



# CITY OF LEBANON

*It's easier from here.*

**CITY OF LEBANON**  
**Linn County, Oregon**

ANNUAL FINANCIAL REPORT

June 30, 2016



**Accuity, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

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

**CITY OF LEBANON  
Linn County, Oregon**

**CITY OFFICIALS**

June 30, 2016

**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. 2<sup>nd</sup> Street  
Lebanon, Oregon 97355

Jason Bolen  
3426 Duck Place  
Lebanon, Oregon 97355

Rebecca Grizzle  
333 E. Ash Street  
Lebanon, Oregon 97355

Robert Furlow  
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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and employer contributions and budgetary comparison information on pages 4 through 10 and 55 through 61 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 February 22, 2017 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  
February 22, 2017



## **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, 2016. It should be read in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- At June 30, 2016, total net position of the City of Lebanon amounted to \$46,161,391. Of this amount, \$31,763,185 was invested in capital assets, net of related debt. The remaining balance included \$9,449,690 restricted for various purposes and \$4,543,456 of unrestricted net position.
- The City's total net position decreased by \$2,158,134 during the current fiscal year.
- Overall expenses were \$29,891,909, which exceeded total revenues of \$27,733,775 by \$2,158,134.
- 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.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges

**CITY OF LEBANON**  
**Linn County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

(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 11 through 13 of this report.

**Fund Financial Statements**

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City of Lebanon can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

□ **Governmental Funds**

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

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

The City maintains 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.

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.

**CITY OF LEBANON**  
**Linn County, Oregon**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The basic governmental fund financial statements can be found on pages 14 through 17 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 18 through 21 of this report.

□ **Fiduciary Funds**

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

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

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 54 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 55 through 61 of this report. Individual fund schedules can be found immediately following the required supplementary information on pages 62 through 66 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$46,161,391, at the close of the most recent fiscal year. This was a decrease in net assets of 4%.

**CITY OF LEBANON**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City's Net position**

At the end of the current fiscal year, the City was able to report positive balances in all categories of net position. The City's net position decreased by \$2,158,134 during the current fiscal year. Condensed statement of net position information is shown below.

**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current assets	\$ 3,959,752	\$ 3,294,919	\$ 6,264,341	\$ 6,175,401	\$ 10,224,093	\$ 9,470,320
Restricted assets	9,787,231	10,502,155	-	-	9,787,231	10,502,155
Noncurrent assets	1,051,818	2,295,850	-	99,325	1,051,818	2,395,175
Net capital assets	32,559,678	33,545,085	44,568,949	44,052,454	77,128,627	77,597,539
Total assets	47,358,479	49,638,009	50,833,290	50,327,180	98,191,769	99,965,189
<b>Deferred Outflows</b>	811,628	426,730	59,218	31,135	870,846	457,865
<b>Liabilities</b>						
Current liabilities	4,071,491	3,701,678	1,083,417	1,229,535	5,154,908	4,931,213
Noncurrent liabilities	41,023,698	36,298,614	5,630,114	8,020,228	46,653,812	44,318,842
Total liabilities	45,095,189	40,000,292	6,713,531	9,249,763	51,808,720	49,250,055
<b>Deferred Inflows</b>	1,018,214	2,659,438	74,290	194,036	1,092,504	2,853,474
<b>Net position</b>						
Net investment in capital assets	(7,031,961)	(5,561,848)	38,795,146	33,176,772	31,763,185	27,614,924
Restricted	9,482,739	9,077,679	372,011	372,011	9,854,750	9,449,690
Unrestricted	(394,074)	3,889,178	4,937,530	7,365,733	4,543,456	11,254,911
Total net position	\$ 2,056,704	\$ 7,405,009	\$ 44,104,687	\$ 40,914,516	\$ 46,161,391	\$ 48,319,525

**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)

**Condensed Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Program revenues</b>						
Charges for services	\$ 1,138,739	\$ 961,410	\$ 10,395,986	\$ 9,938,954	\$ 11,534,725	\$ 10,900,364
Operating grants and contributions	463,968	310,046	-	4,207	463,968	314,253
Capital grants and contributions	261,499	219,070	-	-	261,499	219,070
Total program revenues	<u>1,864,206</u>	<u>1,490,526</u>	<u>10,395,986</u>	<u>9,943,161</u>	<u>12,260,192</u>	<u>11,433,687</u>
<b>General revenues</b>						
Property taxes - general	7,647,673	6,618,292	-	-	7,647,673	6,618,292
Property taxes - debt service	1,377,951	2,080,147	-	-	1,377,951	2,080,147
Franchise taxes	2,092,699	2,099,554	-	-	2,092,699	2,099,554
Motor fuel taxes	931,119	907,817	-	-	931,119	907,817
Alcohol/cigarette taxes	246,857	247,478	-	-	246,857	247,478
Transient room taxes	203,974	69,872	-	-	203,974	69,872
Intergovernmental	247,961	174,866	-	-	247,961	174,866
Unrestricted grants and contributions	19,267	397,395	-	-	19,267	397,395
Investment income	219,077	154,932	42,393	34,778	261,470	189,710
Pension credit	-	1,256,759	-	91,695	-	1,348,454
Miscellaneous revenue	2,337,376	757,083	107,236	103,924	2,444,612	861,007
Total general revenues	<u>15,323,954</u>	<u>14,764,195</u>	<u>149,629</u>	<u>230,397</u>	<u>15,473,583</u>	<u>14,994,592</u>
Total revenues	<u>17,188,160</u>	<u>16,254,721</u>	<u>10,545,615</u>	<u>10,173,558</u>	<u>27,733,775</u>	<u>26,428,279</u>
<b>Program expenses</b>						
General Government	8,725,784	3,838,417	-	-	8,725,784	3,838,417
Public Safety	4,633,244	4,371,024	-	-	4,633,244	4,371,024
Highways and streets	763,014	924,469	-	-	763,014	924,469
Culture and recreation	2,087,770	1,463,996	-	-	2,087,770	1,463,996
Community planning and dev.	1,532,196	1,313,438	-	-	1,532,196	1,313,438
Interest on long-term debt	2,810,526	1,465,963	-	-	2,810,526	1,465,963
Water	-	-	3,899,986	1,712,057	3,899,986	1,712,057
Wastewater	-	-	5,368,069	3,093,617	5,368,069	3,093,617
Storm Drainage	-	-	71,320	232,473	71,320	232,473
Total program expenses	<u>20,552,534</u>	<u>13,377,307</u>	<u>9,339,375</u>	<u>5,038,147</u>	<u>29,891,909</u>	<u>18,415,454</u>
Transfers	(1,983,931)	975,770	1,983,931	(975,770)	-	-
<b>Change in net position</b>	(5,348,305)	3,853,184	3,190,171	4,159,641	(2,158,134)	8,012,825
<b>Net position -</b>						
<b>beginning of year</b>	<u>7,405,009</u>	<u>3,551,825</u>	<u>40,914,516</u>	<u>36,754,875</u>	<u>48,319,525</u>	<u>40,306,700</u>
<b>Net position - end of year</b>	<u>\$ 2,056,704</u>	<u>\$ 7,405,009</u>	<u>\$ 44,104,687</u>	<u>\$ 40,914,516</u>	<u>\$ 46,161,391</u>	<u>\$ 48,319,525</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 \$11,087,302, an increase of \$5,275 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 \$2,304,425, an increase of \$468,951 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 \$44,104,687 at year-end. Of this amount, \$38,795,146 was invested in capital assets net of related debt, \$372,011 restricted for debt service, and the remaining balance of \$4,937,530 was unrestricted.

**BUDGETARY HIGHLIGHTS**

Budget amounts shown in the financial statements reflect the original budget amounts and three approved supplemental budgets.

**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, 2016 amounted to \$32,559,678 and \$44,568,949 (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 \$1,461,870 and \$1,342,971, respectively.

**CITY OF LEBANON**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

- Elmore Street sewer and road improvements
- Oak Street improvements
- Ash Street sewer improvements
- Sewer lateral program replaced 10 sewer laterals for property owners
- Northshore trail improvements

Additional information on the City's capital assets can be found in Note III-D on pages 36 through 39 of this report.

**Long-Term Liabilities**

At the end of the current fiscal year, the City had total debt outstanding of \$45,365,443. 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 \$1,489,302 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 46 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 19.24% up 32.1%, OPSRP general 9.95% up 37.1%, and OPSRP police 14.72% up 29.5%.
- 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, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 2,699,564	\$ 4,874,036	\$ 7,573,600
Receivables, net - current portion	712,568	1,388,013	2,100,581
Property taxes receivable	421,963	-	421,963
Special assessments receivable	71,631	-	71,631
Prepaid expenses	54,026	2,292	56,318
Total current assets	3,959,752	6,264,341	10,224,093
Restricted assets			
Cash and investments	8,698,664		8,698,664
Receivables, net	232,581	-	232,581
Special assessments receivable	371,193	-	371,193
Property taxes receivable	484,793	-	484,793
Total restricted assets	9,787,231	-	9,787,231
Receivables, net - less current portion	1,051,818	-	1,051,818
Capital assets not being depreciated	2,440,763	5,108,128	7,548,891
Capital assets, net of accumulated depreciation	30,118,915	39,460,821	69,579,736
Total assets	47,358,479	50,833,290	98,191,769
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	811,628	59,218	870,846
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	257,232	226,026	483,258
Payroll liabilities	767,910	-	767,910
Accrued interest payable	238,561	69,945	308,506
Compensated absences payable, current portion	64,957	5,134	70,091
Deposits payable	-	325,270	325,270
Long-term liabilities, current portion	2,742,831	457,042	3,199,873
Total current liabilities	4,071,491	1,083,417	5,154,908

(Continued)

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

**CITY OF LEBANON**  
**Linn County, Oregon**

STATEMENT OF NET POSITION

June 30, 2016

(Continued)

	Governmental Activities	Business-Type Activities	Total
Noncurrent liabilities			
Long-term liabilities, less current portion	36,848,808	5,316,761	42,165,569
Net pension liability	3,648,615	266,208	3,914,823
Compensated absences payable, less current portion	526,275	47,145	573,420
Total noncurrent liabilities	41,023,698	5,630,114	46,653,812
Total liabilities	45,095,189	6,713,531	51,808,720
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 1,018,214</b>	<b>\$ 74,290</b>	<b>\$ 1,092,504</b>
<b>NET POSITION</b>			
Net investment in capital assets	(7,031,961)	38,795,146	31,763,185
Restricted for:			
Debt service	396,894	372,011	768,905
Capital improvements	7,881,091	-	7,881,091
Grant projects	1,204,754	-	1,204,754
Unrestricted	(394,074)	4,937,530	4,543,456
Total net position	<b>\$ 2,056,704</b>	<b>\$ 44,104,687</b>	<b>\$ 46,161,391</b>

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, 2016

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
<b>Governmental activities</b>							
General Government	\$ 8,725,784	\$ 537,903	\$ 253,147	\$ -	\$ (7,934,734)	\$ -	\$ (7,934,734)
Public Safety	4,633,244	520,209	9,869	-	(4,103,166)	-	(4,103,166)
Highways and streets	763,014	-	1,200	260,863	(500,951)	-	(500,951)
Culture and recreation	2,087,770	80,627	199,752	636	(1,806,755)	-	(1,806,755)
Community planning and development	1,532,196	-	-	-	(1,532,196)	-	(1,532,196)
Interest on long-term debt	<u>2,810,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,810,526)</u>	<u>-</u>	<u>(2,810,526)</u>
Total governmental activities	<u>\$ 20,552,534</u>	<u>\$ 1,138,739</u>	<u>\$ 463,968</u>	<u>\$ 261,499</u>	<u>(18,688,328)</u>	<u>-</u>	<u>(18,688,328)</u>
<b>Business-type activities</b>							
Water	\$ 3,899,986	\$ 4,902,311	\$ -	\$ -	-	1,002,325	1,002,325
Wastewater	5,368,069	5,060,820	-	-	-	(307,249)	(307,249)
Storm Drainage	<u>71,320</u>	<u>432,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>361,535</u>	<u>361,535</u>
Total business-type activities	<u>\$ 9,339,375</u>	<u>\$ 10,395,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>1,056,611</u>	<u>1,056,611</u>
<b>General revenues</b>							
Property taxes levied for general purposes					7,647,673	-	7,647,673
Property taxes levied for debt service					1,377,951	-	1,377,951
Franchise taxes					2,092,699	-	2,092,699
Motor fuel taxes					931,119	-	931,119
Alcohol/cigarette taxes					246,857	-	246,857
Transient room taxes					203,974	-	203,974
Intergovernmental					247,961	-	247,961
Unrestricted grants and contributions					19,267	-	19,267
Investment income					219,077	42,393	261,470
Miscellaneous revenue					<u>2,337,376</u>	<u>107,236</u>	<u>2,444,612</u>
Total general revenues					<u>15,323,954</u>	<u>149,629</u>	<u>15,473,583</u>
Transfers					<u>(1,983,931)</u>	<u>1,983,931</u>	<u>-</u>
Change in net position					(5,348,305)	3,190,171	(2,158,134)
Net position - beginning					<u>7,405,009</u>	<u>40,914,516</u>	<u>48,319,525</u>
Net position - ending					<u>\$ 2,056,704</u>	<u>\$ 44,104,687</u>	<u>\$ 46,161,391</u>

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

**CITY OF LEBANON**  
**Linn County, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Northwest Urban Renewal District</u>	<u>Cheadle Lake Urban Renewal District</u>
<b>ASSETS</b>				
Cash and investments	\$ 2,699,564	\$ 1,139,759	\$ 824,827	\$ 150,649
Accounts receivable	292,568	232,581	12,584	1,781
Property taxes receivable	421,963	-	257,154	33,352
Loans receivable	71,631	-	381	-
Court fines receivable	1,455,038	-	-	-
Due from other funds	-	-	-	-
Prepaid and other expenses	<u>54,026</u>	<u>2,319</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,994,790</u>	<u>\$ 1,374,659</u>	<u>\$ 1,094,946</u>	<u>\$ 185,782</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 67,230	\$ 78,526	\$ -	\$ 4,287
Due to other funds	-	-	-	-
Payroll liabilities	<u>767,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>835,060</u>	<u>78,526</u>	<u>-</u>	<u>4,287</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	504,376	-	244,588	31,574
Unavailable revenue - court fines	<u>1,350,929</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>1,855,305</u>	<u>-</u>	<u>244,588</u>	<u>31,574</u>
Fund balances				
Nonspendable - prepaid items	54,026	2,319	-	-
Restricted for:				
Grant projects	-	1,204,754	-	-
Capital improvements	-	-	-	-
Urban renewal	-	-	850,358	-
Debt service	-	-	-	-
Committed for insurance costs	113,253	89,060	-	-
Assigned for petty cash	1,700	-	-	-
Unassigned	<u>2,135,446</u>	<u>-</u>	<u>-</u>	<u>149,921</u>
Total fund balances (deficit)	<u>2,304,425</u>	<u>1,296,133</u>	<u>850,358</u>	<u>149,921</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,994,790</u>	<u>\$ 1,374,659</u>	<u>\$ 1,094,946</u>	<u>\$ 185,782</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
\$ 452,412	\$ 242,328	\$ 5,888,689	\$ 11,398,228
2,418	-	-	541,932
39,721	154,566	-	906,756
-	-	370,813	442,825
-	-	-	1,455,038
-	-	2,101,992	2,101,992
-	-	-	56,345
<u>\$ 494,551</u>	<u>\$ 396,894</u>	<u>\$ 8,361,494</u>	<u>\$ 16,903,116</u>
\$ -	\$ -	\$ 109,590	\$ 259,633
2,101,992	-	-	2,101,992
<u>-</u>	<u>-</u>	<u>-</u>	<u>767,830</u>
<u>2,101,992</u>	<u>-</u>	<u>109,590</u>	<u>3,129,455</u>
37,303	146,776	370,813	1,335,430
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,350,929</u>
<u>37,303</u>	<u>146,776</u>	<u>370,813</u>	<u>2,686,359</u>
-	-	-	56,345
-	-	-	1,204,754
-	-	7,881,091	7,881,091
-	-	-	850,358
-	250,118	-	250,118
-	-	-	202,313
-	-	-	1,700
<u>(1,644,744)</u>	<u>-</u>	<u>-</u>	<u>640,623</u>
<u>(1,644,744)</u>	<u>250,118</u>	<u>7,881,091</u>	<u>11,087,302</u>
<u>\$ 494,551</u>	<u>\$ 396,894</u>	<u>\$ 8,361,494</u>	<u>\$ 16,903,116</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, 2016

<b>Total fund balances</b>		\$ 11,087,302
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	91,666,886	
Accumulated depreciation	<u>(59,107,208)</u>	32,559,678
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.		1,335,430
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		1,350,927
Current year PERS contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		811,628
The proportionate share of net differences between projected and actual earnings on investments will be amortized over the next five years.		(1,018,214)
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	(238,561)	
Compensated absences payable	(591,232)	
Net pension liability	(3,648,615)	
Bonds payable, including premiums	(33,876,334)	
Notes payable	<u>(5,715,305)</u>	<u>(44,070,047)</u>
<b>Net position of governmental activities</b>		<u>\$ 2,056,704</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, 2016

	General Fund	Special Revenue Fund	Northwest Urban Renewal District	Cheadle Lake Urban Renewal District
<b>REVENUES</b>				
Property taxes	\$ 4,173,524	\$ -	\$ 2,489,247	\$ 352,511
Liquor taxes	226,087	-	-	-
Cigarette taxes	20,770	-	-	-
Franchise taxes	2,091,899	800	-	-
Transient room taxes	-	204,209	-	-
Fees and charges	-	620,291	-	-
Intergovernmental	-	1,155,321	-	-
State revenue sharing	168,800	-	-	-
Licenses and permits	8,783	-	-	-
Forfeiture revenue	306,266	-	-	-
Fines	109,834	-	-	-
Grants and contributions	-	540,677	-	-
Investment earnings	97,386	12,036	26,129	3,391
Miscellaneous	209,611	98,586	29,565	-
Total revenues	7,412,960	2,631,920	2,544,941	355,902
<b>EXPENDITURES</b>				
Current				
General government	1,711,563	728,745	100,000	-
Public Safety	4,614,339	4,525	-	-
Highways and streets	-	687,504	-	-
Culture and recreation	1,182,676	382,006	-	40
Community planning	1,398,966	133,230	-	-
Debt service	137,208	-	632,542	291,597
Capital outlay	31,808	542,769	2,378,289	58,791
Total expenditures	9,076,560	2,478,779	3,110,831	350,428
Excess (deficiency) of revenues over expenditures	(1,663,600)	153,141	(565,890)	5,474
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	-	-
Payments to escrow agent	-	-	-	-
Transfers in	2,771,647	916,267	-	-
Transfers out	(639,096)	(928,275)	(1,073,219)	(82,057)
Total other financing sources (uses)	2,132,551	(12,008)	(1,073,219)	(82,057)
Net change in fund balances	468,951	141,133	(1,639,109)	(76,583)
Fund balances (deficit) - beginning	1,835,474	1,155,000	2,489,467	226,504
Fund balances (deficit) - ending	\$ 2,304,425	\$ 1,296,133	\$ 850,358	\$ 149,921

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
\$ 562,694	\$ 1,377,951	\$ -	\$ 8,955,927
-	-	-	226,087
-	-	-	20,770
-	-	-	2,092,699
-	-	-	204,209
-	-	1,989,414	2,609,705
-	-	-	1,155,321
-	-	-	168,800
-	-	-	8,783
-	-	-	306,266
-	-	-	109,834
-	-	58,145	598,822
4,372	10,142	65,200	218,656
-	302	20,101	358,165
<u>567,066</u>	<u>1,388,395</u>	<u>2,132,860</u>	<u>17,034,044</u>
1,145,449	-	4,260	3,690,017
-	-	6,041	4,624,905
-	-	-	687,504
-	-	66,244	1,630,966
-	-	-	1,532,196
96,649	3,281,911	-	4,439,907
-	-	656,251	3,667,908
<u>1,242,098</u>	<u>3,281,911</u>	<u>732,796</u>	<u>20,273,403</u>
<u>(675,032)</u>	<u>(1,893,516)</u>	<u>1,400,064</u>	<u>(3,239,359)</u>
-	16,623,136	-	16,623,136
-	(16,537,981)	-	(16,537,981)
-	1,810,932	515,080	6,013,926
<u>(87,160)</u>	<u>-</u>	<u>(44,640)</u>	<u>(2,854,447)</u>
<u>(87,160)</u>	<u>1,896,087</u>	<u>470,440</u>	<u>3,244,634</u>
(762,192)	2,571	1,870,504	5,275
<u>(882,552)</u>	<u>247,547</u>	<u>6,010,587</u>	<u>11,082,027</u>
<u>\$ (1,644,744)</u>	<u>\$ 250,118</u>	<u>\$ 7,881,091</u>	<u>\$ 11,087,302</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, 2016

<b>Net change in fund balances</b>		\$	5,275
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	584,229		
Depreciation expense recorded in current year	<u>(1,461,870)</u>		(877,641)
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.			
			(6,826,340)
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>
<b>Change in net position</b>		<b>\$</b>	<b><u>(5,348,305)</u></b>

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, 2016

	Business-Type Activities <u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,874,036
Accounts receivable	1,388,013
Prepaid expenses	<u>2,292</u>
Total current assets	6,264,341
Capital assets not being depreciated	5,108,128
Capital assets, net of accumulated depreciation	<u>39,460,821</u>
Total assets	<u>50,833,290</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	59,218
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	152,367
Accrued interest	69,945
Compensated absences, current portion	5,134
Deposit liability	325,270
Long-term liabilities, current portion	<u>457,042</u>
Total current liabilities	<u>1,009,758</u>
Noncurrent liabilities	
Compensated absences, less current portion	47,145
Long-term liabilities, less current portion	5,390,420
Net pension liability	<u>266,208</u>
Total noncurrent liabilities	<u>5,703,773</u>
Total liabilities	<u>6,713,531</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	74,290
<b>NET POSITION</b>	
Net investment in capital assets	43,845,699
Restricted for debt service	372,011
Unrestricted	<u>(113,023)</u>
Total net position	<u>\$ 44,104,687</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, 2016

	Business-Type Activities <u>Enterprise Fund</u>
Operating revenues	
Charges for services	
Water charges	\$ 4,902,311
Wastewater charges	5,060,820
Storm drain charges	432,855
Miscellaneous	<u>107,236</u>
Total operating revenues	<u>10,503,222</u>
Operating expenses	
Water utility	3,585,376
Water utility capital improvement program	50,589
Storm drain utility	48,028
Wastewater utility	3,042,110
Depreciation	<u>1,201,594</u>
Total operating expenses	<u>7,927,697</u>
Operating income (loss)	<u>2,575,525</u>
Nonoperating revenues (expenses)	
Investment earnings	42,393
Interest expense	<u>(1,411,678)</u>
Total nonoperating revenue (expenses)	<u>(1,369,285)</u>
Income (loss) before contributions and transfers	1,206,240
Transfers in	<u>1,983,931</u>
Change in net position	3,190,171
Net position - beginning	<u>40,914,516</u>
Net position - ending	<u>\$ 44,104,687</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, 2016

	Business-Type Activities <u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 10,351,573
Payments to employees	(1,170,159)
Payments to suppliers	(5,018,356)
Other receipts	<u>107,236</u>
Net cash provided (used) by operating activities	<u>4,270,294</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from other funds	<u>67,676</u>
Net cash provided (used) by noncapital financing activities	<u>67,676</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(1,859,466)
Capital grants	-
Principal paid on long term debt	(987,304)
Interest paid on long term debt	<u>(1,411,678)</u>
Net cash provided (used) by noncapital financing activities	<u>(4,258,448)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>42,393</u>
Net cash provided (used) by noncapital financing activities	<u>42,393</u>
Net increase (decrease) in cash and cash equivalents	121,915
Cash and investments - beginning	<u>4,752,121</u>
Cash and investments - ending	<u>\$ 4,874,036</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, 2016

(Continued)

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
<b>Reconciliation of operating income to net cash provided (used)</b>	
<b>by operating activities:</b>	
Operating income (loss)	\$ 2,575,525
Adjustments to reconcile operating income to net cash provided (used)	
by operating activities:	
Depreciation expense	1,201,594
Amortization of bond premium	(13,392)
Changes in assets and liabilities	
(Increase) decrease in:	
Receivables	(44,413)
Increase (decrease)	
Accounts payable	58,351
Deposit liability	30,300
Compensated absences	5,134
Net pension liability	365,532
Deferred outflows of resources	91,663
Net cash provided (used) by operating activities	<u>\$ 4,270,294</u>
<b>Noncash investing, capital, and financing activities</b>	
Debt principal paid on behalf of enterprise fund	\$ 2,510,139

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, 2016

	<u>Agency Fund</u> Bail Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,804
Accounts receivable	<u>1,938</u>
Total assets	<u>\$ 12,742</u>
<b>LIABILITIES</b>	
Due to other agencies	6,927
Bail payable	<u>5,815</u>
Total liabilities	<u>\$ 12,742</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, 2016

**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](http://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, 2016

**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.

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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

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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 three supplemental budgets.

Budget amounts shown in the financial statements reflect the original budget amounts and three approved supplemental budgets.

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

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

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.



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**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 1<sup>st</sup>. 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 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 funds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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**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, 2016:

Fund	Department	Appropriations	Expenditures	Excess
North Gateway URD	Urban Renewal	\$ 527,300	\$ 1,329,258	\$ 801,958

**B. Deficit Fund Balance**

At June 30, 2016, the N. Gateway Urban Renewal District had a deficit fund balance of \$1,644,744 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.

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.

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

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

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

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City's policy, which adheres to state law, is to limit its investments to the following: issuers within Oregon must be rated "A" (bonds) or A-2/P-2 (commercial paper) or better by Standard & Poor's or Moody's Investors Service or any other national recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

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At June 30, 2016, the City's investments were rated as follows:

Credit Quality Rating	Federal Agency Obligations	Municipal Bonds	Corporate Bonds	LGIP	Total
Unrated	\$ -	\$ -	\$ -	\$ 8,188,442	\$ 8,188,442
Moody Aa1	-	300,000	400,000	-	700,000
Moody Aa2	-	200,000	800,000	-	1,000,000
Moody Aa3	-	-	1,790,000	-	1,790,000
Moody A1	-	-	750,000	-	750,000
Moody Aaa	1,200,000	-	255,000	-	1,455,000
Moody A2	-	300,000	-	-	300,000
Total investments	<u>\$ 1,200,000</u>	<u>\$ 800,000</u>	<u>\$ 3,995,000</u>	<u>\$ 8,188,442</u>	<u>\$ 14,183,442</u>

Investments

As of June 30, 2016, the City had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value
Oregon Local Government Investment Pool	58%	-	\$ 8,188,442
Federal Agency Obligations	8%	1 - 3 years	1,200,000
Municipal Bonds	4%	< 1 year	500,000
Municipal Bonds	2%	1 - 3 years	300,000
Corporate Bonds	9%	< 1 year	1,265,000
Corporate Bonds	19%	1 - 3 years	<u>2,730,000</u>
Total investments			<u>\$ 14,183,442</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.

Concentration of Credit Risk

The City's policy for investing in individual issuers varies depending on the type of investments.

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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 Key Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2016, 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, 2016 were as follows:

Cash on hand	\$ 1,700
Checking account	2,087,122
Total investments	<u>14,183,442</u>
Total deposits and investments	<u>\$ 16,272,264</u>

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Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	<u>\$ 2,699,564</u>
Business-type activities - unrestricted	
Enterprise Fund	<u>4,874,036</u>
Total unrestricted cash and investments	<u>7,573,600</u>
Governmental activities - restricted	
Special Revenue Fund	1,139,759
Northwest Urban Renewal District	824,827
Cheadle Lake Urban Renewal District	150,649
North Gateway Urban Renewal District	452,412
Debt Service Fund	242,328
Capital Projects Fund	<u>5,888,689</u>
Total governmental-activities - restricted	<u>8,698,664</u>
Total cash and investments	<u><u>\$ 16,272,264</u></u>

**B. Restricted Assets**

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

Restricted assets at June 30, 2016 were as follows:

	<u>Governmental Activities</u>
Restricted assets	
Cash and investments	\$ 8,698,664
Receivables, net	232,581
Special assessments (loans) receivable	371,193
Property taxes receivable	<u>484,793</u>
Total restricted assets	<u><u>\$ 9,787,231</u></u>

**C. Accounts Receivable**

Accounts receivable at June 30, 2016, including the applicable allowances for uncollectible accounts, were as follows:

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	Governmental Activities	Business-Type Activities
Short-term receivables		
Franchise fees	\$ 157,969	\$ -
Court fines	420,000	-
Intergovernmental	188,826	-
Grants	69,694	-
Utilities	-	1,388,013
Other	108,660	-
Total short-term receivables (including \$712,568 of unrestricted receivables, and \$232,581 of restricted receivables)	945,149	1,388,013
Long-term receivables		
Court fines	1,128,399	-
Less allowance for uncollectibles	(76,581)	-
Total long-term receivables	1,051,818	-
Total receivables	\$ 1,996,967	\$ 1,388,013

**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	36,938	-	36,938
Buildings	18,435,938	(4,186,349)	14,249,589
Vehicles	2,193,865	(1,910,330)	283,535
Machinery and equipment	4,104,454	(2,848,002)	1,256,452
Infrastructure	64,491,866	(50,162,527)	14,329,339
Total governmental capital assets	\$ 91,666,886	\$ (59,107,208)	\$ 32,559,678

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	Capital Assets	Accumulated Depreciation	Net Capital Assets
Business-type activities			
Land	\$ 1,278,826	\$ -	\$ 1,278,826
Construction in progress	3,829,302	-	3,829,302
Buildings	8,424,953	(4,384,035)	4,040,918
Vehicles	1,044,625	(967,580)	77,045
Machinery and equipment	6,853,473	(3,048,734)	3,804,739
Infrastructure	1,538,272	(119,475)	1,418,797
Water/sewer assets	40,576,679	(10,457,357)	30,119,322
Total business-type capital assets	\$ 63,546,130	\$ (18,977,181)	\$ 44,568,949

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,403,825	\$ -	\$ -	\$ 2,403,825
Construction in progress	107,766	36,938	(107,766)	36,938
Total capital assets not being depreciated	2,511,591	36,938	(107,766)	2,440,763
Capital assets being depreciated				
Buildings	18,419,585	16,353	-	18,435,938
Vehicles	2,173,120	20,745	-	2,193,865
Machinery and equipment	3,794,413	310,041	-	4,104,454
Infrastructure	64,291,714	200,152	-	64,491,866
Total capital assets being depreciated	88,678,832	547,291	-	89,226,123

(Continued)



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	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
(Continued)				
Less accumulated depreciation for				
Buildings	(3,789,258)	(397,091)	-	(4,186,349)
Vehicles	(1,777,961)	(132,369)	-	(1,910,330)
Machinery and equipment	(2,665,191)	(182,811)	-	(2,848,002)
Infrastructure	(49,412,928)	(749,599)	-	(50,162,527)
Total accumulated depreciation	(57,645,338)	(1,461,870)	-	(59,107,208)
Total capital assets being depreciated, net	31,033,494	(914,579)	-	30,118,915
Governmental activities capital assets, net	\$ 33,545,085	\$ (877,641)	\$ -	\$ 32,559,678
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,278,826	\$ -	\$ -	\$ 1,278,826
Construction in progress	7,897,688	2,674,261	(6,742,647)	3,829,302
Total capital assets not being depreciated	9,176,514	2,674,261	(6,742,647)	5,108,128
Capital assets being depreciated				
Buildings	8,424,953	-	-	8,424,953
Vehicles	1,020,549	24,076	-	1,044,625
Machinery and equipment	4,352,202	2,501,271	-	6,853,473
Infrastructure	1,485,870	52,402	-	1,538,272
Water/sewer assets	37,226,576	3,350,103	-	40,576,679
Total capital assets being depreciated	52,510,150	5,927,852	-	58,438,002
Less accumulated depreciation for				
Buildings	(4,265,670)	(118,365)	-	(4,384,035)
Vehicles	(919,497)	(48,083)	-	(967,580)
Machinery and equipment	(2,785,985)	(262,749)	-	(3,048,734)
Infrastructure	(84,998)	(34,477)	-	(119,475)
Water/sewer assets	(9,578,060)	(879,297)	-	(10,457,357)
Total accumulated depreciation	(17,634,210)	(1,342,971)	-	(18,977,181)
Total capital assets being depreciated, net	34,875,940	4,584,881	-	39,460,821
Business-type activities capital assets, net	\$ 44,052,454	\$ 4,584,881	\$ -	\$ 44,568,949
Total capital assets, net	\$ 77,597,539	\$ 3,707,240	\$ -	\$ 77,128,627

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

Governmental activities	
General government	<u>\$ 1,461,870</u>
Business-type activities	
Water	\$ 313,387
Sewer	888,207
Storm drain	<u>141,377</u>
Total business-type activities	<u>\$ 1,342,971</u>

**E. Interfund Transfers**

Interfund transfers during the year consisted of:

	Transfer in:				Total
	General Fund	Special Revenue	Debt Service	Capital Projects	
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ 286,826	\$ 187,270	\$ 165,000	\$ 639,096
Special Revenue Fund	807,096	8,099	-	113,080	928,275
Northwest Urban Renewal District	200,376	19,393	853,450	-	1,073,219
Cheadle Lake Urban Renewal District	75,111	6,946	-	-	82,057
North Gateway Urban Renewal District	78,611	8,549	-	-	87,160
Capital Projects Fund	<u>-</u>	<u>44,640</u>	<u>-</u>	<u>-</u>	<u>44,640</u>
Total governmental activities	<u>\$ 1,161,194</u>	<u>\$ 374,453</u>	<u>\$ 1,040,720</u>	<u>\$ 278,080</u>	<u>\$ 2,854,447</u>
Business-type activities					
Enterprise Fund	<u>\$ 1,610,453</u>	<u>\$ 541,814</u>	<u>\$ 770,212</u>	<u>\$ 237,000</u>	<u>\$ 3,159,479</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, 2016, interfund balances consisted of the following:

	Payable Fund
	N. Gateway
	Urban Renewal
Receivable Fund:	
Governmental activities	
Capital Projects Fund	<u>\$ 2,101,992</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>\$ 530,398</u>	<u>\$ 60,834</u>	<u>\$ -</u>	<u>\$ 591,232</u>
Business-type activities				
Compensated absences	<u>\$ 44,595</u>	<u>\$ 7,684</u>	<u>\$ -</u>	<u>\$ 52,279</u>

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

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**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	\$ 15,245,000	\$ -	\$ 13,700,000	\$ 1,545,000	\$ 830,000
NW Urban Renewal District							
2010 Refunding	2-3.5%	3,310,000	1,780,000	-	330,000	1,450,000	345,000
2015 GO Refunding	1.65-5%	15,185,000	-	15,185,000	440,000	14,745,000	345,000
2013 Full Faith & Credit	2-4%	15,235,000	13,760,000	-	855,000	12,905,000	870,000
2002 Pension Obligation Bonds	2-7.36%	2,081,188	1,579,237	-	32,796	1,546,441	33,687
Bond premiums	-	1,896,388	397,152	1,438,136	150,395	1,684,893	-
Total bonds		57,677,576	32,761,389	16,623,136	15,508,191	33,876,334	2,423,687
<u>Notes Payable</u>							
N. Gateway Urban Renewal District							
Samaritan Health Services	6%	1,922,561	780,286	897,322	52,019	1,625,589	114,216
Cheadle Lake Urban Renewal District							
McKinney Apartments	12%	355,000	291,597	-	291,597	-	-
General Fund							
Special Public Works Fund	3-5.25%	1,779,833	1,390,185	-	73,074	1,317,111	78,597
NW Urban Renewal District							
Special Public Works Fund	4-4.375%	3,677,462	2,893,116	-	120,511	2,772,605	126,331
Total notes		7,734,856	5,355,184	897,322	537,201	5,715,305	319,144
Total governmental activities		\$ 65,412,432	\$ 38,116,573	\$ 17,520,458	\$ 16,045,392	\$ 39,591,639	\$ 2,742,831
Business-type activities							
Revenue Bonds							
2010 Wastewater Refunding	2-3.75%	\$ 7,010,000	\$ 5,325,000	\$ -	\$ 400,000	\$ 4,925,000	415,000
Bond premiums	-	267,850	207,584	-	13,392	194,192	-
Total bonds		7,277,850	5,532,584	-	413,392	5,119,192	415,000
2007 Cannibal Project note	4%	4,311,575	2,510,139	-	2,510,139	-	-
2009 Wastewater DEQ loan	2.93%	900,000	695,449	-	40,837	654,612	42,042
Total business-type activities		\$ 12,489,425	\$ 8,738,172	\$ -	\$ 2,964,368	\$ 5,773,804	\$ 457,042

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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 - 2015 GO Refunding Series**

On August 13, 2015, the City issues general obligation bonds of \$15,185,000 (par value) with interest rates of 1.65% to 5% to advance refund the portion of the Series 2007 general obligation bonds maturing June 1, 2018 through June 1, 2027 with interest rates of 4% to 5% and a par value of \$12,940,000. The Series 2007 bonds mature on June 1, 2027 and are callable on June 1, 2017. The Series 2015 bonds were issued at a premium of \$1,438,136, and, after paying issuance costs of \$184,466, the net proceeds were \$16,432,331. The net proceeds from the issuance of the Series 2015 bonds were used to purchase state and local government securities, which were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series 2007 bonds are called on June 1, 2017. The Series 2015 issue was also used to refund the 2007 Siemens Cannibal loan with a par value of \$2,448,618 and an interest rate of 4%.

As a result of the advance refunding, the City reduced its total debt service requirements by \$1,240,926, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$1,077,133.

**9. 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.

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.

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**10. Governmental Activity Future Maturities of Bonds Payable**

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 2,423,687	\$ 1,301,997	\$ 3,725,684
2018	2,582,872	1,226,538	3,809,410
2019	2,738,233	1,156,471	3,894,704
2020	2,881,649	1,061,620	3,943,269
2021	2,830,000	903,714	3,733,714
2022-2026	13,980,000	2,962,165	16,942,165
2027-2028	<u>4,755,000</u>	<u>282,308</u>	<u>5,037,308</u>
Total	<u>\$ 32,191,441</u>	<u>\$ 8,894,813</u>	<u>\$ 41,086,254</u>

**11. Governmental Activity Future Maturities of Notes Payable**

Year Ending June 30	Notes		
	Principal	Interest	Total
2017	\$ 319,144	\$ 261,444	\$ 580,588
2018	331,486	247,302	578,788
2019	343,948	232,843	576,791
2020	356,803	217,611	574,414
2021	375,107	201,413	576,520
2022-2026	2,155,528	732,367	2,887,895
2027-2031	1,598,465	237,279	1,835,744
2032	<u>234,824</u>	<u>10,274</u>	<u>245,098</u>
Total	<u>\$ 5,715,305</u>	<u>\$ 2,140,533</u>	<u>\$ 7,855,838</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.

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**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 2016, ended June 30, 2016, 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 annual debt service for fiscal year 2016 is 3.34, and is therefore in compliance with the provisions of section 12.5 of the Financing Agreement. The Note Payable was paid in full as disclosed in #8 above.

**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
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	235,000	125,250	360,250
2022-2026	1,325,000	467,936	1,792,936
2027-2031	<u>1,610,000</u>	<u>185,440</u>	<u>1,795,440</u>
Total	<u>\$ 4,925,000</u>	<u>\$ 1,458,026</u>	<u>\$ 6,383,026</u>



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**17. 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, 2016 was approximately \$37,898,785. 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, 2016, \$1,922,561 had been invested under the agreement.

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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, 2013 actuarial valuation, which became effective July 1, 2015. 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, 2016 were \$595,431.

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](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, 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, 2016, the City reported a liability of \$3,914,823 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability 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, 2015 the City's proportion was 0.06818513%.

For the year ended June 30, 2016, the City recognized pension expense of \$3,804,944. At June 30, 2016, 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
Differences between expected and actual experience	\$ 211,107	\$ -
Net difference between projected and actual earnings on investments	-	820,636
Changes in proportionate share	64,308	-
Differences between employer contributions and employer's proportionate share of system contributions	-	271,868
Total (prior to post-MD contributions)	275,415	1,092,504
Contributions subsequent to the MD	595,431	-
Total	\$ 870,846	\$ 1,092,504
Net Deferred Outflows/(Inflow) of Resources		\$ (221,658)

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**Linn County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

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)
2017	\$ (392,129)
2018	\$ (392,129)
2019	\$ (392,129)
2020	\$ 356,488
2021	\$ 2,812

*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%)
\$ 9,448,279	\$ 3,914,823	\$ (748,427)

*Plan Changes Reflected*

The Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation.

For GASB 67 and 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 system. Due to the timing of the Supreme Court decision, this means the

**CITY OF LEBANON**  
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NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision was measured at June 30, 2015. To reflect the *Moro* decision, the blended COLA based on creditable service before and after the effective dates of the legislation was estimated. This approach is consistent with OAR 459-005-0510, adopted by the PERS board in September 2015.

*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.

We are not aware of any changes subsequent to the June 30, 2015 measurement date that meet this requirement.

**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, 2016, 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 May 11, 2016 and extends through June 30, 2019. The union agreement with Teamsters was ratified on July 16, 2015 and extends through June 30, 2017.



**CITY OF LEBANON**  
**Linn County, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**E. Subsequent Events**

Subsequent to year end, the City approved the issuance of Water Bonds in the amount of \$21,000,000.

Management has evaluated subsequent events through February 22, 2017, 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)**

	2016	2015
City's proportion of the net pension liability (asset)	0.06818513%	0.06443958%
City's proportionate share of the net pension liability (asset)	\$ 3,914,823	\$ (1,460,660)
City's covered-employee payroll	\$ 5,358,045	\$ 5,261,418
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73%	-28%
Plan fiduciary net position as a percentage of the total pension liability (asset)	91.88%	103.59%

**Schedule of City Contributions**

	2016	2015
Contractually required contribution	\$ 595,431	\$ 457,865
Contributions in relation to the contractually required contribution	(595,431)	(457,865)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 5,166,314	\$ 5,093,951
Contributions as a percentage of covered-employee payroll	12%	9%

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

GENERAL FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
<b>REVENUES</b>						
Property taxes	\$ 4,075,000	\$ 4,075,000	\$ 125,375	\$ 4,200,375	\$ -	\$ 4,200,375
Licenses and permits	2,119,192	2,119,192	(18,510)	2,100,682	-	2,100,682
Fines and forfeits	438,300	438,300	(22,200)	416,100	-	416,100
Intergovernmental	417,000	487,179	(71,522)	415,657	-	415,657
Charges for services	3,000	3,000	(1,498)	1,502	-	1,502
Miscellaneous	129,500	129,500	149,144	278,644	-	278,644
Total revenues	<u>7,181,992</u>	<u>7,252,171</u>	<u>160,789</u>	<u>7,412,960</u>	<u>-</u>	<u>7,412,960</u>
<b>EXPENDITURES</b>						
Current						
Administration and economic dev.	381,601	390,601	(30,012)	360,589	(10,374)	350,215
Human resources	121,316	121,316	(6,028)	115,288	(1,070)	114,218
City attorney	159,050	159,050	(16,354)	142,696	-	142,696
Planning	223,575	289,780	(25,235)	264,545	(9,036)	255,509
Engineering	1,184,228	1,184,228	(40,771)	1,143,457	-	1,143,457
Parks	550,554	550,554	(30,044)	520,510	(37,811)	482,699
Finance	593,101	593,101	(47,826)	545,275	(8,945)	536,330
Legislative	220,632	237,632	(33,608)	204,024	(26,456)	177,568
Library	581,417	583,917	(30,204)	553,713	(65,675)	488,038
Municipal court	299,109	299,109	(12,076)	287,033	(29,194)	257,839
Police	5,014,358	5,053,008	(446,246)	4,606,762	(250,262)	4,356,500
Senior and disabled services	253,833	253,833	(11,649)	242,184	(30,245)	211,939
Non-departmental	1,500,686	1,437,510	(707,930)	729,580	(339,044)	390,536
Capital outlay	-	-	-	-	31,808	31,808
Debt service	-	-	-	-	137,208	137,208
Total expenditures	<u>11,083,460</u>	<u>11,153,639</u>	<u>(1,437,983)</u>	<u>9,715,656</u>	<u>(639,096)</u>	<u>9,076,560</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,901,468)</u>	<u>(3,901,468)</u>	<u>1,598,772</u>	<u>(2,302,696)</u>	<u>639,096</u>	<u>(1,663,600)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,701,468	2,701,468	70,179	2,771,647	-	2,771,647
Transfers out	-	-	-	-	(639,096)	(639,096)
Total other financing sources (uses)	<u>2,701,468</u>	<u>2,701,468</u>	<u>70,179</u>	<u>2,771,647</u>	<u>(639,096)</u>	<u>2,132,551</u>
Net change in fund balance	(1,200,000)	(1,200,000)	1,668,951	468,951	-	468,951
Fund balance - beginning	<u>1,200,000</u>	<u>1,200,000</u>	<u>635,474</u>	<u>1,835,474</u>	<u>-</u>	<u>1,835,474</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,304,425</u>	<u>\$ 2,304,425</u>	<u>\$ -</u>	<u>\$ 2,304,425</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, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
<b>REVENUES</b>						
Taxes and assessments	\$ 200,940	\$ 200,940	\$ 5,030	\$ 205,970	\$ -	\$ 205,970
Licenses and permits	255,200	255,200	274,214	529,414	-	529,414
Intergovernmental	2,175,184	2,175,184	(514,673)	1,660,511	-	1,660,511
Charges for services	10,500	10,500	4,146	14,646	-	14,646
Miscellaneous	173,500	182,000	39,379	221,379	-	221,379
Total revenues	2,815,324	2,823,824	(191,904)	2,631,920	-	2,631,920
<b>EXPENDITURES</b>						
Current						
City facilities repair	831	831	-	831	(831)	-
Motel tax	204,190	516,143	(360,421)	155,722	(27,903)	127,819
Youth court	5,000	5,000	(5,000)	-	-	-
Police reserves	21,000	21,432	(11,411)	10,021	-	10,021
Gazebo donations	40,000	40,000	(38,800)	1,200	-	1,200
Building inspection	480,099	496,411	(159,771)	336,640	(204,062)	132,578
Park enterprise	118,750	118,750	(61,443)	57,307	(5,000)	52,307
Parks grant	400,000	408,500	(236,594)	171,906	(163,406)	8,500
Geographic information services	201,000	201,000	(73,009)	127,991	(102,029)	25,962
Information systems service	761,674	781,074	(50,604)	730,470	(132,835)	597,635
Custodial and maintenance services	144,909	144,909	(28,265)	116,644	(16,992)	99,652
Foot and Bike path	47,679	47,679	(39,068)	8,611	(8,611)	-
Engineering improvements permits	154,000	154,000	(82,450)	71,550	(70,898)	652
Streets	1,007,243	1,007,243	(1,286)	1,005,957	(328,153)	677,804
Storm drainage	82,690	-	-	-	-	-
School resource officer	86,646	86,646	(6,501)	80,145	(80,145)	-
Dial-A-Bus	270,888	270,888	(39,220)	231,668	(37,835)	193,833
STP streets	565,254	565,254	(272,910)	292,344	(292,344)	-
Gills landing	10,720	10,720	(2,673)	8,047	-	8,047
Capital outlay	-	-	-	-	542,769	542,769
Total expenditures (1)	4,602,573	4,876,480	(1,469,426)	3,407,054	(928,275)	2,478,779

(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, 2016

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(1,787,249)	(2,052,656)	1,277,522	(775,134)	928,275	153,141
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,127,624	1,350,366	(434,099)	916,267	-	916,267
Transfers out	-	-	-	-	(928,275)	(928,275)
Total other financing sources (uses)	<u>1,127,624</u>	<u>1,350,366</u>	<u>(434,099)</u>	<u>916,267</u>	<u>(928,275)</u>	<u>(12,008)</u>
Net change in fund balance	(659,625)	(702,290)	843,423	141,133	-	141,133
Fund balance - beginning	<u>659,625</u>	<u>702,290</u>	<u>452,710</u>	<u>1,155,000</u>	<u>-</u>	<u>1,155,000</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,296,133</u>	<u>\$ 1,296,133</u>	<u>\$ -</u>	<u>\$ 1,296,133</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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
<b>REVENUES</b>					
Property taxes	\$ 2,447,890	\$ 58,166	\$ 2,506,056	\$ -	\$ 2,506,056
Miscellaneous	<u>5,000</u>	<u>33,885</u>	<u>38,885</u>	<u>-</u>	<u>38,885</u>
Total revenues	2,452,890	92,051	2,544,941	-	2,544,941
<b>EXPENDITURES</b>					
Current					
NW Lebanon urban renewal district	4,570,348	(386,298)	4,184,050	(4,084,050)	100,000
NW Lebanon urban renewal bonds	632,542	(632,542)	-	-	-
Capital outlay	-	-	-	2,378,289	2,378,289
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>632,542</u>	<u>632,542</u>
Total expenditures	<u>5,202,890</u>	<u>(1,018,840)</u>	<u>4,184,050</u>	<u>(1,073,219)</u>	<u>3,110,831</u>
Excess (deficiency) of revenues over (under) expenditures	(2,750,000)	1,110,891	(1,639,109)	1,073,219	(565,890)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,073,219)</u>	<u>(1,073,219)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,073,219)</u>	<u>(1,073,219)</u>
Net change in fund balance	(2,750,000)	1,110,891	(1,639,109)	-	(1,639,109)
Fund balance - beginning	<u>3,164,492</u>	<u>(675,025)</u>	<u>2,489,467</u>	<u>-</u>	<u>2,489,467</u>
Fund balance - ending	<u>\$ 414,492</u>	<u>\$ 435,866</u>	<u>\$ 850,358</u>	<u>\$ -</u>	<u>\$ 850,358</u>

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

CHEADLE LAKE URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Property taxes	\$ 326,000	\$ 28,414	\$ 354,414	\$ -	\$ 354,414
Miscellaneous	<u>500</u>	<u>988</u>	<u>1,488</u>	<u>-</u>	<u>1,488</u>
Total revenues	326,500	29,402	355,902	-	355,902
<b>EXPENDITURES</b>					
Current					
Cheadle Lake urban renewal district	516,500	(84,015)	432,485	(145,460)	287,025
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,403</u>	<u>63,403</u>
Total expenditures	<u>516,500</u>	<u>(84,015)</u>	<u>432,485</u>	<u>(82,057)</u>	<u>350,428</u>
Excess (deficiency) of revenues over (under) expenditures	(190,000)	113,417	(76,583)	82,057	5,474
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,057)</u>	<u>(82,057)</u>
Net change in fund balance	(190,000)	113,417	(76,583)	-	(76,583)
Fund balance - beginning	<u>190,000</u>	<u>36,504</u>	<u>226,504</u>	<u>-</u>	<u>226,504</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 149,921</u>	<u>\$ 149,921</u>	<u>\$ -</u>	<u>\$ 149,921</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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Property taxes	\$ 359,000	\$ 205,498	\$ 564,498	\$ -	\$ 564,498
Miscellaneous	<u>300</u>	<u>2,268</u>	<u>2,568</u>	<u>-</u>	<u>2,568</u>
Total revenues	359,300	207,766	567,066	-	567,066
<b>EXPENDITURES</b>					
North gateway urban renewal district	527,300	801,958	1,329,258	(183,809)	1,145,449
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,649</u>	<u>96,649</u>
Total expenditures	<u>527,300</u>	<u>801,958</u>	<u>1,329,258</u>	<u>(87,160)</u>	<u>1,242,098</u>
Excess (deficiency) of revenues over (under) expenditures	(168,000)	(594,192)	(762,192)	87,160	(675,032)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,160)</u>	<u>(87,160)</u>
Net change in fund balance	(168,000)	(594,192)	(762,192)	-	(762,192)
Fund balance (deficit) - beginning	<u>168,000</u>	<u>(1,050,552)</u>	<u>(882,552)</u>	<u>-</u>	<u>(882,552)</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ (1,644,744)</u>	<u>\$ (1,644,744)</u>	<u>\$ -</u>	<u>\$ (1,644,744)</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, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
<b>REVENUES</b>						
Property taxes	\$ 1,336,522	\$ 1,336,522	\$ 50,390	\$ 1,386,912	\$ -	\$ 1,386,912
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>483</u>	<u>1,483</u>	<u>-</u>	<u>1,483</u>
Total revenues	<u>1,337,522</u>	<u>1,337,522</u>	<u>50,873</u>	<u>1,388,395</u>	<u>-</u>	<u>1,388,395</u>
<b>EXPENDITURES</b>						
Debt service	<u>1,563,720</u>	<u>1,922,393</u>	<u>(358,674)</u>	<u>1,563,719</u>	<u>-</u>	<u>1,563,719</u>
Excess (deficiency) of revenues over (under) expenditures	(226,198)	(584,871)	409,547	(175,324)	-	(175,324)
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt proceeds	-	111,461	(16,511,675)	16,623,136	-	16,623,136
Payments to escrow agent	(1,458,200)	(1,458,200)	16,797,973	(18,256,173)	-	(18,256,173)
Transfers in	<u>1,563,720</u>	<u>1,810,932</u>	<u>-</u>	<u>1,810,932</u>	<u>-</u>	<u>1,810,932</u>
Total other financing sources (uses)	<u>105,520</u>	<u>464,193</u>	<u>286,298</u>	<u>177,895</u>	<u>-</u>	<u>177,895</u>
Net change in fund balance	(120,678)	(120,678)	123,249	2,571	-	2,571
Fund balance - beginning	<u>120,678</u>	<u>120,678</u>	<u>126,869</u>	<u>247,547</u>	<u>-</u>	<u>247,547</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,118</u>	<u>\$ 250,118</u>	<u>\$ -</u>	<u>\$ 250,118</u>

**CITY OF LEBANON**  
**Linn County, Oregon**

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

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
<b>REVENUES</b>						
Taxes and assessments	\$ 168,870	\$ 168,870	\$ 1,820,122	\$ 1,988,992	\$ -	\$ 1,988,992
Intergovernmental	17,500	17,500	(918)	16,582	-	16,582
Miscellaneous	62,850	62,850	64,516	127,366	-	127,366
Total revenues	249,220	249,220	1,883,720	2,132,940	-	2,132,940
<b>EXPENDITURES</b>						
State highway signal maintenance	53,450	53,450	(42,208)	11,242	(11,242)	-
Equipment acquisition and replacement	1,388,029	1,388,029	(968,775)	419,254	(414,994)	4,260
Historic resource commission trust	80	80	-	80	(80)	-
Pioneer cemetery	9,300	9,300	(9,300)	-	-	-
Police trust	16,360	16,360	(10,319)	6,041	-	6,041
Library trust	162,800	162,800	(107,876)	54,924	-	54,924
Library building trust	29,120	29,120	(28,854)	266	-	266
Senior services trust	165,300	165,300	(153,993)	11,307	(1,783)	9,524
Snedaker trust	25,100	25,100	(23,570)	1,530	-	1,530
Streets capital improvement projects	49,526	49,526	(1,304)	48,222	(48,222)	-
Infrastructure deferral	55,899	55,899	(55,899)	-	-	-
Drainage SDC	48,278	48,278	(41,614)	6,664	(6,664)	-
Drainage reimbursement	6,350	6,350	(6,350)	-	-	-
Parks SDC	896,732	726,732	(659,775)	66,957	(66,957)	-
Parks reimbursement	3,200	3,200	-	3,200	(3,200)	-
Sewer SDC	621,250	621,250	(614,586)	6,664	(6,664)	-
Sewer SDC reimbursement	245,500	245,500	(245,500)	-	-	-
Streets SDC	1,281,154	1,281,154	(1,146,732)	134,422	(134,422)	-
Streets SDC reimbursement	14,400	14,400	(14,400)	-	-	-
Water SDC	250,150	250,150	(243,487)	6,663	(6,663)	-
Water SDC reimbursement	24,170	24,170	(24,170)	-	-	-
Capital outlay	-	-	-	-	656,251	656,251
Total expenditures (1)	5,346,148	5,176,148	(4,398,712)	777,436	(44,640)	732,796

(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, 2016

(Continued)

	Final Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(5,096,928)	(4,926,928)	6,282,432	1,355,504	44,640	1,400,144
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	544,564	544,564	(29,564)	515,000	-	515,000
Transfers out	-	-	-	-	(44,640)	(44,640)
Total other financing sources (uses)	544,564	544,564	(29,564)	515,000	(44,640)	470,360
Net change in fund balance	(4,552,364)	(4,382,364)	6,252,868	1,870,504	-	1,870,504
Fund balance - beginning	4,552,364	4,382,364	1,628,223	6,010,587	-	6,010,587
Fund balance - ending	\$ -	\$ -	\$ 7,881,091	\$ 7,881,091	\$ -	\$ 7,881,091

**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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
<b>REVENUES</b>					
Charges for services, net	\$ 9,909,000	\$ 486,986	\$ 10,395,986	\$ -	\$ 10,395,986
Taxes and assessments	-	351	351	(351)	-
Miscellaneous	106,900	42,378	149,278	351	149,629
Total revenues	10,015,900	529,715	10,545,615	-	10,545,615
<b>EXPENSES</b>					
Current					
Water	6,860,168	(1,825,017)	5,035,151	(1,449,775)	3,585,376
Storm drainage	777,900	(466,343)	311,557	(263,529)	48,028
Wastewater	5,850,097	(1,344,209)	4,505,888	(1,463,778)	3,042,110
Wastewater bond debt service	1,087,698	(256,071)	831,627	(831,627)	-
Depreciation	-	-	-	1,201,594	1,201,594
Capital outlay	-	-	-	50,589	50,589
Debt service	-	-	-	1,411,678	1,411,678
Total expenses	14,575,863	(3,891,640)	10,684,223	(1,344,848)	9,339,375
Excess (deficiency) of revenues over (under) expenses	(4,559,963)	4,421,355	(138,608)	1,344,848	1,206,240
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	145,064	(77,388)	67,676	5,143,410	5,211,086
Transfers out	-	-	-	(3,227,155)	(3,227,155)
Total other financing sources (uses)	145,064	(77,388)	67,676	1,916,255	1,983,931
Change in net position	(4,414,899)	4,343,967	(70,932)	3,261,103	3,190,171
Net position - beginning	4,414,899	1,369,082	5,783,981	35,130,535	40,914,516
Net position - ending	\$ -	\$ 5,713,049	\$ 5,713,049	\$ 38,391,638	\$ 44,104,687

**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, 2016

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
<b>REVENUES</b>				
Fines and forfeits	\$ 147,092	\$ (31,841)	\$ 115,251	\$ 115,251
<b>EXPENDITURES</b>				
Bail and trust	147,092	(30,128)	116,964	116,964
Excess (deficiency) of revenues over (under) expenditures	-	(1,713)	(1,713)	(1,713)
Fund balance - beginning	-	(225)	(225)	(225)
Fund deficit - ending	<u>\$ -</u>	<u>\$ (1,938)</u>	<u>\$ (1,938)</u>	<u>\$ (1,938)</u>

## **OTHER FINANCIAL SCHEDULES**



**CITY OF LEBANON**  
**Linn County, Oregon**

**SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT**  
**GOVERNMENTAL ACTIVITIES**

For the Year Ended June 30, 2016

Fiscal Year Ending June 30	2010 Northwest Urban Renewal Refunding Bonds			2002 Pension Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
	2017	\$ 345,000	\$ 48,590	\$ 393,590	\$ 33,687	\$ 163,583
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>\$ 1,450,000</u>	<u>\$ 123,916</u>	<u>\$ 1,573,916</u>	<u>\$ 1,546,441</u>	<u>\$ 1,138,852</u>	<u>\$ 2,685,293</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
	2017	\$ 126,331	\$ 118,720	\$ 245,051	\$ 78,597	\$ 61,211
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	234,824	10,274	245,098	-	-	-
	<u>\$ 2,772,605</u>	<u>\$ 1,130,323</u>	<u>\$ 3,902,928</u>	<u>\$ 1,317,111</u>	<u>\$ 482,775</u>	<u>\$ 1,799,886</u>

**CITY OF LEBANON**  
**Linn County, Oregon**

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT  
GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2016

Fiscal Year Ending June 30	Northwest Urban Renewal District 2013 Full Faith & Credit Bonds		
	Principal	Interest	Total
2017	\$ 870,000	\$ 495,800	\$ 1,365,800
2018	900,000	469,700	1,369,700
2019	950,000	433,700	1,383,700
2020	990,000	395,700	1,385,700
2021	1,155,000	356,100	1,511,100
2022	1,210,000	309,900	1,519,900
2023	1,010,000	273,600	1,283,600
2024	1,050,000	243,300	1,293,300
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	<u>1,275,000</u>	<u>51,000</u>	<u>1,326,000</u>
	<u>\$ 12,905,000</u>	<u>\$ 3,465,800</u>	<u>\$ 16,370,800</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, 2016

Fiscal Year Ending June 30	2010 Wastewater Refunding Bonds			2009 Wastewater DEQ Loan		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 415,000	\$ 195,450	\$ 610,450	\$ 42,042	\$ 18,874	\$ 60,916
2018	435,000	178,850	613,850	43,283	17,633	60,916
2019	445,000	161,450	606,450	44,560	16,356	60,916
2020	460,000	143,650	603,650	45,875	15,041	60,916
2021	235,000	125,250	360,250	47,229	13,687	60,916
2022	245,000	115,262	360,262	48,623	12,293	60,916
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>\$ 4,925,000</u>	<u>\$ 1,458,026</u>	<u>\$ 6,383,026</u>	<u>\$ 654,612</u>	<u>\$ 137,291</u>	<u>\$ 791,903</u>

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



**Accuity, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

City Council  
City of Lebanon  
Lebanon, Oregon 97355

We have audited the basic financial statements of the City of Lebanon as of and for the year ended June 30, 2016, and have issued our report thereon dated February 22, 2017. 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>
North Gateway URD	Urban Renewal	\$ 527,300	\$ 1,329,258	\$ 801,958

**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 February 22, 2017.

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

February 22, 2017