-
2026	1,165,000	146,400	1,311,400	-	-	-
2027	1,220,000	99,800	1,319,800	-	-	-
2028	1,275,000	51,000	1,326,000	-	-	-
	<u>\$ 13,760,000</u>	<u>\$ 3,987,250</u>	<u>\$ 17,747,250</u>	<u>\$ 291,597</u>	<u>\$ -</u>	<u>\$ 291,597</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, 2015

Fiscal Year Ending June 30	2010 Wastewater Refunding Bonds			2009 Wastewater DEQ Loan			2007 Cannibal Project Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 400,000	\$ 207,450	\$ 607,450	\$ 40,837	\$ 20,079	\$ 60,916	\$ 316,568	\$ 99,388	\$ 415,956
2017	415,000	195,450	610,450	42,042	18,874	60,916	329,638	86,318	415,956
2018	435,000	178,850	613,850	43,283	17,633	60,916	343,248	72,708	415,956
2019	445,000	161,450	606,450	44,560	16,356	60,916	357,421	58,535	415,956
2020	460,000	143,650	603,650	45,875	15,041	60,916	372,177	43,779	415,956
2021	235,000	125,250	360,250	47,229	13,687	60,916	387,544	28,412	415,956
2022	245,000	115,262	360,262	48,623	12,293	60,916	403,543	12,413	415,956
2023	255,000	104,850	359,850	50,058	10,858	60,916	-	-	-
2024	265,000	94,012	359,012	51,535	9,381	60,916	-	-	-
2025	275,000	82,750	357,750	53,056	7,860	60,916	-	-	-
2026	285,000	71,062	356,062	54,623	6,293	60,916	-	-	-
2027	300,000	60,376	360,376	56,235	4,681	60,916	-	-	-
2028	310,000	49,126	359,126	57,895	3,021	60,916	-	-	-
2029	320,000	37,500	357,500	59,598	1,313	60,911	-	-	-
2030	335,000	25,500	360,500	-	-	-	-	-	-
2031	345,000	12,938	357,938	-	-	-	-	-	-
	<u>\$ 5,325,000</u>	<u>\$ 1,665,476</u>	<u>\$ 6,990,476</u>	<u>\$ 695,449</u>	<u>\$ 157,370</u>	<u>\$ 852,819</u>	<u>\$ 2,510,139</u>	<u>\$ 401,553</u>	<u>\$ 2,911,692</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF NET POSITION PROPRIETARY FUND - BY ACTIVITY

ENTERPRISE FUND

June 30, 2015

	Water Operations	Storm Drain Operations	Sewer Operations	Total Enterprise Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,636,857	\$ 330,877	\$ 1,784,387	\$ 4,752,121
Accounts receivable	585,823	69,714	688,063	1,343,600
Due from other funds	39,692	-	37,696	77,388
Prepaid expenses	1,146	-	1,146	2,292
Total current assets	3,263,518	400,591	2,511,292	6,175,401
Net pension asset	56,819	-	42,505	99,324
Capital assets, net of accumulated depreciation	13,409,436	119,230	30,523,788	44,052,454
Total assets	16,729,773	519,821	33,077,585	50,327,179
DEFERRED OUTFLOWS OF RESOURCES	17,811	-	13,324	31,135
LIABILITIES				
Current liabilities				
Accounts payable	72,667	800	20,549	94,016
Accrued interest	-	-	78,010	78,010
Compensated absences, current portion	3,465	-	1,669	5,134
Deposit liability	294,970	-	-	294,970
Long-term liabilities, current portion	-	-	757,405	757,405
Total current liabilities	371,102	800	857,633	1,229,535
Noncurrent liabilities				
Compensated absences, less current portion	32,105	-	7,356	39,461
Long-term liabilities, less current portion	-	-	7,980,767	7,980,767
Total noncurrent liabilities	32,105	-	7,988,123	8,020,228
Total liabilities	403,207	800	8,845,756	9,249,763
DEFERRED INFLOWS OF RESOURCES	111,000	-	83,036	194,036
NET POSITION				
Net investment in capital assets	13,409,436	119,230	21,785,616	35,314,282
Restricted for debt service	-	-	372,011	372,011
Unrestricted	2,823,941	399,791	2,004,490	5,228,222
Total net position	\$ 16,233,377	\$ 519,021	\$ 24,162,117	\$ 40,914,515

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF CHANGES IN PROPRIETARY FUND NET POSITION - BY ACTIVITY

ENTERPRISE FUND

For the Year Ended June 30, 2015

	Water Operations	Storm Drain Operations	Sewer Operations	Total Enterprise Fund
Operating revenues				
Charges for services	4,533,296	425,223	4,980,435	9,938,954
Miscellaneous	98,010	-	5,914	103,924
Total operating revenues	<u>4,631,306</u>	<u>425,223</u>	<u>4,986,349</u>	<u>10,042,878</u>
Operating expenses				
Water utility	1,303,148	-	-	1,303,148
Water utility capital improvement program	99,903	-	-	99,903
Storm drain utility	-	35,283	-	35,283
Storm drain utility capital improvement program	-	194,599	-	194,599
Wastewater utility	-	-	1,766,639	1,766,639
Wastewater utility capital improvement program	-	-	119,501	119,501
Depreciation	309,006	2,591	866,227	1,177,824
Total operating expenses	<u>1,712,057</u>	<u>232,473</u>	<u>2,752,367</u>	<u>4,696,897</u>
Operating income (loss)	<u>2,919,249</u>	<u>192,750</u>	<u>2,233,982</u>	<u>5,345,981</u>
Nonoperating revenues (expenses)				
Investment earnings	19,034	2,273	13,471	34,778
Grant revenue	4,207	-	-	4,207
Pension credit	52,455	-	39,240	91,695
Interest expense	-	-	(341,250)	(341,250)
Total nonoperating revenue (expenses)	<u>75,696</u>	<u>2,273</u>	<u>(288,539)</u>	<u>(210,570)</u>
Income (loss) before contributions and transfers	2,994,945	195,023	1,945,443	5,135,411
Transfers in	3,989,123	-	3,458,325	7,447,448
Transfers out	(4,038,055)	(185,024)	(4,122,750)	(8,345,829)
Change in net position	2,946,013	9,999	1,281,018	4,237,030
Net position - beginning, as restated	<u>13,287,364</u>	<u>509,022</u>	<u>22,881,099</u>	<u>36,677,485</u>
Net position - ending	<u>\$ 16,233,377</u>	<u>\$ 519,021</u>	<u>\$ 24,162,117</u>	<u>\$ 40,914,515</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2015

Tax Year	Taxes Receivable July 1, 2014	2014-2015 Levy	Adjustments	Collections	Taxes Receivable June 30, 2015
2014-2015	\$ -	\$ 8,912,598	\$ (246,423)	\$ 8,331,252	\$ 334,923
2013-2014	352,926	-	28,270	174,293	206,903
2012-2013	211,378	-	28,211	95,797	143,792
2011-2012	165,028	-	(2,997)	66,189	95,842
2010-2011	89,484	-	(2,275)	38,300	48,909
2009-2010	38,433	-	(1,188)	2,715	34,530
2008-2009	3,685	-	(444)	1,705	1,536
Prior	7,683	-	(209)	888	6,586
Subtotal - Prior	868,617	-	49,368	379,887	538,098
Total	\$ 868,617	\$ 8,912,598	\$ (197,055)	8,711,139	\$ 873,021
Add:					
Other taxes and interest				88,762	
Undistributed taxes with county, July 1, 2014				-	
Total available				8,799,901	
Less: Turnovers to District				8,799,901	
Undistributed taxes with county, June 30, 2015				\$ -	

**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, 2015, and have issued our report thereon dated December 28, 2015. 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 expended funds in excess of appropriations in the following category:

<u>Fund</u>	<u>Department</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	Human Resources	\$ 93,763	\$ 98,715	\$ 4,952

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 28, 2015.

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 28, 2015