



LEBANON, OREGON

Annual Financial Report

June 30, 2017

STEVE TUCHSCHERER
Certified Public Accountant
A Professional Corporation

CITY OF LEBANON

925 Main Street
Lebanon, Oregon 97355
(541) 258-4214

CITY OFFICIALS

- PAUL AZIZ Mayor
312 E. Sherman Street, Lebanon, OR 97355
- BOB ELLIOT. Council President
795 Binshadler Street, Lebanon, OR 97355
- WAYNE RIESKAMP Council Member
87 W. Cedar Drive, Lebanon, OR 97355
- FLOYD FISHER Council Member
170 S. 2nd Street, Lebanon, OR 97355
- JASON BOLEN. Council Member
3426 Duck Place, Lebanon, OR 97355
- REBECCA GRIZZLE Council Member
333 E. Ash Street, Lebanon, OR 97355
- ROBERT FURLOW. Council Member
125 Wassom Street, Lebanon, OR 97355

CITY ADMINISTRATION

- GARY MARKS City Manager
925 Main Street, Lebanon, OR 97355
- DEAN BAUGH. Ex-Finance Director
925 Main Street, Lebanon, OR 97355
- TINA HUFF Assistant Financial Director
925 Main Street, Lebanon, OR 97355

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Lebanon
925 Main Street
Lebanon, OR 97355

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon as of and for the year ended June 30, 2017, 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 standards 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 fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lebanon as of June 30, 2017, 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.

Emphasis of Matters

As described in Note 13, the City restated the beginning Net Position as of July 1, 2016, for System Development Charges collected, and accumulated, in the aggregate amount of \$2,165,623 originally recorded and accounted for in City Governmental Activities rather than properly within Business-type Activities.

Also described in Note 13 is a reduction to Net Position as of July 1, 2016 for a reduction in Court Fines and Charges collected and accumulated as Receivables - Net in the amount of \$1,350,927 for City Governmental Activities.

Also described in Note 13, the City restated the beginning Net Position as of July 1, 2016, for Long-Term Debt in the amount of \$4,480,000 originally recorded and accounted for in City Governmental Activities rather than properly within Business-type Activities.

The prior period adjustments correctly increase beginning current fiscal year Net Position by \$963,450 creating a Net Position of \$3,020,154 in the Governmental Activities, and decrease July 1, 2016 beginning Business-type Activities Net Position by \$2,314,377 to an amount of \$41,790,309.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-14, the schedules of revenues, expenditures and changes in fund balances – budget and actuals on pages 57-61, and pension schedules on pages 62-63 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.

I have applied certain limited procedures to the management's discussion and analysis and pension schedules in accordance with the auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals described above on pages 57-61 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedules of revenues, expenditures and changes in fund balances – budget and actuals have 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 basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedules of revenues, expenditures and changes in fund balances – budget and actuals are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

My 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 other supplementary information on pages 64-77 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Lebanon. The schedule of expenditures of federal awards on page 82 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

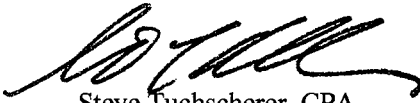
The other supplementary information on pages 64-77 and the schedule of expenditures of federal awards on page 82 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 my opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued our report dated February 1, 2018, on our consideration of the City of Lebanon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lebanon's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated February 1, 2018, on our consideration of the City of Lebanon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as 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 the City's compliance.



Steve Fuchscherer, CPA
February 1, 2018

MANAGEMENT'S
DISCUSSION
AND ANALYSIS

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

The management discussion and analysis of the City of Lebanon, Oregon (the City) financial performance provides an overview of the City's financial activities for the fiscal year that ended June 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2017 are as follows:

- Prior period adjustments are reported as restatement of beginning net position to correct amounts identified in Note 13 on page 57.
- The City's net position increased by \$6,531,917 which represents a 14 percent increase from the previous year, which includes a prior period adjustment of \$(1,350,927).
- Total revenue for the City was \$28,426,968. That is a 2.5 percent increase from the previous year. General revenues accounted for \$13,667,812 of revenue, or 48.1 percent of all revenues. Program specific revenues in the form of charges for services accounted for \$14,369,549 or 50.6 percent of total revenues. Operating grants received a total \$328,038 or 1.2 percent of total revenues. Capital grants received this year were \$61,569 or 0.2 percent of total revenues.
- The City had \$20,544,123 in program expenses. Of the program expenses, \$2,437,650 was for providing water service, \$3,184,497 was for providing wastewater service, and \$124,393 was for providing storm drain service.
- The City's long-term liabilities increased \$9,696,098, a 20.8 percent increase from the previous year due to additions for project loans and increase in net pension liability.
- Among the governmental funds, the General Fund had \$7,761,476 in revenues, which primarily consisted of property taxes and franchise taxes. The Special Revenue Fund had \$2,214,151 in revenues, which primarily consisted of intergovernmental revenues. The Northwest Lebanon Urban Renewal District had \$2,558,899 in revenues, which primarily consisted of property taxes. The Cheadle Lake Urban Renewal District had \$390,756 in revenues, which primarily consisted of property taxes. The North Gateway Urban Renewal District had \$797,821 in revenues, which primarily consisted of property taxes. The Debt Service Fund had \$1,331,859 in revenues, which primarily consisted of property taxes. The Capital Projects Fund had \$1,346,214 in revenues, which primarily consisted of fees and charges.
- Among proprietary funds, the Water Fund had \$5,356,789 in operating revenues, which primarily consisted of user fees. The Wastewater Fund had \$5,959,957 in operating revenues, which primarily consisted of user fees. The Storm Drain Fund had \$477,268 in operating revenues, which primarily consisted of user fees.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes additional supplementary information to supplement the basic financial statements.

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Government-wide Financial Statements

The first of the government-wide statements is the *Statement of Net Position*. This is the City-wide statement of position presenting information that includes all of the City's assets and liabilities. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as the condition of buildings, and water and wastewater systems facilities.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the *Statement of Activities* is to show the financial reliance of the City's distinct activities or functions of the City that are principally supported by user fee revenues, intergovernmental revenues from grants, and property tax revenues. The governmental activities of the City include general government activities, public safety, public works, culture and recreation and community planning and development. The proprietary activities of the City include water, wastewater, and storm drain services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, Fund Financial Statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining and individual fund statements in a later section of this report. The City reports two types of funds:

Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. Unlike the government-wide financial statements, these statements report short-term fiscal accountability focusing on use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison schedules are included in the basic financial statements for the General Fund, Special Revenue, Debt Service, Capital Projects, Northwest Urban Renewal District, Cheadle Lake Urban Renewal District, and North Gateway Urban Renewal District. Budgetary comparison schedules for the other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are used to report the functions presented as business-type activities in the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund - enterprise funds. The City uses enterprise funds to account for water, wastewater, and storm drain operations. The proprietary fund financial statements provide separate information for the Water Fund, Wastewater Fund, and Storm Drain Fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Notes to the Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information budgetary comparison statements for the General Fund, the Special Revenue Fund, the Northwest Urban Renewal District, the Cheadle Lake Urban Renewal District, and the North Gateway Urban Renewal District. The required supplementary information immediately follows the notes to the financial statements.

Other supplementary information includes individual fund statements and schedules, and other schedules. These statements and schedules immediately follow the required supplementary information in this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The City's net position at fiscal year-end is \$52,693,308 this is an increase of \$6,531,918 or 14%.

A significant portion of the City's net position (72.3 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, improvements other than buildings, vehicles, and machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its 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.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

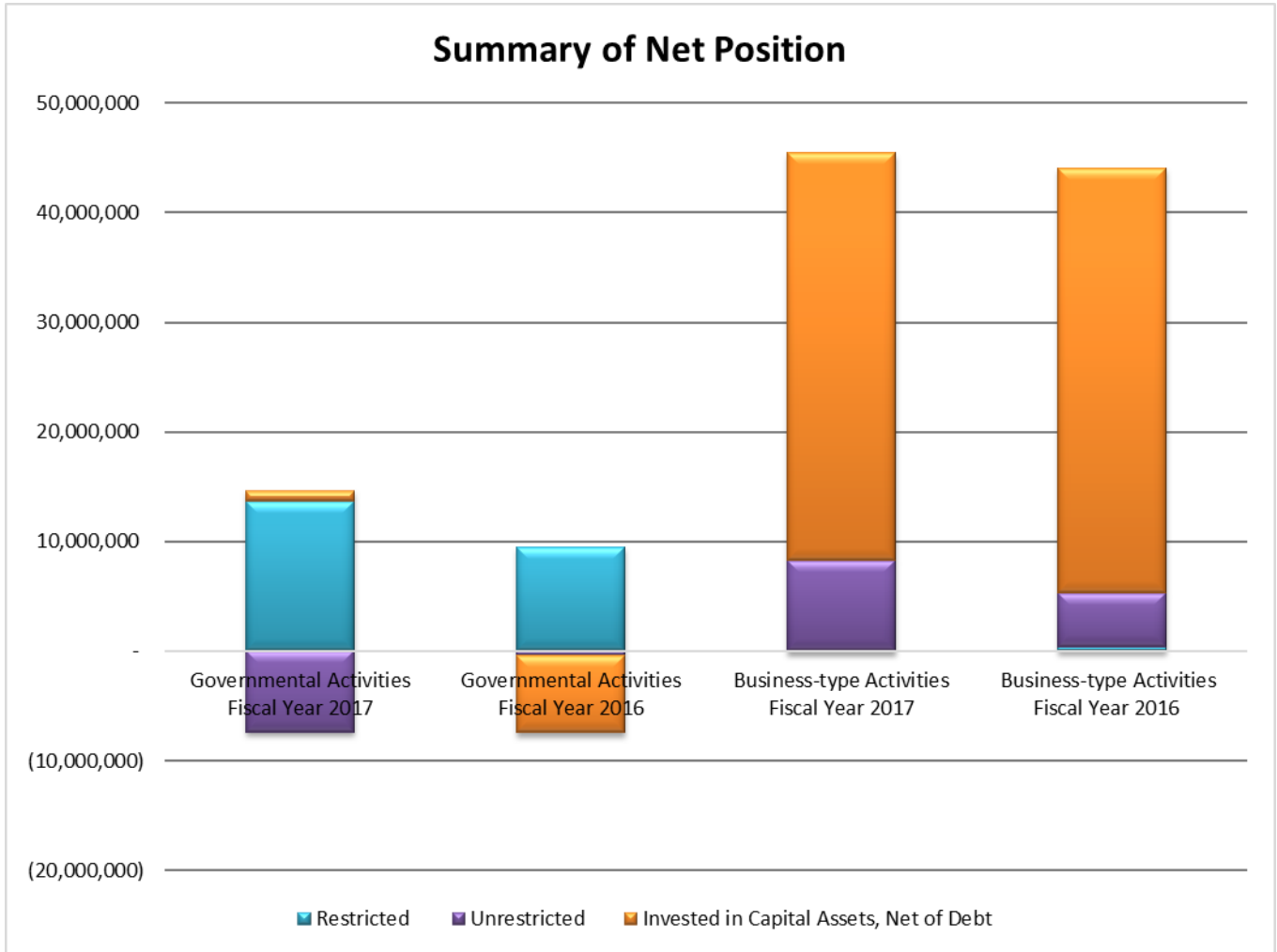
CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

The following table provides a summary of the City's net position for the current and prior year.

	<u>Summary of Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and Other Assets	\$ 16,484,882	\$ 11,282,251	\$ 9,064,386	\$ 8,429,964	\$ 25,549,268	\$ 19,712,215
Capital Assets	33,668,440	32,559,678	49,881,177	44,568,949	83,549,617	77,128,627
Total Assets	<u>50,153,322</u>	<u>43,841,929</u>	<u>58,945,563</u>	<u>52,998,913</u>	<u>109,098,885</u>	<u>96,840,842</u>
Deferred Outflow of Resources	<u>4,776,426</u>	<u>811,628</u>	<u>280,906</u>	<u>59,218</u>	<u>5,057,332</u>	<u>870,846</u>
Liabilities						
Current Liabilities	2,850,707	4,071,491	1,579,626	1,083,417	4,430,333	5,154,908
Long-Term Liabilities	44,193,831	36,543,698	12,156,079	10,110,114	56,349,910	46,653,812
Total Liabilities	<u>47,044,538</u>	<u>40,615,189</u>	<u>13,735,705</u>	<u>11,193,531</u>	<u>60,780,243</u>	<u>51,808,720</u>
Deferred Inflow of Resources	<u>644,748</u>	<u>1,018,214</u>	<u>37,918</u>	<u>74,290</u>	<u>682,666</u>	<u>1,092,504</u>
Net Position						
Net Investment in Capital Assets	952,577	(2,551,961)	37,208,184	34,315,146	38,160,761	31,763,185
Restricted	13,693,586	7,317,116	-	2,537,634	13,693,586	9,854,750
Unrestricted	(7,405,701)	(1,745,001)	8,244,662	4,937,529	838,961	3,192,528
Total Net Position - Restated for Prior Year	<u>\$ 7,240,462</u>	<u>\$ 3,020,154</u>	<u>\$ 45,452,846</u>	<u>\$ 41,790,309</u>	<u>\$ 52,693,308</u>	<u>\$ 44,810,463</u>

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

See the chart below to gain an understanding of the City's actual financial position and how each component relates to the activities performed.



CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Changes in net position - The City's total revenues for the fiscal year ended June 30, 2017 were \$28,426,968. The total cost of all programs and services was \$20,544,123. The following table shows a comparative analysis of government-wide revenues, expenses and changes in net position.

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Revenues						
Program Revenues						
Charges for Services	\$ 2,575,535	\$ 1,138,739	\$ 11,794,014	\$ 10,395,986	\$14,369,549	\$ 11,534,725
Operating Grants and Contributions	328,038	463,968	-	-	328,038	463,968
Capital Grants and Contributions	61,569	261,499	-	-	61,569	261,499
Total Program Revenues	2,965,142	1,864,206	11,794,014	10,395,986	14,759,156	12,260,192
General Revenues						
Local Sources						
Property Taxes, Franchise Fees, & Public Service Taxes	13,040,546	12,748,234	-	-	13,040,546	12,748,234
Interest & Investment Earnings	180,379	219,077	121,240	42,393	301,619	261,470
Capital Contributions	-	19,267	-	-	-	19,267
Other Revenues	325,647	2,337,376	-	107,236	325,647	2,444,612
Total General Revenues	13,546,572	15,323,954	121,240	149,629	13,667,812	15,473,583
Total Revenues	16,511,714	17,188,160	11,915,254	10,545,615	28,426,968	27,733,775
Program Expenses						
General Government	4,421,484	8,725,784	-	-	4,421,484	8,725,784
Public Safety	5,129,853	4,633,244	-	-	5,129,853	4,633,244
Public Works	703,860	763,014	-	-	703,860	763,014
Culture and Recreation	1,634,994	2,087,770	-	-	1,634,994	2,087,770
Community Planning & Development	1,584,953	1,532,196	-	-	1,584,953	1,532,196
Interest on Long-Term Debt	1,322,439	2,810,526	-	-	1,322,439	2,810,526
Utility Services						
Water Utilities	-	-	2,437,650	3,899,986	2,437,650	3,899,986
Wastewater Utilities	-	-	3,184,497	5,368,069	3,184,497	5,368,069
Storm Drainage	-	-	124,393	71,320	124,393	71,320
Total Program Expenses	14,797,583	20,552,534	5,746,540	9,339,375	20,544,123	29,891,909
Transfers	2,506,177	(1,983,931)	(2,506,177)	1,983,931	-	-
Prior Period Adjustment	963,450	-	(2,314,377)	-	(1,350,927)	-
Change in Net Position	<u>\$ 5,183,758</u>	<u>\$(5,348,305)</u>	<u>\$ 1,348,160</u>	<u>\$ 3,190,171</u>	<u>\$ 6,531,918</u>	<u>\$(2,158,134)</u>

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activity, the total cost of the six major functional activities of the City. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

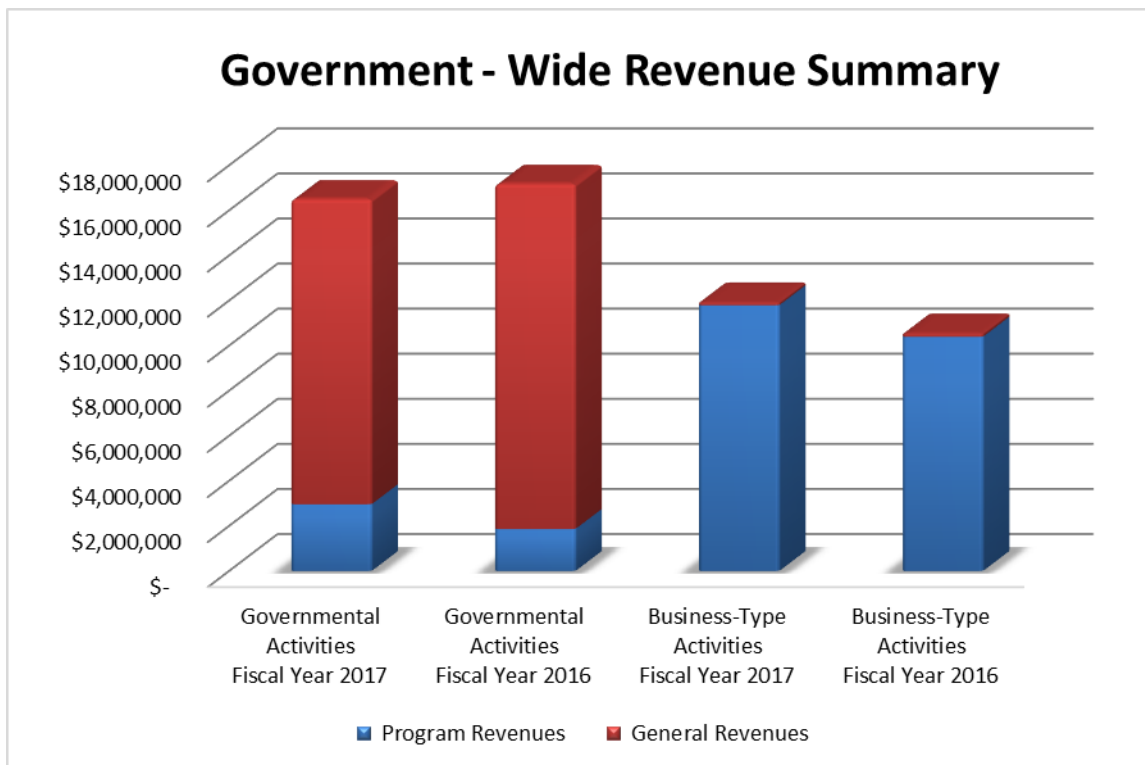
CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Governmental Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>
General Government	\$ 4,421,484	\$ 8,725,784	\$ (3,935,586)	\$ (7,934,734)
Public Safety	5,129,853	4,633,244	(4,641,943)	(4,103,166)
Public Works	703,860	763,014	(366,922)	(500,951)
Culture and Recreation	1,634,994	2,087,770	(1,234,869)	(1,806,755)
Community Planning & Development	1,584,953	1,532,196	(330,681)	(1,532,196)
Interest Expense	1,322,439	2,810,526	(1,322,439)	(2,810,526)
Total Program Expenses	<u>\$14,797,583</u>	<u>\$20,552,534</u>	<u>\$(11,832,441)</u>	<u>\$(18,688,328)</u>

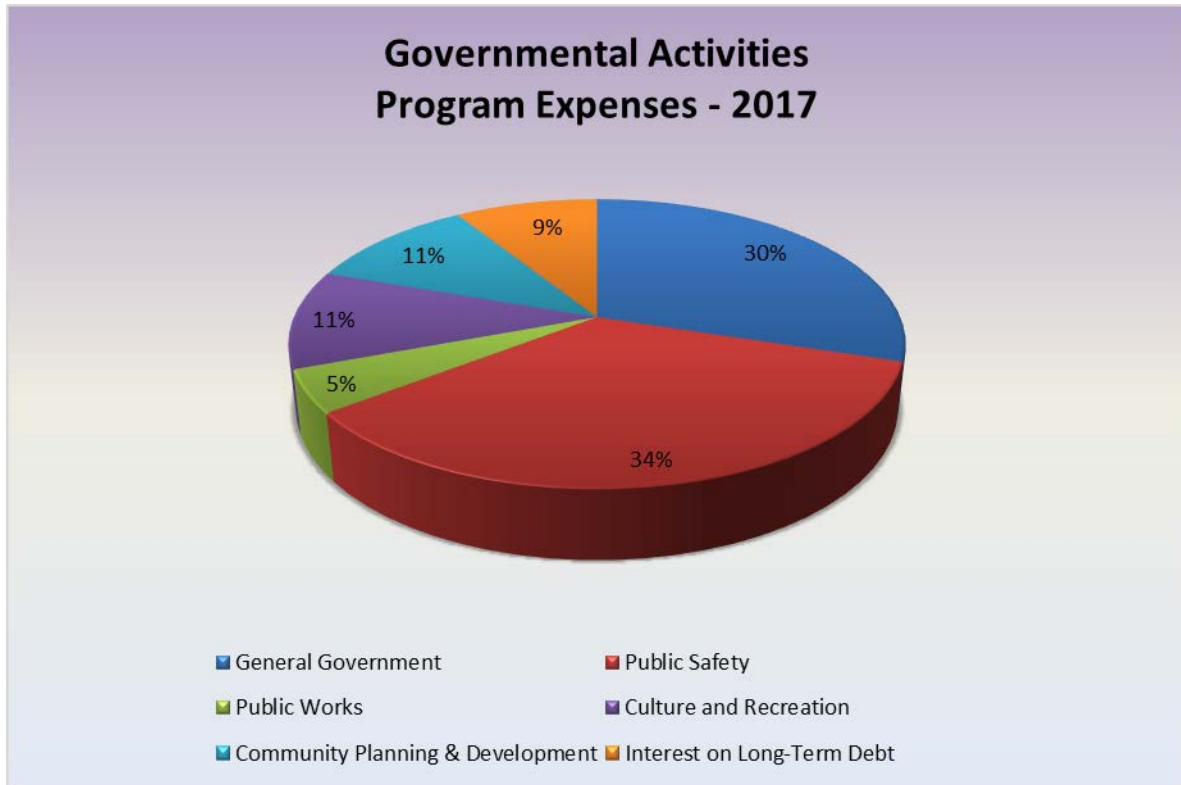
The dependence on general revenues for general government activities is apparent. For 2016-17, 80 percent of general government activities are supported through general revenues

The following chart analyzes the revenue between governmental activities and business-type activities from prior to current year.



CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

This graph represents the cost of the City's Program expenses by governmental activities.



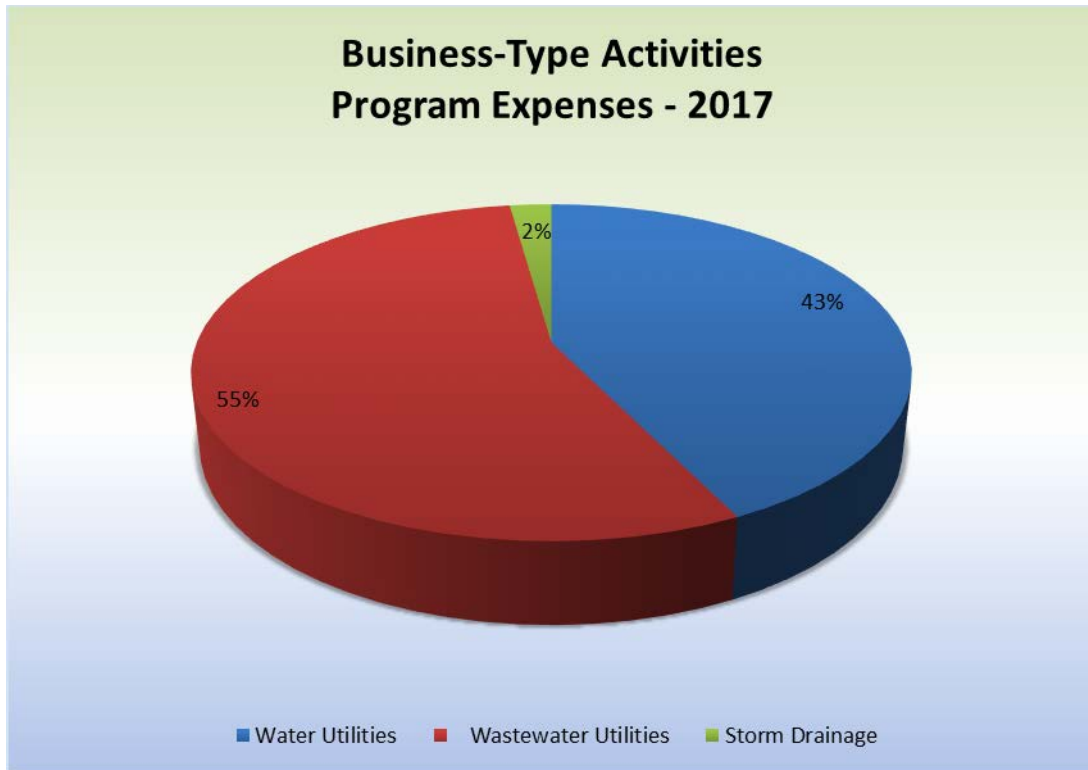
Business-Type Activities

	<u>Total Cost of Services</u>		<u>Net (Cost) Profit of Services</u>	
	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>
Utility Services	<u>\$ 5,746,540</u>	<u>\$ 9,339,375</u>	<u>\$ 6,047,474</u>	<u>\$ 1,056,611</u>
Total Program Expenses	<u>\$ 5,746,540</u>	<u>\$ 9,339,375</u>	<u>\$ 6,047,474</u>	<u>\$ 1,056,611</u>

Business type activities increased the City's net position by approximately \$1,348,160. Of the business-type activities, utility service funds accounted for approximately 41% of revenues.

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

This graph represents the cost of the City's Program expenses by business-type activities



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

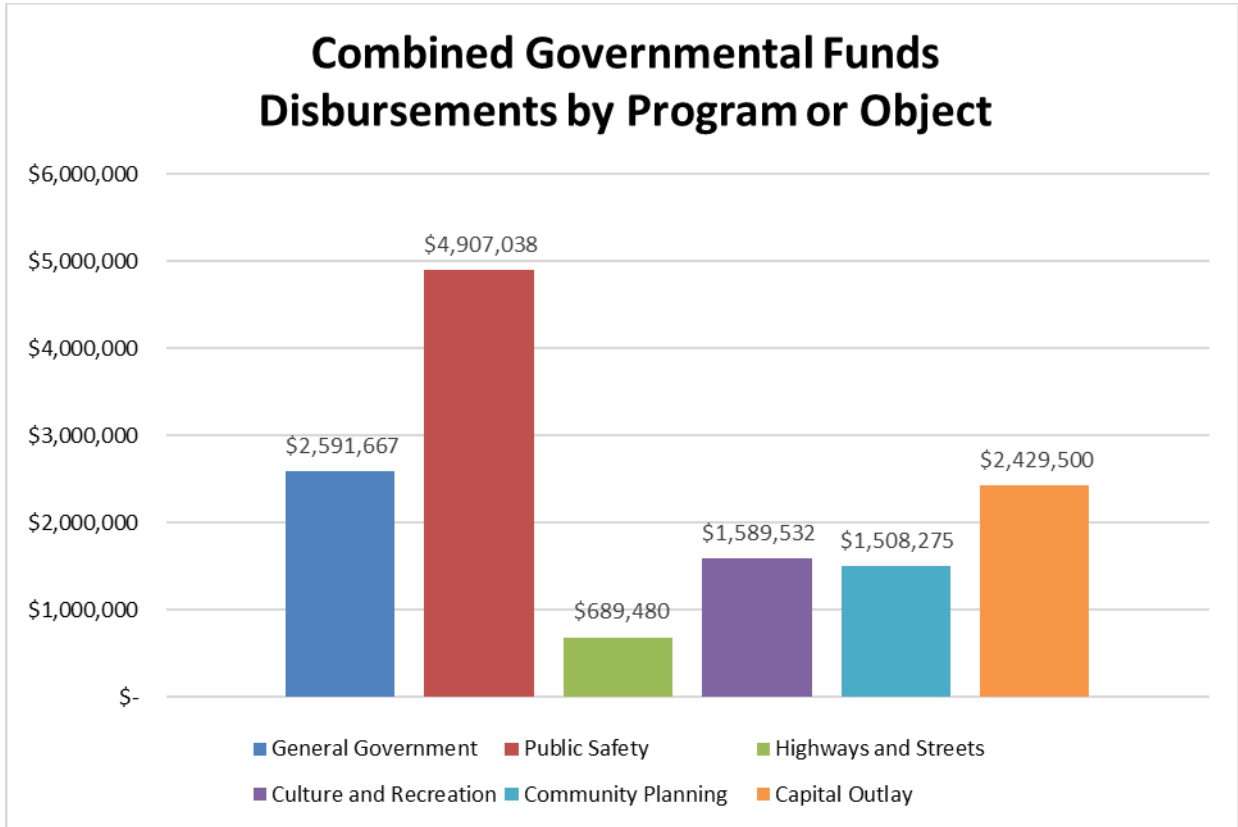
Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$14,792,656, an increase of \$5,975,088. The fund balance constitutes restricted and unassigned amounts. Of the current fund balances, \$214,097 is restricted for debt service, \$1,738,333 is restricted for grants projects, \$6,346,433 is restricted for capital projects, \$5,394,723 is restricted for urban renewal projects, and \$1,099,070 is unassigned and available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,543,734, an increase of \$343,418.

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Following is a comparison of current expenditures by program of the governmental funds.

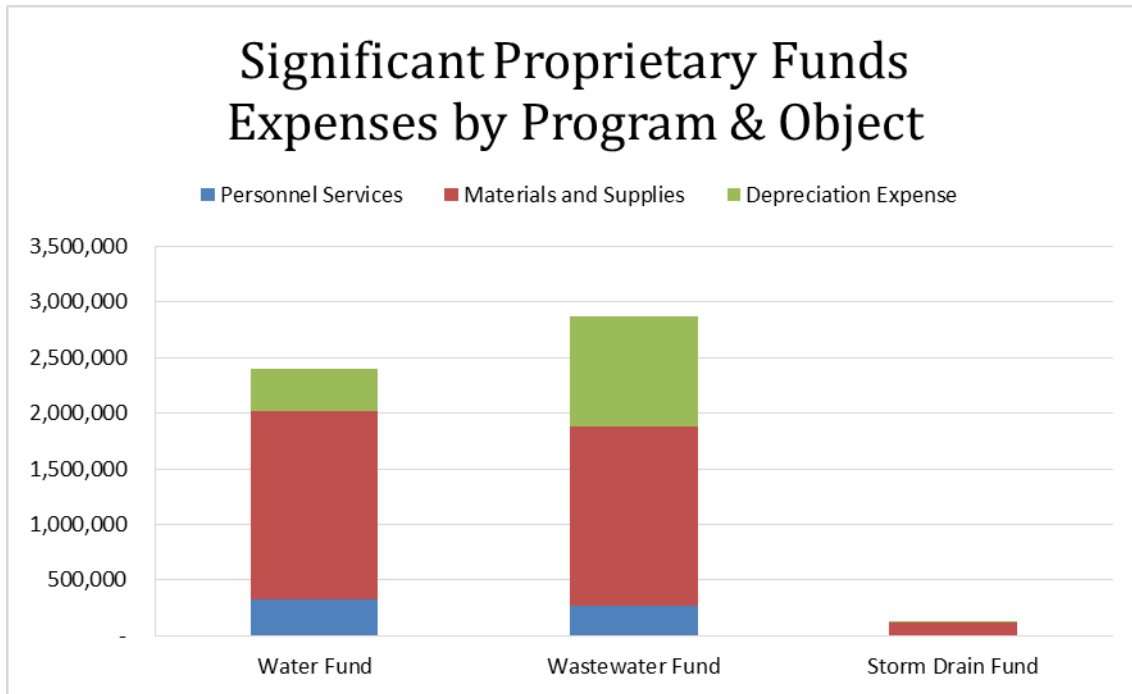


Proprietary Funds

The City's enterprise funds reported unrestricted net position of \$8,244,662, an increase of \$3,307,133. The enterprise funds also report \$37,208,184 in net investment in capital assets.

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

Following is a comparison of current expenses by program of the proprietary funds.



Budgetary Highlights

General Fund resources were budgeted and anticipated to be collected in the amount of \$7,491,195 during the fiscal year. Actual resources of \$7,761,474 were available, \$270,279 more than budgeted. General Fund expenditures budget was under-spent by \$1,721,082. The ending fund balance was greater than what was budgeted by \$2,543,734 and greater than the prior year by \$343,418.

The Water & Wastewater Fund balance increased during the fiscal year while the Storm Drain Fund balance decreased. Both the Water Fund and Storm Drain fund remained within the expenditure budgets in all appropriation areas, while the Wastewater Fund was over-expended due to interfund transfers out of the fund. The Water Fund's actual resources were less than budgeted by \$9,780,207 largely due to less grants and contributions received than anticipated. The Wastewater Fund's actual resources were more than budgeted by \$605,896. The Storm Drain Fund's actual resources were more than budgeted by \$41,022.

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the City had invested, before net reduction for accumulated depreciation, \$164,480,309 in capital assets, including buildings, land, vehicles, water, wastewater, and storm drain utility systems, construction in progress and other equipment. This amount represents an increase of \$9,267,293 from the prior year due to net additions in the governmental funds of \$2,578,094 and in the enterprise funds of \$6,689,199.

Total depreciation expense for the year was \$2,846,302; of which \$1,469,332 is associated with general government activities, \$382,620 from water utilities, \$988,792 from wastewater utilities, and \$5,558 from storm drain utilities. Additional information on the City's capital assets can be found in Note 3 of the Notes to the Basic Financial Statements section of this report.

Long-Term Debt

At June 30, 2017 the City had total long-term debt outstanding of \$48,716,808. This amount is comprised of debt backed by general obligation bonds, revenue bonds, notes and loans payable, and related premiums. Existing debt was reduced by \$3,218,707. Interest paid on the debt amounted to \$1,779,577. The City also added \$8,449,157 to long term debt for the 2016-17 fiscal year. Additional information on the City's long-term debt can be found in Note 4 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- The overall City budget is 10.12% larger than FY 2016/17. The increase is due to several items, PERS increases from 14.57% to 19.24% and 2 large CIP projects, construction of the new water treatment plant (part of the water plant expense was shown in the FY2016/17 budget) and Airport Rd/Russell Drive and Porter Park.
- The General Fund is up \$1,050,209, or 8.72 percent.
- Estimated property tax revenue is forecasted to be greater than the prior year.

With the exceptions noted above, operating costs of both governmental activities and business-type activities are expected to be similar to those of the 2016-17 period.

CITY OF LEBANON
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2017
Unaudited

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives.

If you have any questions about this report or need additional information, contact the City of Lebanon City Hall at 925 S. Main Street, Lebanon, Oregon 97355.

BASIC FINANCIAL
STATEMENTS

Government -Wide
Financial Statements

CITY OF LEBANON
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Investments	\$ 14,916,713	\$ 6,650,415	\$ 21,567,128
Accounts Receivable	417,344	1,295,112	1,712,456
Court Fines Receivable, Net	278,389	-	278,389
Property Taxes Receivable	986,349	-	986,349
Special Assessments Receivable	341,338	485,393	826,731
Prepaid Expenses & Other Assets	-	2,292	2,292
(Due To) / Due From Other Funds	(631,174)	631,174	-
Total Current Assets	<u>16,308,959</u>	<u>9,064,386</u>	<u>25,373,345</u>
Restricted Assets:			
Restricted Cash - Debt Service	175,923	-	175,923
Receivables, Net - Less Current Portion			
Capital Assets Not Being Depreciated	3,498,229	11,105,156	14,603,385
Capital Assets, net of Accumulated Depreciation	<u>30,170,211</u>	<u>38,776,021</u>	<u>68,946,232</u>
Total Assets	<u>50,153,322</u>	<u>58,945,563</u>	<u>109,098,885</u>
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Pension Related Deferrals	4,776,426	280,906	5,057,332
Total Deferred Outflow of Resources	<u>4,776,426</u>	<u>280,906</u>	<u>5,057,332</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	-	531	531
Payroll Liabilities	141,535	10,327	151,862
Interest Payable	238,561	69,945	308,506
Deposit Payable	611	220,815	221,426
Compensated Absences, Current Portion	102,681	4,725	107,406
Current Portion of Long-Term Liabilities	2,367,319	1,273,283	3,640,602
Total Current Liabilities	<u>2,850,707</u>	<u>1,579,626</u>	<u>4,430,333</u>
Long-Term Liabilities:			
Noncurrent Portion of Long-Term Liabilities:			
Bond Premium, Net	1,534,498	207,584	1,742,082
Compensated Absences, Less Current Portion	563,530	53,638	617,168
Long-Term Liabilities, Less Current Portion	33,676,496	11,399,710	45,076,206
Net Pension Liability	8,419,307	495,147	8,914,454
Total Long-Term Liabilities	<u>44,193,831</u>	<u>12,156,079</u>	<u>56,349,910</u>
Total Liabilities	<u>47,044,538</u>	<u>13,735,705</u>	<u>60,780,243</u>
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred Earnings on Pension Assets	644,748	37,918	682,666
Total Deferred Inflow of Resources	<u>644,748</u>	<u>37,918</u>	<u>682,666</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets	952,577	37,208,184	38,160,761
Restricted for:			
Debt Service	214,097	-	214,097
Grant Projects	1,738,333	-	1,738,333
Capital Projects	6,346,433	-	6,346,433
Urban Renewal Projects	5,394,723	-	5,394,723
Unrestricted	(7,405,701)	8,244,662	838,961
Total Net Position	<u>\$ 7,240,462</u>	<u>\$ 45,452,846</u>	<u>\$ 52,693,308</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF LEBANON

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

	<u>(Expenses)</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>GOVERNMENTAL ACTIVITIES:</u>					
General Government	\$ 4,421,484	\$ 485,898	\$ -	\$ -	\$ (3,935,586)
Public Safety	5,129,853	487,910	-	-	(4,641,943)
Public Works	703,860	8,900	328,038	-	(366,922)
Culture and Recreation	1,634,994	400,125	-	-	(1,234,869)
Community Planning & Development	1,584,953	1,192,703	-	61,569	(330,681)
Interest Expense and Loan Fees	1,322,439	-	-	-	(1,322,439)
Total Governmental Activities	14,797,583	2,575,535	328,038	61,569	(11,832,441)
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Water Utilities	2,437,650	5,356,789	-	-	2,919,139
Sewer Utilities	3,184,497	5,959,957	-	-	2,775,460
Storm Drain Utilities	124,393	477,268	-	-	352,875
Total Business-type Activities	5,746,540	11,794,014	-	-	6,047,474
Total Primary Government	\$ 20,544,123	\$ 14,369,549	\$ 328,038	\$ 61,569	\$ (5,784,967)
			<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>CHANGES IN NET POSITION:</u>					
Net (expense) revenue			\$ (11,832,441)	\$ 6,047,474	\$ (5,784,967)
General Revenues:					
Property Taxes			9,442,015	-	9,442,015
Intergovernmental Tax Turnovers			1,421,730	-	1,421,730
Franchise Taxes			2,176,801	-	2,176,801
Interest and Investment Earnings			180,379	121,240	301,619
Other Revenue			325,647	-	325,647
Subtotal - General Revenues			13,546,572	121,240	13,667,812
Interfund Transfers			2,506,177	(2,506,177)	-
Total general revenues, special items, and transfers			16,052,749	(2,384,937)	13,667,812
Change in Net Position			4,220,308	3,662,537	7,882,845
Beginning Net Position - As Previously Reported			2,056,704	44,104,686	46,161,390
Restatement for (Decreases)/Increases for:					
System Development Charges			(2,165,623)	2,165,623	-
Court Receivable - Net			(1,350,927)	-	(1,350,927)
Allocation of Long Term Debt			4,480,000	(4,480,000)	-
Beginning Net Position (Deficit) - As Restated			3,020,154	41,790,309	44,810,463
Ending Net Position			\$ 7,240,462	\$45,452,846	\$ 52,693,308

The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Governmental Fund
Financial Statements

CITY OF LEBANON

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2017

	<u>Component Units</u>							Total Governmental Funds
	Northwest							
	General Fund	Special Revenue Fund	Lebanon Urban Renewal District	Cheadle Lake Urban Renewal District	North Gateway Urban Renewal District	Debt Service Fund	Capital Projects Fund	
ASSETS:								
Cash and Investments	\$ 2,438,394	\$ 1,544,298	\$ 1,674,075	\$ 3,525,009	\$ 653,756	\$ 204,955	\$ 4,876,226	\$ 14,916,713
Restricted Cash - Debt Service	-	-	-	175,923	-	-	-	175,923
Accounts Receivable	219,817	197,527	-	-	-	-	-	417,344
Court Fines Receivable, Net	278,389	-	-	-	-	-	-	278,389
Property Taxes Receivable	472,906	-	257,148	35,834	55,713	164,748	-	986,349
Special Assessments Receivable	-	-	1,044	-	-	-	340,294	341,338
Due From Other Funds	-	-	-	-	-	-	1,470,818	1,470,818
Total Assets	\$ 3,409,506	\$ 1,741,825	\$ 1,932,267	\$ 3,736,766	\$ 709,469	\$ 369,703	\$ 6,687,338	\$ 18,586,874
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:								
LIABILITIES:								
Payroll Liabilities	\$ 141,535	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,535
Deposit Payable	-	-	-	-	-	-	611	611
Due To Other Funds	-	-	-	-	2,101,992	-	-	2,101,992
Total Liabilities	141,535	-	-	-	2,101,992	-	611	2,244,138
DEFERRED INFLOWS OF RESOURCES:								
Unavailable Revenue - Property Taxes	445,848	-	240,728	33,582	52,141	155,606	-	927,905
Unavailable Revenue - Court Fines	278,389	-	-	-	-	-	-	278,389
Unavailable Revenue - Bike Path	-	3,492	-	-	-	-	-	3,492
Unavailable Revenue - Special Assessments	-	-	-	-	-	-	340,294	340,294
Total Deferred Inflows of Resources	724,237	3,492	240,728	33,582	52,141	155,606	340,294	1,550,080
FUND BALANCES:								
Restricted for:								
Debt Service	-	-	-	-	-	214,097	-	214,097
Grant Projects	-	1,738,333	-	-	-	-	-	1,738,333
Capital Projects	-	-	-	-	-	-	6,346,433	6,346,433
Urban Renewal Projects	-	-	1,691,539	3,703,184	-	-	-	5,394,723
Unassigned	2,543,734	-	-	-	(1,444,664)	-	-	1,099,070
Total Fund Balances	2,543,734	1,738,333	1,691,539	3,703,184	(1,444,664)	214,097	6,346,433	14,792,656
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 3,409,506	\$ 1,741,825	\$ 1,932,267	\$ 3,736,766	\$ 709,469	\$ 369,703	\$ 6,687,338	\$ 18,586,874

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF LEBANON

RECONCILIATION OF THE BALANCE SHEET -- GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2017

Total Fund Balances - Governmental Funds \$14,792,656

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

The cost of the assets is -	\$ 94,244,980	
The accumulated depreciation is -	<u>(60,576,540)</u>	
Net Value of Assets		33,668,440

Certain receivables that will not be available to pay for current-period expenditures are deferred in the governmental funds:

Property Taxes	927,905	
Court Fines	278,389	
Bike Path	3,492	
Special Assessments	<u>340,294</u>	
		1,550,080

Deferred inflows and outflows of pension contributions and earnings are not reported in the governmental funds

Pension Related Deferrals		4,131,678
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Interest Payable is not recorded in the governmental funds: (238,561)

Accrued Compensated Absences are not recorded in the governmental funds: (102,681)

Long-term liabilities, including notes payable and net pension liability, are not due and payable in the current period and therefore are not reported in the governmental funds. (46,561,150)

Net Position of Governmental Activities \$ 7,240,462

CITY OF LEBANON

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2017

	Component Units							Total Governmental Funds
	General Fund	Special Revenue Fund	Northwest Lebanon Urban Renewal District	Cheadle Lake Urban Renewal District	North Gateway Urban Renewal District	Debt Service Fund	Capital Projects Fund	
REVENUES:								
Property Taxes	\$ 4,440,404	\$ -	\$ 2,544,286	\$ 382,532	\$ 792,700	\$ 1,318,804	\$ -	\$ 9,478,726
Intergovernmental	456,515	965,215	-	-	-	-	-	1,421,730
Franchise Taxes	2,176,001	800	-	-	-	-	-	2,176,801
Transient Room Taxes	-	259,743	-	-	-	-	-	259,743
Fees and Charges	33,106	632,551	-	-	-	-	1,189,253	1,854,910
Fines and Forfeitures	313,630	-	-	-	-	-	-	313,630
Investment Earnings	52,432	16,782	14,613	8,224	5,121	13,055	70,152	180,379
Grants and Contributions	-	328,038	-	-	-	-	61,569	389,607
Miscellaneous Revenue	289,388	11,022	-	-	-	-	25,240	325,650
Total Revenues	7,761,476	2,214,151	2,558,899	390,756	797,821	1,331,859	1,346,214	16,401,176
EXPENDITURES:								
Current Operating:								
General Government	1,766,332	825,335	-	-	-	-	-	2,591,667
Public Safety	4,900,586	303	-	-	-	-	6,149	4,907,038
Highways and Streets	-	689,480	-	-	-	-	-	689,480
Culture and Recreation	1,225,530	364,002	-	-	-	-	-	1,589,532
Community Planning	1,453,890	54,385	-	-	-	-	-	1,508,275
Debt Service	139,808	-	638,641	56,800	213,206	2,401,041	-	3,449,496
Capital Outlay	28,193	577,622	2,734	913,726	-	-	907,225	2,429,500
Total Expenditures	9,514,339	2,511,127	641,375	970,526	213,206	2,401,041	913,374	17,164,988
Excess (Deficiency) of Revenues Over Expenditures	(1,752,863)	(296,976)	1,917,524	(579,770)	584,615	(1,069,182)	432,840	(763,812)
OTHER FINANCING SOURCES (USES):								
Interfund Transfers In	2,909,474	1,777,153	-	-	-	1,033,161	578,630	6,298,418
Interfund Transfers Out	(813,193)	(1,037,977)	(1,076,342)	(99,689)	(384,535)	-	(380,505)	(3,792,241)
Bond Proceeds	-	-	-	4,232,723	-	-	-	4,232,723
Total Other Financing Sources (Uses)	2,096,281	739,176	(1,076,342)	4,133,034	(384,535)	1,033,161	198,125	6,738,900
Net Change in Fund Balances	343,418	442,200	841,182	3,553,264	200,080	(36,021)	630,965	5,975,088
Fund Balances - July 1, 2016								
- As Previously Reported	2,304,425	1,296,133	850,357	149,920	(1,644,744)	250,118	7,881,091	11,087,300
Restatement for (Decreases)/Increases for:								
System Development Charges	-	-	-	-	-	-	(2,165,623)	(2,165,623)
Court Receivable - Net	(104,109)	-	-	-	-	-	-	(104,109)
Beginning Net Position (Deficit) - As Restated	2,200,316	1,296,133	850,357	149,920	(1,644,744)	250,118	5,715,468	8,817,568
Fund Balances - June 30, 2017	\$ 2,543,734	\$ 1,738,333	\$ 1,691,539	\$ 3,703,184	\$ (1,444,664)	\$ 214,097	\$ 6,346,433	\$ 14,792,656

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF LEBANON

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

For the Fiscal Year Ended June 30, 2017

Net Changes in Fund Balances - Total Governmental Funds \$ 5,975,088

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 cost of those assets are allocated over their estimated useful lives as depreciation expense. Additions to Capital Assets includes \$361,008 expended by Samaritan Health Services for infrastructure. Those expenditures are added to long-term debt as payable to Samaritan in accordance with an agreement between the City and Samaritan.

Expenditures for capitalized assets	\$ 2,578,090	
Less assets acquired with contributed capital	(361,008)	
Less current year depreciation	<u>(1,469,332)</u>	
		747,750

Some revenues will not be collected for several months after the City's fiscal year end and are therefore not considered "available" revenues in the governmental funds, instead these funds are shown as deferred revenue. However, these funds are recorded as revenue in the Statement of Activities.

The changes in amounts deferred are as follows:

Property Taxes	(36,711)	
Court Fines	174,280	
Bike Path	3,492	
Special Assessments	<u>(30,519)</u>	
		110,542

Expense accruals in the governmental funds do not include all accrued interest expense payable.

The change in payables from the prior year to the current year is reconciled here.

Additions to certain liabilities are reported as an expense in the Statement of Activities.

Compensated Absences	(74,979)	
Amortization of Debt Premium	<u>150,395</u>	
		75,416

Long term debt proceeds are included as revenue in governmental funds, but the proceeds increase long-term debt balances in the Statement of Net Position (4,232,723)

Repayment of long-term debt principal amounts are expenditures in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Position.

Retirement of debt principal		1,976,662
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Adjustment for pension costs on accrued basis		(432,428)
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Change in Net Position of Governmental Activities		<u>\$ 4,220,307</u>
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The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Proprietary Fund
Financial Statements

CITY OF LEBANON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Enterprise Funds			Total Proprietary Funds
	Water Funds	Waste Water Funds	Storm Drain Funds	
<u>ASSETS:</u>				
Current Assets:				
Cash and Investments	\$ 3,222,488	\$ 3,054,902	\$ 373,025	\$ 6,650,415
Accounts Receivable	552,078	679,256	63,778	1,295,112
Special Assessments Receivable	191,197	293,401	795	485,393
Prepaid Expenses & Other Assets	1,146	1,146	-	2,292
Due From Other Funds	255,254	322,610	53,310	631,174
Total Current Assets	<u>4,222,163</u>	<u>4,351,315</u>	<u>490,908</u>	<u>9,064,386</u>
Capital Assets:				
Capital Assets Not Being Depreciated	8,907,045	2,198,111	-	11,105,156
Capital Assets, net of Accumulated Depreciation	7,705,324	30,676,487	394,210	38,776,021
Total Capital Assets	<u>16,612,369</u>	<u>32,874,598</u>	<u>394,210</u>	<u>49,881,177</u>
Total Assets	<u>20,834,532</u>	<u>37,225,913</u>	<u>885,118</u>	<u>58,945,563</u>
<u>DEFERRED OUTFLOW OF RESOURCES:</u>				
Pension Related Deferrals - Outflows	169,414	111,492	-	280,906
Total Deferred Outflow of Resources	<u>169,414</u>	<u>111,492</u>	<u>-</u>	<u>280,906</u>
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable	249	200	82	531
Payroll Liabilities	6,228	4,099	-	10,327
Interest Payable	-	69,945	-	69,945
Deposit Payable	220,815	-	-	220,815
Compensated Absences, Current Portion	2,603	2,122	-	4,725
Long-Term Liabilities, Current Portion	200,000	1,073,283	-	1,273,283
Total Current Liabilities	<u>429,895</u>	<u>1,149,649</u>	<u>82</u>	<u>1,579,626</u>
Long-Term Liabilities:				
Noncurrent Portion of Long-Term Liabilities:				
Compensated Absences, Less Current Portion	41,710	11,928	-	53,638
Bond Premium, Net	-	207,584	-	207,584
Long-Term Liabilities, Less Current Portion	4,750,423	6,649,287	-	11,399,710
Net Pension Liability	298,623	196,524	-	495,147
Total Long-Term Liabilities	<u>5,090,756</u>	<u>7,065,323</u>	<u>-</u>	<u>12,156,079</u>
Total Liabilities	<u>5,520,651</u>	<u>8,214,972</u>	<u>82</u>	<u>13,735,705</u>
<u>DEFERRED INFLOW OF RESOURCES:</u>				
Pension Related Deferrals - Inflows	22,868	15,050	-	37,918
Total Deferred Inflow of Resources	<u>22,868</u>	<u>15,050</u>	<u>-</u>	<u>37,918</u>
<u>NET POSITION:</u>				
Net Investment in Capital Assets	11,661,946	25,152,028	394,210	37,208,184
Unrestricted	3,798,481	3,955,355	490,826	8,244,662
Total Net Position	<u>\$ 15,460,427</u>	<u>\$ 29,107,383</u>	<u>\$ 885,036</u>	<u>\$ 45,452,846</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF LEBANON

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

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

	<u>Enterprise Funds</u>			<u>Total Proprietary Funds</u>
	<u>Water Fund</u>	<u>WasteWater Fund</u>	<u>Storm Drain Fund</u>	
<u>OPERATING REVENUES:</u>				
Charges for Services	\$ 5,234,642	\$ 5,952,777	\$ 476,284	\$ 11,663,703
Miscellaneous Revenue	122,147	7,180	984	130,311
Total Revenues	5,356,789	5,959,957	477,268	11,794,014
<u>OPERATING EXPENSES:</u>				
Personnel Services	320,163	258,689	-	578,852
Materials and Supplies	1,687,417	1,620,923	118,835	3,427,175
Depreciation	382,620	988,792	5,558	1,376,970
Total Operating Expenses	2,390,200	2,868,404	124,393	5,382,997
Operating Income (Loss)	2,966,589	3,091,553	352,875	6,411,017
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Investment Earnings	71,788	44,088	5,364	121,240
Interest Expense	(47,450)	(316,093)	-	(363,543)
Total Non-Operating Revenues (Expenses)	24,338	(272,005)	5,364	(242,303)
Income Before Other Revenues, Expenses, and Transfers	2,990,927	2,819,548	358,239	6,168,714
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u>				
Interfund Transfers In	263,542	56,447	8,969	328,958
Interfund Transfers Out	(1,251,171)	(1,321,018)	(262,946)	(2,835,135)
Total Capital Contributions and Transfers	(987,629)	(1,264,571)	(253,977)	(2,506,177)
Changes in Net Position	2,003,298	1,554,977	104,262	3,662,537
Net Position - Beginning				
- As Previously Reported	14,091,127	29,342,864	670,695	44,104,686
Restatement for (Decreases)/Increases for:				
System Development Charges	661,002	1,394,542	110,079	2,165,623
Allocation of Long Term Debt	(1,295,000)	(3,185,000)	-	(4,480,000)
Beginning Net Position (Deficit) - As Restated	13,457,129	27,552,406	780,774	41,790,309
Ending Net Position	\$ 15,460,427	\$ 29,107,383	\$ 885,036	\$ 45,452,846

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF LEBANON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Enterprise Funds			Total Proprietary Funds
	Water Fund	WasteWater Fund	Storm Drain Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash Received from User Charges	\$ 5,242,058	\$ 5,684,336	\$ 475,131	\$ 11,401,525
Cash Payments for Employee Services	(328,072)	(262,311)	-	(590,383)
Cash Payments to Suppliers & Service Providers	(1,900,532)	(1,641,190)	(122,456)	(3,664,178)
Net Cash Provided (Used) by Operating Activities	3,013,454	3,780,835	352,675	7,146,964
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>				
Deposits & Non-Operating Payables	(94,127)	-	-	(94,127)
Transfer to Other Funds	263,542	56,447	8,969	328,958
Transfer from Other Funds	(1,251,171)	(1,321,018)	(262,946)	(2,835,135)
Net Cash Provided (Used) by Non-capital Financing Activities	(1,081,756)	(1,264,571)	(253,977)	(2,600,304)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from Long-Term Debt	3,855,423	-	-	3,855,423
Acquisition of Capital Assets	(5,588,675)	(846,790)	(253,734)	(6,689,199)
Principal Paid on Long Term Debt	(200,000)	(1,042,042)	-	(1,242,042)
Interest Paid on Long Term Debt	(47,450)	(302,701)	-	(350,151)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,980,702)	(2,191,533)	(253,734)	(4,425,969)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment Income	71,788	44,088	5,364	121,240
Net Cash Provided (Used) by Investing Activities	71,788	44,088	5,364	121,240
Cash and Cash Equivalents at July 1, 2016	3,199,704	2,686,083	522,697	6,408,484
Cash and Cash Equivalents at June 30, 2017	\$ 3,222,488	\$ 3,054,902	\$ 373,025	\$ 6,650,415
<u>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:</u>				
Income (loss) from operations	\$ 2,966,589	\$ 3,091,553	\$ 352,875	\$ 6,411,017
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	382,620	988,792	5,558	1,376,970
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	76,466	17,780	(1,342)	92,904
Increase (decrease) in payables	(213,115)	(20,267)	(3,621)	(237,003)
Increase (decrease) in payroll liabilities	8,782	8,808	-	17,590
Increase (decrease) in deferred revenues	(191,197)	(293,401)	(795)	(485,393)
Increase (decrease) in pension related accounts	(16,691)	(12,430)	-	(29,121)
Net cash provided (used) by operating activities	\$ 3,013,454	\$ 3,780,835	\$ 352,675	\$ 7,146,964

The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Fiduciary Fund

CITY OF LEBANON
STATEMENT OF NET POSITION
FIDUCIARY FUND (AGENCY FUND)
June 30, 2017

	Agency Fund
	Bail Fund
<u>ASSETS:</u>	
Current Assets	
Cash and Investments	\$ 1,987
Total Assets	\$ 1,987
<u>LIABILITIES:</u>	
Current Liabilities	
Bail Payable	1,571
Due to Other Agencies	416
Total Liabilities	\$ 1,987

The accompanying notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL
STATEMENTS

Notes to the Basic
Financial Statements

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Lebanon, Oregon (City) is a municipal corporation incorporated under the laws of the State of Oregon. The City is governed by an elected Mayor and an elected six member council. Administration officials are appointed by the council and are responsible for the day-to-day operations of the City.

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP Statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The following is a summary of the more significant policies of the City:

A. Reporting Entity

In determining the financial reporting entity, the City of Lebanon complies with Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." The criteria for including organizations as component units within the City's reporting entity, include whether 1) the organization is legally separate (can sue and be sued in their own name); 2) the City holds the corporate powers of the organization; 3) the City appoints a voting majority of the organization's board; 4) the City is able to impose its will on the organization; 5) the organization has the potential to impose a financial benefit/burden on the City; and 6) there is fiscal dependency by the organization on the City. Based on the aforementioned criteria, the City of Lebanon has three component units: Northwest Urban Renewal District, Cheadle Lake Urban Renewal District and North Gateway Urban Renewal District.

Blended Component Units – Northwest Urban Renewal District, Cheadle Lake Urban Renewal District, North Gateway Urban Renewal District - The City has included the financial operations of each Urban Renewal District as a blended component unit in the basic financial statements. Each Agency is a legally separate entity, which is governed by a board comprised of the members of the City Council as stipulated in the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. The Agency is reported as a special revenue fund and a debt service fund. Each component unit issues separate financial statements, which can be obtained from the Finance Department of the City.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

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

Net position is reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT):

B. Basis of Presentation (Cont.)

Fund Financial Statements: The fund financial statements provide information about the city's funds including those of a fiduciary nature, if applicable. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds

Special Revenue Fund – These funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The primary sources of revenue are state highway tax revenues and grants.

Northwest Lebanon 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 accumulation of resources and the payment of debt including principal, interest and other costs. The primary sources of revenue are property taxes and pension charges to City funds.

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

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

B. Basis of Presentation (Cont.)

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water Fund - The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities.

Wastewater Fund - The Wastewater Fund is used to account for the provision of wastewater services to the residents of the City. Activities of the fund include administration, operations and maintenance of the wastewater system and billing and collection activities.

Storm Drain Fund - The Storm Drain Fund is used to account for the provision of water drainage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities.

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

C. Measurement Focus/Basis of Accounting

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the city receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The city considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when the cash is received by the government and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

C. Measurement Focus/Basis of Accounting (Cont.)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's Wastewater and Water Funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the city's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgeting

A budget is prepared for each city fund in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel services, materials and services, capital outlay, contingencies, and debt service by fund are the levels of control. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. Appropriations lapse at June 30. Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by using appropriations transfers between the levels of control. Such transfers require approval by the city council. The city does not utilize encumbrance accounting for budgeted funds.

E. Cash and Investments

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any short-term, highly liquid investments with initial maturity dates of three months or less.

The City has adopted an investment policy requiring compliance with Oregon statutes, which authorizes the City to invest in obligations of the United States, the agencies and instrumentalities of the United States and the State of Oregon, and numerous other investment instruments.

The City's investments may consist of time certificates of deposit, banker's acceptances, commercial paper, U.S. Government Agency securities, and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The City's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the City's value in the pool shares.

The Oregon State Treasury administers the LGIP. It is an open-ended, non-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 included in the Oregon Short Term Fund (OSTF) which was established by the State Treasurer.

In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

F. Accumulated Compensated Absences

Accumulated vested vacation and compensatory pay is accrued as it is earned. For governmental funds, compensation not expected to be liquidated with the current resources are reported as liabilities in the government-wide statements and represent a reconciling item between the fund level and government-wide presentations. In business-type funds both the current and long-term liabilities are recorded. Sick pay, which does not vest, is recognized in applicable funds when leave is taken.

G. Receivables

Amounts due from individuals, organizations or other governmental units are recorded as receivables at year-end. These amounts include charges for services rendered, or for goods and material provided by the City. All receivables are expected to be collected. Accordingly, receivables are reported at the gross amount without an allowance for uncollectible accounts.

Receivables are also recognized for property taxes and intergovernmental grants. Property taxes receivable consist of uncollected taxes levied and payable at the end of the fiscal year. All taxes are considered collectible. Consequently, no allowance for uncollectible taxes has been established. In the governmental fund financial statements, property taxes not collected within sixty days of the end of the fiscal year are reported as a deferred inflow or resources. (See note 1.H.)

H. Deferred Inflows/Outflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has only one item that qualifies for reporting in this category, deferred pension contributions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category, deferred earnings on pension assets. In the governmental funds balance sheet, a different category of deferred inflow of resources, delinquent property tax revenue not available, is reported. Property taxes levied and considered receivable at the end of the fiscal year, but not collected within sixty days of the end of the fiscal year are reported in this category. These amounts are recognized as an inflow of resources (revenue) in the period that the amounts become available.

I. Inventory

The costs of proprietary fund type inventories are recorded as expenditures when consumed rather than when purchased.

J. Restricted Assets and Liabilities

Certain resources are set aside and restricted for future bond payments and the related liability; these resources are segregated in the statement of net position and are classified as restricted assets on the Statement of Net Position because their use is limited.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

K. Long-Term Debt

All bonds and capital leases to be paid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Amounts of the long-term debt due within the following fiscal year are included in the current liabilities section of the Statement of Net Position.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

L. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost, or estimated cost when original cost is not available. Donated capital assets are valued at their estimated fair market value on the date received. Maintenance and repairs of capital assets that do not significantly extend the useful life of an asset are not capitalized, but rather are charged to expenditures in the funds.

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The estimated useful lives are as follows:

Buildings and Improvements	10-50 years
Machinery and Equipment	5-20 years
Vehicles	5-10 years
Water and Wastewater Systems	20-50 years
Infrastructure	25-50 years

M. 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 the reported amount of assets and liabilities as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

N. Equity Classifications:

Government-wide Statements and Proprietary Fund Financial Statements

Equity is classified as net position, which represents the difference between assets and liabilities, and deferred accounts. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The City’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Governmental Fund Financial Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City did not have any nonspendable resources as of June 30, 2017.
- **Restricted:** This classification includes fund balance amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The City has restricted funds for public works projects, capital projects and debt service.
- **Committed:** This classification includes fund balance amounts that are constrained for specific purpose that are internally imposed by the government through resolution of the highest level of decision making authority, the City Council, and does not lapse at year-end. The City has committed resources as of June 30, 2017.
- **Assigned:** This classification includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to selected staff members or through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories, and negative fund balances of other governmental funds.

The City’s policy is to use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of the constrained fund balances.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

O. Property Taxes

The assessment date for the tax year is July 1. Personal and real property taxes are a lien on July 1. Total personal property tax becomes due and is delinquent when any installment is not paid by its due date. Real property tax is due and payable on November 15. However, a taxpayer may pay real property taxes in three equal installments, due the 15th day of November, February and May. Real property taxes become delinquent if not paid by May 15.

P. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the fund financial statements. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Q. 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 Fund (OPERF) and the Oregon Public Service Retirement Plan (OPSRP) and additions to/deductions from OPERF's and OPSRP's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CASH AND INVESTMENTS:

For discussion of deposit and investment policies and other related information, see Note 1.E.

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized at Note 1.E.

Investments, including amounts held in pool 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 prices, 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. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

2. CASH AND INVESTMENTS (CONT.):

Deposits - All cash is deposited in compliance with Oregon statutes. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. FDIC insurance of \$250,000 applies to the deposits in each depository. ORS 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Oregon Public Funds Collateralization Program (PFCP). Where balances continually exceed \$250,000, ORS 295 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the state treasurer’s website.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits exists when, in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

As of June 30, 2017, the reported amount of the City’s deposits was \$(308,299) and the bank balance was \$1,788,047. Of the bank balance, the entire amount was insured by the FDIC or covered by the collateral held in a multiple financial institutions collateral pool administered by the Oregon State Treasurer. \$175,923 of deposits is cash restricted for debt service.

Investments - Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker’s acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, and the Local Governmental Investment Pool. The City has no credit risk policy or investment policy that would further limit its investment choices.

Credit Risk - Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The City’s policy, which adheres to state law, is to limit its investments to the following: issuers within Oregon must be rated “A” (bonds) or A-2/P-2 (commercial paper) or better by Standard & Poor’s or Moody’s Investors Service or any other national recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

At June 30, 2017, the City’s investments were rated as follows:

Credit Quality Rating	Federal Agency Obligations	Municipal Bonds	Corporate Bonds	LGIP	Total
Unrated	\$ -	\$ -	\$ -	\$ 14,831,351	\$ 14,831,351
Moody Aaa	1,355,000	-	-	-	1,355,000
Moody Aa1	-	300,000	400,000	-	700,000
Moody Aa2	250,000	235,000	1,550,000	-	2,035,000
Moody Aa3	-	-	2,475,000	-	2,475,000
Moody Aa4	-	250,000	-	-	250,000
Moody A1	-	300,000	-	-	300,000
Moody A2	-	105,000	-	-	105,000
Total Investments	<u>\$ 1,605,000</u>	<u>\$ 1,190,000</u>	<u>\$ 4,425,000</u>	<u>\$ 14,831,351</u>	<u>\$ 22,051,351</u>

CITY OF LEBANON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

2. CASH AND INVESTMENTS (CONT.):

At June 30, 2017, the City's investments in financial institutions are as follows:

	Percent of Investment Portfolio	Maturities	Fair Value
Oregon Local Government Investment Pool	67%	-	\$14,831,351
Federal Agency Obligations	3%	<1 year	555,000
Federal Agency Obligations	5%	1-3 years	1,050,000
Municipal Bonds	1%	<1 year	300,000
Municipal Bonds	4%	1-3 years	890,000
Corporate Bonds	4%	<1 year	950,000
Corporate Bonds	16%	1-3 years	3,475,000
Total Investments			<u>\$22,051,351</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. 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.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

3. CAPITAL ASSETS:

The following is a summary of capital asset activity for the fiscal year ended June 30, 2017:

<u>Governmental Activities</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Assets not being depreciated:				
Land	\$ 2,403,825	\$ 79,942	\$ -	\$ 2,483,767
Construction In Progress	36,938	1,091,626	114,102	1,014,462
Assets being depreciated:				-
Buildings	18,435,938	270,213	-	18,706,151
Vehicles	2,193,865	114,050	-	2,307,915
Machinery & Equipment	4,104,454	561,788	-	4,666,242
Infrastructure	64,491,866	574,577	-	65,066,443
Total Depreciable Assets	89,226,123	1,520,628	-	90,746,751
Less: Accumulated Depreciation				
Buildings	4,186,349	401,531	-	4,587,880
Vehicles	1,910,330	109,500	-	2,019,830
Machinery & Equipment	2,848,002	219,283	-	3,067,285
Infrastructure	50,162,527	739,018	-	50,901,545
Total Accumulated Depreciation	59,107,208	1,469,332	-	60,576,540
Net Value of Capital Assets Being Depreciated	30,118,915	51,296	-	30,170,211
Total Governmental Activities--Net Value of Capital Assets	<u>\$ 32,559,678</u>	<u>\$ 131,238</u>	<u>\$ -</u>	<u>\$ 33,668,440</u>
<u>Business-type Activities</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Assets not being depreciated:				
Land	\$ 1,278,826	\$ -	\$ -	\$ 1,278,826
Construction In Progress	3,829,302	5,997,028	-	9,826,330
Assets being depreciated:				
Buildings	8,424,953	-	-	8,424,953
Vehicles	1,044,625	-	-	1,044,625
Machinery & Equipment	6,853,473	20,614	-	6,874,087
Infrastructure	1,538,272	270,434	-	1,808,706
Water/Sewer Assets	40,576,679	401,123	-	40,977,802
Total Depreciable Assets	58,438,002	692,171	-	59,130,173
Less: Accumulated Depreciation				
Buildings	4,384,035	118,305	-	4,502,340
Vehicles	967,580	13,413	-	980,993
Machinery & Equipment	3,048,734	263,717	-	3,312,451
Infrastructure	119,475	175,576	-	295,051
Water/Sewer Assets	10,457,357	805,959	-	11,263,316
Total Accumulated Depreciation	18,977,181	1,376,970	-	20,354,151
Net Value of Capital Assets Being Depreciated	39,460,821	(684,799)	-	38,776,022
Total Business-type Activities--Net Value of Capital Assets	<u>\$ 44,568,949</u>	<u>\$ 5,312,229</u>	<u>\$ -</u>	<u>\$ 49,881,178</u>
Total Net Value of Capital Assets of Primary Government	<u>\$ 77,128,627</u>	<u>\$ 5,443,467</u>	<u>\$ -</u>	<u>\$ 83,549,618</u>
Depreciation expense was charged to functions of the primary government as follows:				
	Governmental Activities:		Business-Type Activities:	
	General Government	\$ 1,469,332	Water	\$ 382,620
			Sewer	988,792
			Storm Drain	5,558
Total depreciation expense		<u>\$ 1,469,332</u>		<u>\$ 1,376,970</u>

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

4. LONG-TERM DEBT:

In the following paragraphs, long-term debt information is presented separately with respect to governmental and business-type activities. The table below presents current year changes in those obligations and the current portions due for each issue.

	<u>Outstanding Balance July 1, 2016</u>	<u>New Issues and Interest Matured</u>	<u>Principal and Interest Retired</u>	<u>Outstanding Balance June 30, 2017</u>	<u>Due within One Year</u>
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GOVERNMENTAL ACTIVITIES:

NW URD - Loan with Business Oregon (IFA) for Northwest Urban Renewal District. Original balance \$3,611,222. Interest rate of 4.0 - 4.375%. **Loan # B05003**

Principal	\$ 2,772,605	\$ -	\$ 126,331	\$ 2,646,274	\$ 132,184
Interest	-	118,720	118,720	-	113,667
Totals	\$ 2,772,605	\$ 118,720	\$ 245,051	\$ 2,646,274	\$ 245,851

NW URD - General Obligation Bond with Bank of New York Mellon / Zion Bank Original Balance \$3,310,000 Interest rate 2 - 3.5% **LebanonUR10**

Principal	\$ 1,450,000	\$ -	\$ 345,000	\$ 1,105,000	\$ 355,000
Interest	-	48,590	48,590	-	36,515
Totals	\$ 1,450,000	\$ 48,590	\$ 393,590	\$ 1,105,000	\$ 391,515

N GATEWAY URD - Note Payable with Samaritan Health Services Original Balance \$2,283,572 Interest rate 6%

Principal	\$ 1,625,589	\$ 361,011	\$ 133,050	\$ 1,853,550	\$ 142,581
Interest	-	80,156	80,156	-	78,776
Totals	\$ 1,625,589	\$ 441,167	\$ 213,206	\$ 1,853,550	\$ 221,357

2002 PENSION OBLIGATION BONDS held Wells Fargo. Original balance \$2,081,188 Interest rate of 2-7.36%

Principal	\$ 1,546,441	\$ -	\$ 33,687	\$ 1,512,754	\$ 32,872
Interest	-	163,583	163,583	-	97,270
Totals	\$ 1,546,441	\$ 163,583	\$ 197,270	\$ 1,512,754	\$ 130,142

G0 Bond General Obligation Bond held by Bank New York Mellon. Original Balance \$8,640,000 Interest Rate of 4-5% **LEBGO2007**

Principal	\$ 1,545,000	\$ -	\$ 830,000	\$ 715,000	\$ 340,000
Interest	-	64,800	64,800	-	28,600
Totals	\$ 1,545,000	\$ 64,800	\$ 894,800	\$ 715,000	\$ 368,600

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

4. LONG-TERM DEBT (CONT.):

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
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GOVERNMENTAL ACTIVITIES(CONT.):

Promissory Note with Bank of New York Mellon. , Original Balance \$1,779,833 Interest rate 3.0 - 5.25% Special Public Works Fund Loan number **B07002**

Principal	\$ 1,317,111	\$ -	\$ 78,597	\$ 1,238,514	\$ 79,141
Interest	-	61,211	61,211	-	58,067
Totals	\$ 1,317,111	\$ 61,211	\$ 139,808	\$ 1,238,514	\$ 137,208

Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$11,885,000 Interest rate 2 - 5% **LebanonFFC2013 (NW URD)**

Principal	\$ 10,605,000	\$ -	\$ 430,000	\$ 10,175,000	\$ 455,000
Interest	-	410,550	410,550	-	397,650
Totals	\$ 10,605,000	\$ 410,550	\$ 840,550	\$ 10,175,000	\$ 852,650

Full Faith and Credit Bond with Key Bank / Zion Bank Original Balance \$12,800,000 Interest rate 1.65-5% **LebanonFFC2015**

Principal	\$ 12,565,000	\$ -	\$ -	\$ 12,565,000	\$ 605,000
Interest	-	468,424	468,424	-	468,424
Totals	\$ 12,565,000	\$ 468,424	\$ 468,424	\$ 12,565,000	\$ 1,073,424

CHEADLE LAKE URD - Loan with Opus Bank Original balance \$4,232,723 Interest rate of 2.88% dated 05/18/2017

Principal	\$ -	\$ 4,232,723	\$ -	\$ 4,232,723	\$ 225,541
Interest	-	-	-	-	126,304
Totals	\$ -	\$ 4,232,723	\$ -	\$ 4,232,723	\$ 351,846

TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:

Principal	\$ 33,426,746	\$ 4,593,734	\$ 1,976,665	\$ 36,043,815	\$ 2,367,319
Interest	-	1,416,034	1,416,034	-	1,405,274
Totals	\$ 33,426,746	\$ 6,009,768	\$ 3,392,699	\$ 36,043,815	\$ 3,772,593

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

4. LONG-TERM DEBT (CONT.):

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
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BUSINESS-TYPE ACTIVITIES:

Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$1,685,000 Interest rate 2 -4% **LebanonFFC2013 (Water)**

Principal	\$ 1,295,000	\$ -	\$ 200,000	\$ 1,095,000	\$ 200,000
Interest	-	47,450	47,450	-	41,450
Totals	\$ 1,295,000	\$ 47,450	\$ 247,450	\$ 1,095,000	\$ 241,450

Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$1,695,000 Interest rate 2 -4% **LebanonFFC2013 (Waste Water)**

Principal	\$ 1,005,000	\$ -	\$ 240,000	\$ 765,000	\$ 245,000
Interest	-	37,800	37,800	-	30,600
Totals	\$ 1,005,000	\$ 37,800	\$ 277,800	\$ 765,000	\$ 275,600

Full Faith and Credit Bond with Key Bank / Zion Bank Original Balance \$2,385,000 Interest rate 1.65-5% **LebanonFFC2015 (Waste Water)**

Principal	\$ 2,180,000	\$ -	\$ 345,000	\$ 1,835,000	\$ 350,000
Interest	-	60,800	60,800	-	53,900
Totals	\$ 2,180,000	\$ 60,800	\$ 405,800	\$ 1,835,000	\$ 403,900

Note payable to Department of Environmental Quality SPF for wastewater improvement projects. Original balance \$900,000. Interest rate 2.93%. Dated 2009. **#R56200**

Principal	\$ 654,612	\$ -	\$ 42,042	\$ 612,570	\$ 43,283
Interest	-	22,043	22,043	-	20,588
Totals	\$ 654,612	\$ 22,043	\$ 64,085	\$ 612,570	\$ 63,871

Revenue Bonds held by Bank of New York Mellon/ Zion Bank for the construction of wastewater system. Original balance \$7,010,000. Interest rate 2.4-2.5%. Dated January 2010. **LEBANONWW10**

Principal	\$ 4,925,000	\$ -	\$ 415,000	\$ 4,510,000	\$ 435,000
Interest	-	195,450	195,450	-	178,850
Totals	\$ 4,925,000	\$ 195,450	\$ 610,450	\$ 4,510,000	\$ 613,850

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

4. LONG-TERM DEBT (CONT.):

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
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BUSINESS-TYPE ACTIVITIES (CONT.):

Loan with Business Oregon (IFA) for financing of the Special Public Works Fund Development Project. Original Balance \$11,000,000 Interest rate 3.510% **L16003**

Principal	\$ -	\$ 727,005	\$ -	\$ 727,005	\$ -
Interest	-	-	-	-	-
Totals	\$ -	\$ 727,005	\$ -	\$ 727,005	\$ -

Loan with Business Oregon (IFA) for financing of the Safe Drinking Water Revolving Loan Fund Original Balance \$13,000,000 Interest rate 1.0% **S16004**

Principal	\$ -	\$ 3,128,418	\$ -	\$ 3,128,418	\$ -
Interest	-	-	-	-	-
Totals	\$ -	\$ 3,128,418	\$ -	\$ 3,128,418	\$ -

TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:

Principal	\$ 10,059,612	\$ 3,855,423	\$ 1,242,042	\$ 12,672,993	\$ 1,273,283
Interest	-	\$ 363,543	363,543	-	325,388
Totals	\$ 10,059,612	\$ 4,218,966	\$ 1,605,585	\$ 12,672,993	\$ 1,598,671

TOTAL DEBT AGREEMENTS:

Principal	\$ 43,486,358	\$ 8,449,157	\$ 3,218,707	\$ 48,716,808	\$ 3,640,602
Interest	-	1,779,577	1,779,577	-	1,730,662
Totals	\$ 43,486,358	\$ 10,228,734	\$ 4,998,284	\$ 48,716,808	\$ 5,371,264

CITY OF LEBANON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

4. LONG-TERM DEBT (CONT.):

The debt service requirements on the above debt is as follows:

	<u>Due Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Governmental Activities:</u>				
	2018	\$ 2,367,319	\$ 990,750	\$ 3,358,069
	2019	2,510,032	915,534	3,425,566
	2020	2,641,804	839,207	3,481,011
	2021	2,858,841	769,481	3,628,322
	2022	3,012,739	684,494	3,697,233
	2023-2027	17,844,838.33	3,411,602.81	21,256,441
	2028-2032	4,808,241	404,123	5,212,364
	Total	<u>\$ 36,043,815</u>	<u>\$ 8,015,192</u>	<u>\$ 44,059,007</u>
<u>Business-Type Activities:</u>				
Sewer Funds Bonds and Notes Payable				
	2018	\$ 1,273,283	\$ 325,388	\$ 1,598,671
	2019	1,314,560	281,692	1,596,252
	2020	1,355,875	235,426	1,591,301
	2021	882,229	184,164	1,066,393
	2022	918,623	148,343	1,066,966
	2023-2027	1,645,507	458,461	2,103,968
	2028-2032	1,427,493	129,991	1,557,484
	Total	<u>\$ 8,817,570</u>	<u>\$ 1,763,464</u>	<u>\$ 10,581,034</u>

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN:

A. Name of Pension Plan

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

B. Description of Benefit Terms

Plan Benefits

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

1. Tier One/Tier Two Retirement Benefit (Chapter 238). Tier One/Tier Two Retirement Benefit 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.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

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:

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

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 either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

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. Under current law, the cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

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

Pension Benefits

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 OPSRP 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 termination becomes effective.

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. Under current law, the cap on the COLA in fiscal year 2017 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. IAP Plan Description:

OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member 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, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the OPSRP Individual Account Program (IAP)

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

C. 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. The rates based on a percentage of payroll, first became effective July 1, 2015. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced.

Employer contributions for the year ended June 30, 2017 were \$1,031,546 excluding amounts to fund employer specific liabilities.

D. Pension Plan CAFR

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

E. Actuarial Valuations

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit 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 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 amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

CITY OF LEBANON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

F. Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
Experience Study	2014, published September 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Inflation rate	2.50 percent (reduced from 2.75%)
Long-term expected rate of return	7.50 percent (reduced from 7.75%)
Discount rate	7.50 percent (reduced from 7.75%)
Projected salary increases	3.50 percent (reduced from 3.75%)
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with Moro decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table.</p>
<p>1 At its September 25, 2015 meeting, the PERS Board reduced the assumed rate of return on investments from 7.75 percent to 7.50 percent.</p>	

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 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.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

Depletion Date Projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Assumed Asset Allocation

<u>Asset Class/Strategy</u>	<u>OIC Policy Range</u>	<u>OIC Target Allocation</u>	<u>Asset Class/Strategy</u>	<u>Actual Allocation</u>
Cash	0.0% - 3.0%	0.0%	Cash	3.9%
Debt Securities	15.0% - 25.0%	20.0%	Debt Securities	20.7%
Public Equity	32.5% - 42.5%	37.5%	Public Equity	37.9%
Real estate	9.5% - 15.5%	12.5%	Real estate	12.0%
Private Equity	13.5% - 21.5%	17.5%	Private Equity	19.5%
Alternative Equity	0.0% - 12.5%	12.5%	Alternative Equity	4.1%
Opportunity Portfolio	0.0% - 3.0%	0.0%	Opportunity Portfolio	1.9%
Total		<u>100%</u>	Total	<u>100%</u>

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below.

Asset Class	Target Allocation*	Annual Arithmetic Mean	Compound Annual (Geometric) Return	Standard Deviation
Core Fixed Income	8.00%	4.10%	4.00%	4.68%
Short-Term Bonds	8.00%	3.65%	3.61%	2.74%
Bank/Leveraged Loans	3.00%	5.69%	5.42%	7.82%
High Yield Bonds	1.00%	6.67%	6.20%	10.28%
Large/Mid Cap US Equities	15.75%	7.96%	6.70%	17.07%
Small Cap US Equities	1.31%	8.93%	6.99%	21.35%
Micro Cap US Equities	1.31%	9.37%	7.01%	23.72%
Developed Foreign Equities	13.13%	8.34%	6.73%	19.40%
Emerging Foreign Equities	4.13%	10.56%	7.25%	28.45%
Non-US Small Cap Equities	1.88%	9.01%	7.22%	20.55%
Private Equity	17.50%	11.60%	7.97%	30.00%
Real Estate (Property)	10.00%	6.48%	5.84%	12.00%
Real Estate (REITS)	2.50%	8.74%	6.69%	22.02%
Hedge Fund of Funds - Diversified	2.50%	4.94%	4.64%	8.09%
Hedge Fund - Event-driven	0.63%	7.07%	6.72%	8.90%
Timber	1.88%	6.60%	5.85%	13.00%
Farmland	1.88%	7.11%	6.37%	13.00%
Infrastructure	3.75%	8.31%	7.13%	16.50%
Commodities	1.88%	6.07%	4.58%	18.40%
Assumed Inflation - Mean			2.50%	1.85%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

CITY OF LEBANON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

G. Sensitivity Analysis

The following presents the employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$ 14,393,870	\$ 8,914,453	\$ 4,334,620

H. Summary of Significant Accounting Policies

Reporting Entity

PERS' financial statements are prepared on the basis of a fiscal year ended June 30. The Oregon State Treasurer has statutory responsibility for custody and investment of PERS assets. As a result of this fiduciary responsibility, PERS is included as part of the primary government in the State of Oregon Comprehensive Annual Financial Report.

Basis of Presentation

The accompanying financial statements are prepared in accordance with Governmental Accounting Standards Board Statements and generally accepted accounting principles that apply to governmental accounting for fiduciary funds.

Basis of Accounting

The accrual basis of accounting is used. Revenues are recognized when earned. Contributions are recognized when due, pursuant to formal commitments, as well as statutory and Board requirements. Expenses are recognized when incurred. Benefits are recognized when currently due and payable. Withdrawals are recognized in the month they are due and payable.

Investments

Oregon Revised Statute (ORS) 293.706 established the Oregon Investment Council (OIC), which consists of five voting members. Four members of the council, who are qualified by training and experience in the field of investment or finance, are appointed by the governor subject to state Senate confirmation. The state treasurer serves as the council's remaining voting member. In addition, the director of the Public Employees Retirement System serves as a non-voting OIC member.

OIC ensures moneys in the investment funds are invested and reinvested to achieve the investment objective of making the moneys as productive as possible. Furthermore, the investments of those funds are managed as a prudent investor would do under the prevailing circumstances and in light of the purposes, terms, distribution requirements, and laws governing each investment fund. This standard requires the exercise of reasonable care, skill, and caution and is applied to investments not in isolation, but in the context of each fund's portfolio as part of an overall investment strategy. The strategy should incorporate risk and return objectives reasonably suitable to the particular investment fund.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

When implementing investment decisions, OIC has a duty to diversify the investments of the investment funds unless, under the circumstances, it is not prudent to do so. In addition, OIC must act with prudence when selecting agents and delegating authority.

Investments are recognized at fair value, the amount at which financial instruments could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

The fair value of publicly traded debt and equity securities in active markets is determined by the custodian's pricing agent using nationally recognized pricing services. The custodian's pricing agent values equity securities traded on a national or international exchange at the last reported sales price, and generally values debt securities by using evaluated bid prices. For securities that do not have an active market, such as private placements or commingled investment vehicles, a market price is calculated by either the custodian's pricing agent or the investment manager. For example, a similar benchmark security may be used to derive the fair value. The benchmark will typically have a coupon rate and maturity date comparable to the debt security being valued, and its market risk will be similar, considering current market conditions. The fair value of real estate investment trust (REIT) securities is determined by the custodian's pricing agent using recognized pricing services.

Investments in private equities are recorded at fair value, as of June 30, 2015, as determined by management based on valuation information provided by the general partner. Investments in private equities representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets) and (2) the income approach (e.g., the discounted cash flow method).

Investments in real estate, with the exception of publicly traded REITS, for which observable market prices in active markets do not exist, are reported at fair value as of June 30, 2014, as determined by management based on valuation information provided in good faith by the general partner. Direct investments in real estate are appraised every two to three years, and between appraisals, investment managers adjust values to reflect current and projected operating performance and financial transactions. In the absence of observable market prices, general partners determine the fair value of real estate partnerships using valuation methods considered most appropriate. A variety of factors are considered, including the nature of the investment, local market conditions, trading values on public exchanges for comparable investments, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment.

Investments in the opportunity and alternatives portfolios are recorded at fair value as of June 30, 2015 by the respective general partner or account manager. Investments in the opportunity and alternatives portfolios representing publicly traded securities are stated at quoted market price. Where observable market inputs are not available, valuation models are applied. The general partner or account manager determines fair value based on the best information available and by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation, and amortization, balance sheets, public and private transactions, valuations for publicly traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and the general partner's own assumptions regarding the investment. The methods used to determine the fair value of these investments typically include: (1) the market approach (whereby fair value is derived by reference to observable valuation measures for comparable companies or assets); (2) the income approach (e.g. the discounted cash flow method).

CITY OF LEBANON
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

Due to the inherent uncertainty and the degree of judgment involved in determining private equity, opportunity, alternatives, and real estate portfolio investment valuations, the fair values reflected in the accompanying financial statements may differ significantly from values that would have been used had a readily determinable market value for the investments existed and the difference could be material. In addition, these investments are generally considered to be illiquid long-term investments, and the recorded fair values may materially differ from the amounts that eventually may be realized from the sale or other disposition of these investments.

OIC has approved the following asset classes for the PERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, PERF invests in the Opportunity Portfolio which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. OIC must approve, in advance, the purchase of investments in a new asset class not described above.

As of June 30, 2015, PERS did not hold investments in any one organization that represent 5 percent or more of PERS' fiduciary net position.

I. Changes in Assumptions

A summary of key changes implemented since the December 31, 2014 valuation are described briefly below. Additional detail and a comprehensive list of changes in methods and assumptions can be found in the 2014 Experience Study for the System, which was published on September 23, 2015, and can be found at:

https://www.oregon.gov/pers/docs/2014_experience_study_9-23-15.pdf

Changes in Actuarial Methods and Allocation Procedures

There were no changes to actuarial methods and procedures since the December 31, 2014 valuation.

Changes in Economic Assumptions

There were no changes to economic assumptions since the December 31, 2014 valuation.

Changes in Demographic Assumptions

There were no changes to economic assumptions since the December 31, 2014 valuation.

Changes in Benefit Terms and Assumptions

Benefit Terms: The Oregon Supreme Court decision in *Moro v. State of Oregon*, issued on April 30, 2015, reversed a significant portion of the reductions the 2013 Oregon Legislature made to future System Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the total pension liability as of June 30, 2015 compared to June 30, 2014 total pension liability.

Assumptions: The PERS Board adopted assumption changes that were used to measure the June 30, 2016 total pension liability. The changes include the lowering of the long-term expected rate of return to 7.50 percent and lowering of the assumed inflation to 2.50 percent. In addition, the healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups, and assumptions were updated for merit increases, unused sick leave, and vacation pay were updated.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

Mortality Rates

A summary of the current assumed mortality rates and recommended changes is shown below:

Assumption	December 31, 2013 Valuation	Recommended December 31, 2014 and 2015 Valuations
Healthy Annuitant Mortality	RP2000 Generational with Scale AA, Combined Active/Healthy Annuitant, Sex Distinct	RP2000 Generational with Scale BB, Combined Active/Healthy Annuitant, Sex Distinct
School District male	No collar, set back 24 months	No change to collar adjustment or set back
Other General Service male (and male beneficiary)	Blended 25% blue collar/75% white collar, set back 12 months	No change to collar adjustment or set back
Police & Fire male	Blended 25% blue collar/75% white collar, set back 12 months	No change to collar adjustment or set back
School District female	White collar, set back 24 months	No collar, set back 24 months
Other female (and female beneficiary)	White collar, no setback	Blended 25% blue collar/75% white collar, no setback
Disabled Retiree Mortality	RP 2000 Static, Disabled, No Collar, Sex distinct	RP 2000 Generational with Scale BB, Disabled, No Collar, Sex distinct
Male	65% of Disabled table, but not less than corresponding healthy annuitant rates	70% of Disabled table, but not less than corresponding healthy annuitant rates
Female	90% of Disabled table, but not less than corresponding healthy annuitant rates	95% of Disabled table, but not less than corresponding healthy annuitant rates
Non-Annuitant Mortality	Fixed Percentage of Healthy Annuitant Mortality	No change
School District male	70%	60%
Other General Service male	85%	75%
Police & Fire male	95%	75%
School District female	60%	55%
Other female	55%	60%

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

Deferred Items

Deferred items are calculated at the system-wide level and are allocated to employers based on their proportionate share. For the measurement period ending June 30, 2015, employers will report the following deferred items:

- A difference between expected and actual experience, which is being amortized over 5.4 years, the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.
- Changes in employer proportion since the prior measurement date, which is being amortized over 5.4 years, the remaining service lives of all plan participants, including retirees. One year of this amortization is included in the employer's total pension expense for the measurement period.
- A Net difference between projected and actual earnings which is being amortized over a closed five year period. One year's amortization is being recognized in the employer's total pension expense for the measurement period.

I. Employer Contributions

PERS includes accrued contributions when due pursuant to legal requirements, as of June 30 in its Statement of Changes in Fiduciary Net Position. These are normally included in the employer statements cut off as of the fifth of the following month. PERS does not try to accrue contributions based on paydate.

Beginning with fiscal year 2016, PERS will be able to report cash contributions and UAL side account amortization by employer, and will publish this information on the PERS Website. Prior to fiscal year 2016, contributions to the OPSRP Defined Benefit plan were not accounted for by employer, as all employers were pooled for actuarial purposes.

J. Elements of Changes in Net Position

This information can be found in the Schedule of Changes in Net Pension Liability found on page 69, of the June 30, 2016 PERS CAFR.

Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2017, the employer reported a liability of \$8,914,453 for its proportionate share of the net pension liability. The net pension liability/(asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on a projection of the employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

5. PENSION PLAN (Cont.):

At June 30, 2016, the employer's proportion was 0.05938091 percent.

For the year ended June 30, 2017, the employer recognized pension expense of \$1,442,949. At June 30, 2017, the employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 294,929	\$ -
Changes of assumptions	1,901,239	-
Net difference between projected and actual earnings on investments	1,761,122	-
Changes in proportionate share	49,693	473,969
Differences between employer contributions and employer's proportionate share of system contributions	<u>18,803</u>	<u>208,698</u>
Total Deferred Outflows/Inflows	\$ 4,025,786	\$ 682,667
Post-measurement date contributions	<u>1,031,546</u>	N/A
Total Deferred Outflow/(Inflow) of Resources	<u>\$ 5,057,332</u>	<u>\$ 682,667</u>
Net Deferred Outflow/(Inflow) of Resources prior to post-measurement date contributions		<u>3,343,119</u>

\$1,031,546 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

<u>Employer subsequent fiscal years</u>	<u>Deferred Outflow/(Inflow) of Resources (prior to post-measurement date contributions)</u>
1st Fiscal Year	\$ 557,780
2nd Fiscal Year	557,780
3rd Fiscal Year	1,210,127
4th Fiscal Year	905,880
5th Fiscal Year	111,552
Thereafter	<u>-</u>
Total	\$ 3,343,119

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA)

Plan Description

The City contributes to the Oregon Public Employees Retirement Systems' (PERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. The plan was closed to new entrants hired on or after August 29, 2003.

To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at <http://oregon.gov/PERS/>.

Funding Policy

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, currently 0.53% of annual covered PERS payroll and 0.45% for OPSRP payroll. The OPERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Contributions

The City's contributions to PERS' RHIA for the years ended June 30, 2017, 2016, and 2015 were \$28,211, \$16,576, and \$12,747 respectively, which equaled the required contributions for the year.

Retiree Healthcare Insurance Premiums

Plan Description

The City does not have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the City does not pay any portion of the retiree's healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized amount the premium cost of coverage for active employee. GASB Statement 45 is applicable to the City due only to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Cont.):

Funding Policy

Although the City does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The City will then pay healthcare insurance premiums for all retirees at the applicable rate for each family classification. Since the existing coverage is through a multiple-employee plan, given the City's small size in relation to the other employers, the City's rate is not affected by the age of its participants in the Plan. Therefore, there is no implicit benefit considered by management to be earned by current employees. As a result, the City does not report a liability for any potential accrued liability under GASB Statement 45.

7. CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to review and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amount, if any, to be immaterial.

The City of Lebanon has elected the "reimbursement" basis for unemployment claims to the State of Oregon Department of Human Resources Employment Division. If a terminated employee collects unemployment compensation based upon earnings from the City, the City will be required to reimburse the State of Oregon for the amount of unemployment compensation paid. Amounts billed by the State of Oregon are charged to expenditures, but amounts for which the City is potentially liable as a result of claims not yet filed are unknown.

8. 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; injuries to employees; and natural disasters. The City is a member of City-County Insurance Services (CIS), a public entity risk pool currently operating a common risk management and insurance program. The City pays an annual premium to CIS for insurance coverage.

Based on the experience of the City and pool, the City may be liable for an additional premium of up to approximately 20% of its initial premium or it may receive a refund. The City has never had to pay an additional premium. Predetermined limits and deductible amounts are stated in the policy. There have been no significant reductions in coverage from the prior years and settlements have not exceeded insurance coverage in the past three years.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

9. COMMITMENT:

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 4. As of June 30, 2017, 1,853,550 had been invested under the agreement.

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund transfers for the year ended June 30, 2017 were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 813,193	\$ 2,909,474
Special Revenue Fund	1,037,977	1,777,153
Capital Projects Fund	380,505	578,630
Debt Service Fund	-	1,033,161
Lebanon Urban Renewal District	1,076,342	-
Cheadle Lake Urban Renewal District	99,689	-
North Gateway Urban Renewal District	384,535	-
Water Fund	1,251,171	263,542
Sewer Fund	1,321,018	56,447
Storm Drain Fund	262,946	8,969
Total	<u>\$ 6,627,376</u>	<u>\$ 6,627,376</u>

These transfers occur on a routine basis and are used by the recipient funds for the normal operations of the funds.

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

11. OVER-EXPENDITURE OF APPROPRIATIONS:

Expenditures in excess of appropriation in individual funds for the year ended June 30, 2017 occurred as follows:

<u>Fund / Category</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Special Revenue Fund / Transfers	\$ 975,977	\$ 1,037,977	\$ 62,000
Capital Projects Fund / Transfers	265,605	380,505	114,900
Wastewater Fund / Transfers	1,745,482	2,004,618	259,136
Cheadle Lake Urban Renewal District	51,068	56,800	5,732
General Fund/ Municipal Court	269,925	270,078	153

12. PROPERTY TAX ABATEMENTS:

City of Lebanon received reduced revenue from property taxes as a result of a tax abatements program - Enterprise Zones agreements. These tax abatement agreements are negotiated with Linn County, Oregon under Oregon Revised Statutes (ORS) 285C.175 regarding Enterprise Zones.

For the fiscal year ended June 30, 2017, information regarding the property tax abatements from the program is as follows:

<u>District Name</u>	<u>Purpose</u>	<u>Assessed Value of Excluded Properties</u>	<u>Rate per Thousand Dollars of Assessed Value</u>	<u>Reduced Property Taxes</u>
City of Lebanon	Enterprise Zone	\$ 48,534,570	4.09830	\$ 198,909
City of Lebanon Bond	Enterprise Zone	48,534,570	1.20820	58,639
Northwest Lebanon Urban Renewal District	Enterprise Zone	48,534,570	2.38200	115,609
Cheadle Lake Urban Renewal District	Enterprise Zone	48,534,570	0.03601	1,748
North Gateway Urban Renewal District	Enterprise Zone	48,534,570	0.07541	3,660
Total Tax Abatements				<u>\$ 378,565</u>

CITY OF LEBANON

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

13. RESTATEMENT OF BEGINNING NET POSITION:

The beginning net positions and fund balances as of July 1, 2016, were restated to reflect a 2015-16 decrease in Systems Development Charges resources collected, recorded, and accounted for incorrectly in the City's Governmental Funds and Activities during previous fiscal years in the accumulated amount of \$2,165,623, rather than being properly included and reflected in the Proprietary Funds and Business-type Activities resulting in a Prior Period Adjustment at July 1, 2016. There was a restatement also included for the allocation of long term debt that was previously reported in City's Governmental Funds and Activities during previous fiscal years and should have been reported in the Proprietary Funds and Business-type Activities. The court receivables – net was also adjusted in the prior year to correct the amount being reported for receivables, the allowance for doubtful accounts and the unearned revenue – court fines. The restatement amounts are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position Beginning of the Year, at July 1, 2016 (as previously reported)	\$ 2,056,704	\$ 44,104,686	\$ 46,161,390
Restatement for (decrease)/increase for:			
Systems Development Charges	(2,165,623)	2,165,623	-
Court Receivable - Net	(1,350,927)	-	(1,350,927)
Allocation of Long Term Debt	4,480,000	(4,480,000)	-
Net Position (Deficit) Beginning of the Year, at July 1, 2016 (as restated)	<u>\$ 3,020,154</u>	<u>\$ 41,790,309</u>	<u>\$ 44,810,463</u>

14. SUBSEQUENT EVENTS

As of February 1, 2018, there were no such occurrences noted whose disclosure would render the current fiscal year's financial statements to be misleading.

15. FUND BALANCE:

The North Gateway Urban Renewal District ended the fiscal year with a deficit ending fund balance of \$ (1,444,664).

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF LEBANON

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

GENERAL FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<u>REVENUES:</u>				
Property Taxes	\$ 4,325,000	\$ 4,325,000	\$ 4,440,404	\$ 115,404
Intergovernmental	409,000	409,000	456,515	47,515
Franchise Taxes	2,140,695	2,140,695	2,176,001	35,306
Fees and Charges	34,200	34,200	33,106	(1,094)
Fines and Forfeitures	450,000	450,000	313,630	(136,370)
Investment Earnings	14,000	14,000	52,432	38,432
Miscellaneous Revenue	91,000	118,300	289,386	171,086
Total Revenues	7,463,895	7,491,195	7,761,474	270,279
<u>EXPENDITURES:</u>				
Current				
Administration & Economic Dev.	378,024	390,224	336,898	(53,326)
City Attorney	179,050	185,050	171,075	(13,975)
Engineering	1,234,611	1,238,546	1,173,684	(64,862)
Finance	600,362	600,362	548,345	(52,017)
Human Resources	125,001	125,001	122,054	(2,947)
Legislative	210,875	210,875	196,182	(14,693)
Library	539,837	540,555	525,181	(15,374)
Municipal Court	253,925	269,925	270,078	153
Parks	525,890	525,890	471,108	(54,782)
Planning	303,224	303,224	280,206	(23,018)
Police	4,915,284	4,917,384	4,630,508	(286,876)
Senior and Disabled Services	231,204	231,204	229,241	(1,963)
Non-Departmental	422,215	422,215	391,777	(30,438)
Debt Service	139,809	139,809	139,808	(1)
Capital Outlay	28,800	33,800	28,193	(5,607)
Contingency	1,120,009	1,101,356	-	(1,101,356)
Total Expenditures	11,208,120	11,235,420	9,514,338	(1,721,082)
Excess (Deficiency) of Revenues Over Expenditures	(3,744,225)	(3,744,225)	(1,752,864)	1,991,361
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers In	2,941,237	2,941,237	2,909,474	(31,763)
Interfund Transfers Out	(813,192)	(813,192)	(813,192)	-
Total Other Financing Sources (Uses)	2,128,045	2,128,045	2,096,282	(31,763)
Net Change in Fund Balance	(1,616,180)	(1,616,180)	343,418	1,959,598
Beginning Fund Balance				
- As Previously Reported	1,616,180	1,616,180	2,304,425	688,245
Restatement for (Decreases)/Increases for:				
Court Receivable - Net	-	-	(104,109)	(104,109)
Beginning Net Position (Deficit) - As Restated	1,616,180	1,616,180	2,200,316	584,136
Ending Fund Balance	\$ -	\$ -	\$ 2,543,734	\$ 2,543,734

CITY OF LEBANON

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	(See Note 1)	
<u>REVENUES:</u>				
Fees and Charges	\$ 394,200	\$ 394,200	\$ 632,551	\$ 238,351
Franchise Taxes	1,200	1,200	800	(400)
Transient Room Taxes	205,220	205,220	259,743	54,523
Grants and Contributions	1,349,575	1,427,575	328,038	(1,099,537)
Intergovernmental	948,800	948,800	965,215	16,415
Investment Earnings	4,800	4,800	16,782	11,982
Miscellaneous Revenue	21,000	21,000	11,023	(9,977)
Total Revenues	2,924,795	3,002,795	2,214,152	(788,643)
<u>EXPENDITURES:</u>				
Current				
Boat Ramps	7,400	7,400	3,948	(3,452)
Building Inspection	130,200	130,200	138,516	8,316
Custodial & Maintenance Services	127,671	127,671	89,283	(38,388)
Dial-A-Bus	236,469	236,469	200,637	(35,832)
Engineer Development Review	17,000	17,000	4,400	(12,600)
Geographic Information Services	39,042	69,042	49,986	(19,056)
Information System Service	647,155	647,155	597,536	(49,619)
Motel Tax	121,000	121,000	111,672	(9,328)
Park Enterprise	67,500	67,500	47,745	(19,755)
Police Reserves	4,000	4,000	-	(4,000)
School Resource Officer	1,000	1,000	-	(1,000)
Streets	715,103	715,103	689,480	(25,623)
Youth Court	7,620	7,620	303	(7,317)
Non-Departmental				
Capital Outlay	1,435,051	1,586,100	577,622	(1,008,478)
Contingency	492,213	462,213	-	(462,213)
Total Expenditures	4,048,424	4,199,473	2,511,128	(1,688,345)
Excess (Deficiency) of Revenues Over Expenditures	(1,123,629)	(1,196,678)	(296,976)	899,702
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers In	1,071,353	1,309,353	1,777,153	467,800
Interfund Transfers Out	(1,037,977)	(975,977)	(1,037,977)	62,000
Total Other Financing Sources (Uses)	33,376	333,376	739,176	405,800
Net Change in Fund Balance	(1,090,253)	(863,302)	442,200	1,305,502
Beginning Fund Balance	1,160,253	933,302	1,296,133	362,831
Ending Fund Balance	\$ 70,000	\$ 70,000	\$ 1,738,333	\$ 1,668,333

CITY OF LEBANON

**Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
NORTHWEST LEBANON URBAN RENEWAL DISTRICT
For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<u>REVENUES:</u>				
Property Taxes	\$ 2,436,000	\$ 2,436,000	\$ 2,544,286	\$ 108,286
Investment Earnings	5,000	5,000	14,614	9,614
Total Revenues	2,441,000	2,441,000	2,558,900	117,900
<u>EXPENDITURES:</u>				
Current				
Northwest Gateway Urban Renewal District	18,450	18,450	2,618	(15,832)
Non-Departmental				
Debt Service	638,641	638,641	638,641	-
Capital Outlay	811,936	811,936	117	(811,819)
Contingency	341,631	341,631	-	(341,631)
Total Expenditures	1,810,658	1,810,658	641,376	(1,169,282)
Excess (Deficiency) of Revenues Over Expenditures				
	630,342	630,342	1,917,524	1,287,182
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers Out	(1,076,342)	(1,076,342)	(1,076,342)	-
Total Other Financing Sources (Uses)	(1,076,342)	(1,076,342)	(1,076,342)	-
Net Change in Fund Balance	(446,000)	(446,000)	841,182	1,287,182
Beginning Fund Balance	446,000	446,000	850,357	404,357
Ending Fund Balance	\$ -	\$ -	\$ 1,691,539	\$ 1,691,539

CITY OF LEBANON

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

CHEADLE LAKE URBAN RENEWAL DISTRICT

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<u>REVENUES:</u>				
Property Taxes	\$ 372,000	\$ 372,000	\$ 382,532	\$ 10,532
Investment Earnings	500	500	8,223	7,723
Total Revenues	372,500	372,500	390,755	18,255
<u>EXPENDITURES:</u>				
Current				
Cheadle Lake Urban Renewal District	88,261	88,261	8,954	(79,307)
Non-Departmental				
Debt Service	51,068	51,068	56,800	5,732
Capital Outlay	200,000	4,200,000	904,771	(3,295,229)
Contingency	8,482	8,482	-	(8,482)
Total Expenditures	347,811	4,347,811	970,525	(3,377,286)
Excess (Deficiency) of Revenues Over Expenditures				
	24,689	(3,975,311)	(579,770)	3,395,541
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers Out	(99,689)	(99,689)	(99,689)	-
Bond Proceeds	-	4,000,000	4,232,723	(232,723)
Total Other Financing Sources (Uses)	(99,689)	3,900,311	4,133,034	232,723
Net Change in Fund Balance	(75,000)	(75,000)	3,553,264	3,628,264
Beginning Fund Balance	75,000	75,000	149,920	74,920
Ending Fund Balance	\$ -	\$ -	\$ 3,703,184	\$ 3,703,184

CITY OF LEBANON

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

NORTH GATEWAY URBAN RENEWAL DISTRICT

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<u>REVENUES:</u>				
Property Taxes	\$ 563,000	\$ 563,000	\$ 792,700	\$ 229,700
Investment Earnings	300	300	5,121	4,821
Total Revenues	563,300	563,300	797,821	234,521
<u>EXPENDITURES:</u>				
Non-Departmental				
Debt Service	290,000	290,000	213,206	(76,794)
Capital Outlay	250,066	250,066	-	(250,066)
Contingency	8,699	8,699	-	(8,699)
Total Expenditures	548,765	548,765	213,206	(335,559)
Excess (Deficiency) of Revenues Over Expenditures	14,535	14,535	584,615	570,080
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers Out	(384,535)	(384,535)	(384,535)	-
Total Other Financing Sources (Uses)	(384,535)	(384,535)	(384,535)	-
Net Change in Fund Balance	(370,000)	(370,000)	200,080	570,080
Beginning Fund Balance	370,000	370,000	(1,644,744)	(2,014,744)
Ending Fund Balance	\$ -	\$ -	\$ (1,444,664)	\$ (1,444,664)

CITY OF LEBANON

**SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.05938091%	0.06818513%	0.06443958%
Employer's proportionate share of the net pension liability (asset)	\$ 8,914,453	\$ 3,914,823	\$ (1,460,660)
Employer's covered - employee payroll	\$ 5,420,641	\$ 4,915,422	\$ 4,670,776
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	164%	80%	-31.3%
Plan fiduciary net position as a percentage of the total pension liability	80.5%	91.9%	103.6%

*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

CITY OF LEBANON
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,031,546	\$ 595,431	\$ 457,865
Contributions in relation to the contractually required contribution	<u>1,031,546</u>	<u>595,431</u>	<u>457,865</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Employer's covered - employee payroll	\$ 5,784,286	\$ 5,420,641	\$4,915,422
Contributions as a percentage of covered - employee payroll	17.83%	11.0%	9.3%

*This schedule is presented to illustrate the requirement to show information for 10 years. However the full 10-year trend will be presented for those years for which information is available

OTHER
SUPPLEMENTARY
INFORMATION

Proprietary Funds

CITY OF LEBANON

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

WATER FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	Original	Final		
<u>REVENUES:</u>				
Fees and Charges	\$ 46,295	\$ 46,295	\$ 220,345	\$ 174,050
Investment Earnings	5,800	5,800	71,788	65,988
Grants and Contributions	10,000,000	10,000,000	-	(10,000,000)
Charges for Services	4,870,492	4,870,492	4,823,100	(47,392)
Miscellaneous Revenue	95,000	95,000	122,147	27,147
Total Revenues	15,017,587	15,017,587	5,237,380	(9,780,207)
<u>EXPENDITURES:</u>				
Current				
Water Utility	2,093,081	2,093,081	2,020,260	(72,821)
Non-Departmental				
Capital Outlay	25,895,636	25,895,636	5,588,675	(20,306,961)
Contingency	277,791	277,791	-	(277,791)
Total Expenditures	28,266,508	28,266,508	7,608,935	(20,657,573)
Excess (Deficiency) of Revenues				
Over Expenditures	(13,248,921)	(13,248,921)	(2,371,555)	10,877,366
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers In	263,542	263,542	263,542	-
Interfund Transfers Out	(1,498,621)	(1,498,621)	(1,498,621)	-
Loan Proceeds	11,000,000	11,000,000	3,855,423	(7,144,577)
Total Other Financing Sources (Uses)	9,764,921	9,764,921	2,620,344	(7,144,577)
Net Change in Fund Balance	(3,484,000)	(3,484,000)	248,789	3,732,789
Beginning Fund Balance	3,484,000	3,484,000	2,888,920	(595,080)
Prior Period Adjustment	-	-	661,002	661,002
Ending Fund Balance	\$ -	\$ -	\$ 3,798,711	\$ 3,798,711

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	248,789
Change in Compensated Absences	(4,011)
Change in Pension Expense	16,691
Change in tranfers for debt service payments	200,000
Revenue recognition of deferred inflows	191,197
Capital outlay that is capitalized	5,588,675
Loan Proceeds reclassified as Debt	(3,855,423)
Depreciation Expense	(382,620)
Change in Net Position as Reported in Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 2,003,298</u>

CITY OF LEBANON
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
WASTEWATER FUND
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Fees and Charges	\$ 42,000	\$ 42,000	\$ 336,210	\$ 294,210
Investment Earnings	7,750	7,750	44,088	36,338
Charges for Services	5,055,000	5,055,000	5,323,167	268,167
Miscellaneous Revenue	-	-	7,180	7,180
Total Revenues	5,104,750	5,104,750	5,710,645	605,895
<u>EXPENDITURES:</u>				
Current				
Wastewater Utility	2,021,343	2,021,343	1,883,780	(137,563)
Non-Departmental				
Debt Service	674,535	674,535	674,535	-
Capital Outlay	3,351,754	3,351,754	846,790	(2,504,964)
Contingency	317,703	317,703	-	(317,703)
Total Expenditures	6,365,335	6,365,335	3,405,105	(2,960,230)
Excess (Deficiency) of Revenues Over Expenditures	(1,260,585)	(1,260,585)	2,305,540	3,566,125
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers In	56,447	56,447	56,447	-
Interfund Transfers Out	(1,745,482)	(1,745,482)	(2,004,618)	259,136
Total Other Financing Sources (Uses)	(1,689,035)	(1,689,035)	(1,948,171)	(259,136)
Net Change in Fund Balance	(2,949,620)	(2,949,620)	357,369	3,306,989
Beginning Fund Balance	2,980,000	2,980,000	2,149,010	(830,990)
Prior Period Adjustment	-	-	1,394,542	1,394,542
Ending Fund Balance	\$ 30,380	\$ 30,380	\$ 3,900,921	\$ 3,870,541

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	357,369
Change in Compensated Absences	(2,073)
Change in Pension Expense	12,429
Debt Principal Payments	457,042
Changes in Current Expenditures	(6,189)
Change in transfers for debt service payments	585,000
Revenue recognition of deferred inflows	293,401
Capital outlay that is capitalized	846,790
Depreciation Expense	(988,792)
Change in Net Position as Reported in Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 1,554,977</u>

CITY OF LEBANON

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

STORM DRAIN FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final	(See Note 1)	
<u>REVENUES:</u>				
Fees and Charges	\$ 4,100	\$ 4,100	\$ 22,284	\$ 18,184
Investment Earnings	1,715	1,715	5,364	3,649
Charges for Services	435,000	435,000	453,205	18,205
Miscellaneous Revenue	-	-	984	984
Total Revenues	440,815	440,815	481,837	41,022
<u>EXPENDITURES:</u>				
Current				
Storm Drain Utility	82,350	82,350	48,133	(34,217)
Non-Departmental				
Capital Outlay	681,500	681,500	324,436	(357,064)
Contingency	17,869	17,869	-	(17,869)
Total Expenditures	781,719	781,719	372,569	(409,150)
Excess (Deficiency) of Revenues Over Expenditures				
	(340,904)	(340,904)	109,268	450,172
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers In	8,969	8,969	8,969	-
Interfund Transfers Out	(262,946)	(262,946)	(262,946)	-
Total Other Financing Sources (Uses)	(253,977)	(253,977)	(253,977)	-
Net Change in Fund Balance	(594,881)	(594,881)	(144,709)	450,172
Beginning Fund Balance	594,881	594,881	523,062	(71,819)
Prior Period Adjustment	-	-	110,079	110,079
Ending Fund Balance	\$ -	\$ -	\$ 488,432	\$ 488,432

Reconciliation to generally accepted accounting principles basis

Net change in fund balance from above	(144,709)
Revenue recognition of deferred inflows	795
Capital outlay that is capitalized	253,735
Depreciation Expense	(5,559)
Change in Net Position as Reported in Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 104,262</u>

OTHER
SUPPLEMENTARY
INFORMATION

Debt Service Fund

CITY OF LEBANON

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
<u>REVENUES:</u>				
Property Taxes	\$ 1,256,724	\$ 1,256,724	\$ 1,318,804	\$ 62,080
Investment Earnings	1,500	1,500	13,055	11,555
Total Revenues	1,258,224	1,258,224	1,331,859	73,635
<u>EXPENDITURES:</u>				
Non-Departmental				
Debt Service	3,332,094	3,332,094	3,332,091	(3)
Total Expenditures	3,332,094	3,332,094	3,332,091	(3)
Excess (Deficiency) of Revenues Over Expenditures	(2,073,870)	(2,073,870)	(2,000,232)	73,638
<u>OTHER FINANCING SOURCES / (USES):</u>				
Interfund Transfers In	1,964,211	1,964,211	1,964,211	-
Total Other Financing Sources (Uses)	1,964,211	1,964,211	1,964,211	-
Net Change in Fund Balance	(109,659)	(109,659)	(36,021)	73,638
Beginning Fund Balance	189,659	189,659	250,118	60,459
Ending Fund Balance	\$ 80,000	\$ 80,000	\$ 214,097	\$ 134,097

OTHER
SUPPLEMENTARY
INFORMATION

Capital Projects Fund

CITY OF LEBANON

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

CAPITAL PROJECTS FUND

For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis) (See Note 1)	Final Budget Over (Under)
REVENUES:				
Fees and Charges	\$ 277,700	\$ 277,700	\$ 1,189,253	\$ 911,553
Grants and Contributions	1,309,975	1,309,975	61,569	(1,248,406)
Investment Earnings	20,240	20,240	70,152	49,912
Miscellaneous Revenue	4,800	4,800	25,240	20,440
Total Revenues	1,612,715	1,612,715	1,346,214	(266,501)
EXPENDITURES:				
Current				
Library Building Trust	29,175	29,175	4,367	(24,808)
Library Trust Fund	81,000	81,000	54,301	(26,699)
Police Trust	15,000	15,000	6,149	(8,851)
Senior Services Trust	14,500	14,500	8,277	(6,223)
Snedaker Trust	10,000	10,000	1,599	(8,401)
Streets Capital Projects	10,000	10,000	10,000	-
Non-Departmental				
Capital Outlay	3,896,043	3,738,543	828,681	(2,909,862)
Contingency	584,085	584,085	-	(584,085)
Total Expenditures	4,639,803	4,482,303	913,374	(3,568,929)
Excess (Deficiency) of Revenues Over Expenditures				
	(3,027,088)	(2,869,588)	432,840	3,302,428
OTHER FINANCING SOURCES / (USES):				
Interfund Transfers In	640,630	578,630	578,630	-
Interfund Transfers Out	(27,605)	(265,605)	(380,505)	114,900
Total Other Financing Sources (Uses)	613,025	313,025	198,125	(114,900)
Net Change in Fund Balance	(2,414,063)	(2,556,563)	630,965	3,187,528
Beginning Fund Balance	4,109,268	4,109,268	7,881,091	3,771,823
Prior Period Adjustment	-	-	(2,165,623)	(2,165,623)
Ending Fund Balance	\$ 1,695,205	\$ 1,552,705	\$ 6,346,433	\$ 4,793,728

OTHER
SUPPLEMENTARY
INFORMATION

Trust & Agency Fund

CITY OF LEBANON

**Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual**

TRUST AND AGENCY FUND

For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Fines and Forfeitures	\$ 149,925	\$ 149,925	\$ 104,617	\$ (45,308)
Total Revenues	149,925	149,925	104,617	(45,308)
<u>EXPENDITURES:</u>				
Current				
Bail and Trust	154,025	154,025	104,617	(49,408)
Total Expenditures	154,025	154,025	104,617	(49,408)
Net Change in Fund Balance	(4,100)	(4,100)	-	4,100
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ (4,100)	\$ (4,100)	\$ -	\$ 4,100

OTHER
SUPPLEMENTARY
INFORMATION

Additional
Supporting Schedules

CITY OF LEBANON

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS

For the Fiscal Year Ended June 30, 2017

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
<u>GOVERNMENTAL ACTIVITIES:</u>					
NW URD - Loan with Business Oregon (IFA) for Northwest Urban Renewal District. Original balance \$3,611,222. Interest rate of 4.0 - 4.375%. Loan # B05003					
Principal	\$ 2,772,605	\$ -	\$ 126,331	\$ 2,646,274	\$ 132,184
Interest	-	118,720	118,720	-	113,667
Totals	\$ 2,772,605	\$ 118,720	\$ 245,051	\$ 2,646,274	\$ 245,851
NW URD - General Obligation Bond with Bank of New York Mellon / Zion Bank Original Balance \$3,310,000 Interest rate 2 - 3.5% LebanonUR10					
Principal	\$ 1,450,000	\$ -	\$ 345,000	\$ 1,105,000	\$ 355,000
Interest	-	48,590	48,590	-	36,515
Totals	\$ 1,450,000	\$ 48,590	\$ 393,590	\$ 1,105,000	\$ 391,515
N GATEWAY URD - Note Payable with Samaritan Health Services Original Balance \$2,283,572 Interest rate 6%					
Principal	\$ 1,625,589	\$ 361,011	\$ 133,050	\$ 1,853,550	\$ 142,581
Interest	-	80,156	80,156	-	78,776
Totals	\$ 1,625,589	\$ 441,167	\$ 213,206	\$ 1,853,550	\$ 221,357
2002 PENSION OBLIGATION BONDS held Wells Fargo. Original balance \$2,081,188 Interest rate of 2-					
Principal	\$ 1,546,441	\$ -	\$ 33,687	\$ 1,512,754	\$ 32,872
Interest	-	163,583	163,583	-	97,270
Totals	\$ 1,546,441	\$ 163,583	\$ 197,270	\$ 1,512,754	\$ 130,142
G0 Bond General Obligation Bond held by Bank New York Mellon. Original Balance \$8,640,000 Interest Rate of 4-5% LEBGO2007					
Principal	\$ 1,545,000	\$ -	\$ 830,000	\$ 715,000	\$ 340,000
Interest	-	64,800	64,800	-	28,600
Totals	\$ 1,545,000	\$ 64,800	\$ 894,800	\$ 715,000	\$ 368,600
Promissory Note with Bank of New York Mellon. , Original Balance \$1,779,833 Interest rate 3.0 - 5.25% Special Public Works Fund Loan number B07002					
Principal	\$ 1,317,111	\$ -	\$ 78,597	\$ 1,238,514	\$ 79,141
Interest	-	61,211	61,211	-	58,067
Totals	\$ 1,317,111	\$ 61,211	\$ 139,808	\$ 1,238,514	\$ 137,208
Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$11,885,000 Interest rate 2 - 5% LebanonFFC2013 (NW URD)					
Principal	\$ 10,605,000	\$ -	\$ 430,000	\$ 10,175,000	\$ 455,000
Interest	-	410,550	410,550	-	397,650
Totals	\$ 10,605,000	\$ 410,550	\$ 840,550	\$ 10,175,000	\$ 852,650

Continued

CITY OF LEBANON

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS (Continued)

For the Fiscal Year Ended June 30, 2017

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
<u>GOVERNMENTAL ACTIVITIES (CONT.):</u>					
Full Faith and Credit Bond with Key Bank / Zion Bank Original Balance \$12,800,000 Interest rate 1.65-5%					
LebanonFFC2015					
Principal	\$ 12,565,000	\$ -	\$ -	\$ 12,565,000	\$ 605,000
Interest	-	468,424	468,424	-	468,424
Totals	\$ 12,565,000	\$ 468,424	\$ 468,424	\$ 12,565,000	\$ 1,073,424
CHEADLE LAKE URD - Loan with Opus Bank Original balance \$4,232,723 Interest rate of 2.88% dated 05/18/2017					
Principal	\$ -	\$ 4,232,723	\$ -	\$ 4,232,723	\$ 225,541
Interest	-	-	-	-	126,304
Totals	\$ -	\$ 4,232,723	\$ -	\$ 4,232,723	\$ 351,846
TOTAL GOVERNMENTAL ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 33,426,746	\$ 4,593,734	\$ 1,976,665	\$ 36,043,815	\$ 2,367,319
Interest	-	1,416,034	1,416,034	-	1,405,274
Totals	\$ 33,426,746	\$ 6,009,768	\$ 3,392,699	\$ 36,043,815	\$ 3,772,593
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$1,685,000 Interest rate 2 -4% LebanonFFC2013 (Water)					
Principal	\$ 1,295,000	\$ -	\$ 200,000	\$ 1,095,000	\$ 200,000
Interest	-	47,450	47,450	-	41,450
Totals	\$ 1,295,000	\$ 47,450	\$ 247,450	\$ 1,095,000	\$ 241,450
Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$1,695,000 Interest rate 2 -4% LebanonFFC2013 (WasteWater)					
Principal	\$ 1,005,000	\$ -	\$ 240,000	\$ 765,000	\$ 245,000
Interest	-	37,800	37,800	-	30,600
Totals	\$ 1,005,000	\$ 37,800	\$ 277,800	\$ 765,000	\$ 275,600

Continued

CITY OF LEBANON

SCHEDULE OF LONG-TERM DEBT TRANSACTIONS (Continued)

For the Fiscal Year Ended June 30, 2017

	Outstanding Balance July 1, 2016	New Issues and Interest Matured	Principal and Interest Retired	Outstanding Balance June 30, 2017	Due within One Year
<u>BUSINESS-TYPE ACTIVITIES: (CONT.)</u>					
Full Faith and Credit Bond with Key Bank / Zion Bank Original Balance \$2,385,000 Interest rate 1.65-5%					
LebanonFFC2015 (WasteWater)					
Principal	\$ 2,180,000	\$ -	\$ 345,000	\$ 1,835,000	\$ 350,000
Interest	-	60,800	60,800	-	53,900
Totals	<u>\$ 2,180,000</u>	<u>\$ 60,800</u>	<u>\$ 405,800</u>	<u>\$ 1,835,000</u>	<u>\$ 403,900</u>
Note payable to Department of Environmental Quality SPF for wastewater improvement projects. Original balance \$900,000. Interest rate 2.93%. Dated 2009. #R56200					
Principal	\$ 654,612	\$ -	\$ 42,042	\$ 612,570	\$ 43,283
Interest	-	22,043	22,043	-	20,588
Totals	<u>\$ 654,612</u>	<u>\$ 22,043</u>	<u>\$ 64,085</u>	<u>\$ 612,570</u>	<u>\$ 63,871</u>
Revenue Bonds held by Bank of New York Mellon/ Zion Bank for the construction of wastewater system. Original balance \$7,010,000. Interest rate 2.4-2.5%. Dated January 2010. LEBANONWW10					
Principal	\$ 4,925,000	\$ -	\$ 415,000	\$ 4,510,000	\$ 435,000
Interest	-	195,450	195,450	-	178,850
Totals	<u>\$ 4,925,000</u>	<u>\$ 195,450</u>	<u>\$ 610,450</u>	<u>\$ 4,510,000</u>	<u>\$ 613,850</u>
Loan with Business Oregon (IFA) for financing of the Special Public Works Fund Development Project. Original Balance \$11,000,000 Interest rate 3.510% L16003					
Principal	\$ -	\$ 727,005	\$ -	\$ 727,005	\$ -
Interest	-	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 727,005</u>	<u>\$ -</u>	<u>\$ 727,005</u>	<u>\$ -</u>
Loan with Business Oregon (IFA) for financing of the Safe Drinking Water Revolving Loan Fund Original Balance \$13,000,000 Interest rate 1.0% S16004					
Principal	\$ -	\$ 3,128,418	\$ -	\$ 3,128,418	\$ -
Interest	-	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 3,128,418</u>	<u>\$ -</u>	<u>\$ 3,128,418</u>	<u>\$ -</u>
TOTAL BUSINESS-TYPE ACTIVITIES DEBT AGREEMENTS:					
Principal	\$ 10,059,612	\$ 3,855,423	\$ 1,242,042	\$ 12,672,993	\$ 1,273,283
Interest	-	\$ 363,543	363,543	-	325,388
Totals	<u>\$ 10,059,612</u>	<u>\$ 4,218,966</u>	<u>\$ 1,605,585</u>	<u>\$ 12,672,993</u>	<u>\$ 1,598,671</u>
TOTAL DEBT AGREEMENTS:					
Principal	\$ 43,486,358	\$ 8,449,157	\$ 3,218,707	\$ 48,716,808	\$ 3,640,602
Interest	-	1,779,577	1,779,577	-	1,730,662
Totals	<u>\$ 43,486,358</u>	<u>\$ 10,228,734</u>	<u>\$ 4,998,284</u>	<u>\$ 48,716,808</u>	<u>\$ 5,371,264</u>

CITY OF LEBANON

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

For the Fiscal Year Ended June 30, 2017

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fiscal Year-end Balance
<u>GOVERNMENTAL ACTIVITIES:</u>				
NW URD - Loan with Business Oregon (IFA) for Northwest Urban Renewal District. Original balance \$3,611,222. Interest rate of 4.0 - 4.375%. Loan # B05003				
2018	\$ 245,851	\$ 132,184	\$ 113,667	2,514,090
2019	241,452	133,072	108,380	2,381,018
2020	242,051	138,994	103,057	2,242,024
2021	242,307	144,984	97,323	2,097,040
2022	242,268	151,034	91,234	1,946,006
2023	241,955	157,140	84,815	1,788,866
2024	246,430	168,293	78,137	1,620,573
2025	245,410	174,510	70,900	1,446,063
2026	244,066	180,801	63,265	1,265,262
2027	242,504	187,149	55,355	1,078,113
2028	245,722	198,555	47,167	879,558
2029	243,504	205,023	38,481	674,535
2030	246,066	216,556	29,510	457,979
2031	243,192	223,155	20,037	234,824
2032	245,098	234,824	10,274	-
Totals	\$ 3,657,876	\$ 2,646,274	\$ 1,011,602	
NW URD - General Obligation Bond with Bank of New York Mellon / Zion Bank Original Balance \$3,310,000 Interest rate 2 - 3.5% LebanonUR10				
2018	\$ 391,515	\$ 355,000	\$ 36,515	750,000
2019	395,510	370,000	25,510	380,000
2020	393,300	380,000	13,300	-
Totals	\$ 1,180,325	\$ 1,105,000	\$ 75,325	
N GATEWAY URD - Note Payable with Samaritan Health Services Original Balance \$2,283,572 Interest rate 6%				
2018	\$ 221,357	\$ 142,581	\$ 78,776	1,710,969
2019	215,297	142,581	72,716	1,568,388
2020	209,237	142,581	66,656	1,425,807
2021	203,178	142,581	60,597	1,283,226
2022	197,118	142,581	54,537	1,140,645
2023	191,058	142,581	48,477	998,064
2024	184,999	142,581	42,418	855,483
2025	178,939	142,581	36,358	712,902
2026	172,879	142,581	30,298	570,321
2027	166,820	142,581	24,239	427,740
2028	160,760	142,581	18,179	285,159
2029	154,700	142,581	12,119	142,578
2030	148,641	142,578	6,063	-
Totals	\$ 2,404,983	\$ 1,853,550	\$ 551,433	

Continued

CITY OF LEBANON

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT

For the Fiscal Year Ended June 30, 2017

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fiscal Year-end Balance
<u>GOVERNMENTAL ACTIVITIES: (CONT.)</u>				
2002 PENSION OBLIGATION BONDS held Wells Fargo. Original balance \$2,081,188 Interest rate of 2-7.36%				
2018	\$ 130,142	\$ 32,872	\$ 97,270	\$ 1,479,882
2019	130,503	33,233	97,270	1,446,649
2020	148,919	51,649	97,270	1,395,000
2021	235,558	140,000	95,558	1,255,000
2022	245,968	160,000	85,968	1,095,000
2023	260,008	185,000	75,008	910,000
2024	267,335	205,000	62,335	705,000
2025	48,293	-	48,293	705,000
2026	308,293	260,000	48,293	445,000
2027	325,483	295,000	30,483	150,000
2028	160,275	150,000	10,275	-
Totals	\$ 2,260,774	\$ 1,512,754	\$ 748,020	
G0 Bond General Obligation Bond held by Bank New York Mellon. Original Balance \$8,640,000 Interest Rate of 4-5% LEBGO2007				
2018	\$ 368,600	\$ 340,000	\$ 28,600	\$ 375,000
2019	390,000	375,000	15,000	-
Totals	\$ 758,600	\$ 715,000	\$ 43,600	
Promissory Note with Bank of New York Mellon. , Original Balance \$1,779,833 Interest rate 3.0 - 5.25% Special Public Works Fund Loan number B07002				
2018	\$ 137,208	\$ 79,141	\$ 58,067	\$ 1,159,373
2019	139,609	84,707	54,902	1,074,666
2020	136,634	85,332	51,302	989,334
2021	138,484	91,022	47,462	898,312
2022	135,484	91,663	43,821	806,649
2023	136,734	97,496	39,238	709,153
2024	137,734	103,371	34,363	605,782
2025	139,333	109,105	30,228	496,677
2026	139,834	115,061	24,773	381,616
2027	139,846	121,114	18,732	260,502
2028	139,845	127,169	12,676	133,333
2029	139,333	133,333	6,000	-
Totals	\$ 1,660,077	\$ 1,238,514	\$ 421,563	

Continued

CITY OF LEBANON
SCHEDULE OF FUTURE REQUIREMENTS FOR
RETIREMENT OF LONG-TERM DEBT
For the Fiscal Year Ended June 30, 2017

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fiscal Year-end Balance
<u>GOVERNMENTAL ACTIVITIES: (CONT.)</u>				
Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$11,885,000 Interest rate 2 - 5% LebanonFFC2013 (NW URD)				
2018	\$ 852,650	\$ 455,000	\$ 397,650	9,720,000
2019	859,450	480,000	379,450	9,240,000
2020	865,250	505,000	360,250	8,735,000
2021	1,270,050	930,000	340,050	7,805,000
2022	1,277,850	975,000	302,850	6,830,000
2023	1,283,600	1,010,000	273,600	5,820,000
2024	1,293,300	1,050,000	243,300	4,770,000
2025	1,300,800	1,110,000	190,800	3,660,000
2026	1,311,400	1,165,000	146,400	2,495,000
2027	1,319,800	1,220,000	99,800	1,275,000
2028	1,326,000	1,275,000	51,000	-
Totals	\$ 12,960,150	\$ 10,175,000	\$ 2,785,150	
Full Faith and Credit Bond with Key Bank / Zion Bank Original Balance \$12,800,000 Interest rate 1.65-5% LebanonFFC2015				
2018	\$ 658,900	\$ 605,000	\$ 53,900	11,960,000
2019	701,900	655,000	46,900	11,305,000
2020	1,133,775	1,095,000	38,775	10,210,000
2021	1,186,900	1,160,000	26,900	9,050,000
2022	1,246,700	1,235,000	11,700	7,815,000
2023	1,682,556	1,330,000	352,556	6,485,000
2024	1,741,056	1,455,000	286,056	5,030,000
2025	1,791,500	1,540,000	251,500	3,490,000
2026	1,849,500	1,675,000	174,500	1,815,000
2027	1,905,750	1,815,000	90,750	-
Totals	\$ 13,898,537	\$ 12,565,000	\$ 1,333,537	
CHEADLE LAKE URD - Loan with Opus Bank Original balance \$4,232,723 Interest rate of 2.88% dated 05/18/2017				
2018	\$ 351,846	\$ 225,541	\$ 126,304	4,007,182
2019	351,846	236,439	115,407	3,770,743
2020	351,846	243,248	108,597	3,527,495
2021	351,846	250,254	101,592	3,277,241
2022	351,846	257,461	94,385	3,019,780
2023	351,846	264,876	86,970	2,754,904
2024	351,846	272,504	79,341	2,482,399
2025	351,846	280,353	71,493	2,202,046
2026	351,846	288,427	63,419	1,913,620
2027	351,846	296,733	55,112	1,616,886
2028	351,846	305,279	46,566	1,311,607
2029	351,846	314,071	37,774	997,535
2030	351,846	323,117	28,729	674,419
2031	351,846	332,422	19,423	341,996
2032	351,846	341,996	9,850	-
Totals	\$ 5,277,685	\$ 4,232,723	\$ 1,044,963	
TOTAL GOVERNMENTAL	\$ 44,059,007	\$ 36,043,815	\$ 8,015,192	

CITY OF LEBANON

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF LONG-TERM DEBT (CONT.)

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fees	Fiscal Year-end Balance
<u>BUSINESS -TYPE ACTIVITIES:</u>					
Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$1,685,000 Interest rate 2 -4% LebanonFFC2013 (Water)					
2018	\$ 241,450	\$ 200,000	\$ 41,450		895,000
2019	248,450	215,000	33,450		680,000
2020	244,850	220,000	24,850		460,000
2021	241,050	225,000	16,050		235,000
2022	242,050	235,000	7,050		-
Totals	\$ 1,217,850	\$ 1,095,000	\$ 122,850		
Full Faith and Credit Bond with Bank of New York Mellon / Zion Bank Original Balance \$1,695,000 Interest rate 2 -4% LebanonFFC2013 (WasteWater)					
2018	\$ 275,600	\$ 245,000	\$ 30,600		520,000
2019	275,800	255,000	20,800		265,000
2020	275,600	265,000	10,600		-
Totals	\$ 827,000	\$ 765,000	\$ 62,000		
Full Faith and Credit Bond with Key Bank / Zion Bank Original Balance \$2,385,000 Interest rate 1.65-5% LebanonFFC2015 (WasteWater)					
2018	\$ 403,900	\$ 350,000	\$ 53,900		1,485,000
2019	401,900	355,000	46,900		1,130,000
2020	403,775	365,000	38,775		765,000
2021	401,900	375,000	26,900		390,000
2022	401,700	390,000	11,700		-
Totals	\$ 2,013,175	\$ 1,835,000	\$ 178,175		
Note payable to Department of Environmental Quality SPF for wastewater improvement projects. Original balance \$900,000. Interest rate 2.93%. Dated 2009. #R56200					
2018	\$ 63,871	\$ 43,283	\$ 17,633	\$ 2,955	569,287
2019	63,652	44,560	16,356	2,736	524,727
2020	63,426	45,875	15,041	2,510	478,852
2021	63,193	47,229	13,687	2,277	431,623
2022	62,953	48,623	12,293	2,037	383,000
2023	62,707	50,058	10,858	1,791	332,942
2024	62,453	51,535	9,381	1,537	281,407
2025	62,191	53,056	7,860	1,275	228,351
2026	61,922	54,623	6,293	1,006	173,728
2027	61,645	56,235	4,681	729	117,493
2028	61,360	57,895	3,021	444	59,598
2029	61,061	59,598	1,313	150	-
Totals	\$ 750,434	\$ 612,570	\$ 118,417	\$ 19,447	

Continued

CITY OF LEBANON

**SCHEDULE OF FUTURE REQUIREMENTS FOR
RETIREMENT OF LONG-TERM DEBT (CONT.)**

Fiscal Year Ended June 30,	Total Payment	Principal	Interest	Fees	Fiscal Year-end Balance
<u>BUSINESS -TYPE ACTIVITIES: (CONT.)</u>					
Revenue Bonds held by Bank of New York Mellon/ Zion Bank for the construction of wastewater system. Original balance \$7,010,000. Interest rate 2.4-2.5%. Dated January 2010. LEBANONWW10					
2018	\$ 613,850	\$ 435,000	\$ 178,850		4,075,000
2019	606,450	445,000	161,450		3,630,000
2020	603,650	460,000	143,650		3,170,000
2021	360,250	235,000	125,250		2,935,000
2022	360,263	245,000	115,263		2,690,000
2023	359,850	255,000	104,850		2,435,000
2024	359,013	265,000	94,013		2,170,000
2025	357,750	275,000	82,750		1,895,000
2026	356,063	285,000	71,063		1,610,000
2027	360,375	300,000	60,375		1,310,000
2028	359,125	310,000	49,125		1,000,000
2029	357,500	320,000	37,500		680,000
2030	360,500	335,000	25,500		345,000
2031	357,938	345,000	12,938		-
Totals	\$ 5,772,575	\$ 4,510,000	\$ 1,262,575		
Total Business-Type Activities	10,581,034	8,817,570	1,744,017	19,447	0

ACCOMPANYING
INFORMATION

CITY OF LEBANON
INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS
As of June 30, 2017

To the Governing Body of the City of Lebanon
Lebanon, Oregon

I have audited the basic financial statements of the City of Lebanon as of and for the year ended June 30, 2017, and have issued my report thereon dated February 1, 2018. I conducted my 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' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways and roads (ORS Chapters 294, 368 & 373).**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with my testing nothing came to my attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, with the following exceptions:

For the fiscal year ended June 30, 2017, over-expenditure of appropriations occurred in four funds, as noted on page 56 of the audit report.

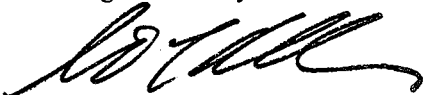
Appropriation Resolutions and Supplemental Appropriation Resolutions adopted during the year did not comply with Oregon Budget Law requirements.

The City has adopted new procedures to review budget vs. actual amounts regularly to avoid over-expenditures in the future.

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the City Council and management of 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.



Steve Tuhscherer, CPA, PC
Roseburg, Oregon
February 1, 2018

SINGLE AUDIT SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Lebanon, Oregon

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lebanon as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Lebanon's basic financial statements and have issued my report thereon dated February 1, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Lebanon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lebanon's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Lebanon's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lebanon's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steve Tuchscherer, CPA
February 1, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
City of Lebanon

Report on Compliance for Each Major Federal Program

I have audited the City of Lebanon's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Lebanon's major federal programs for the year ended June 30, 2017. The City of Lebanon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Lebanon's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lebanon's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City of Lebanon's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Lebanon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

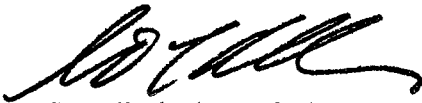
Report on Internal Control over Compliance

The management of the City of Lebanon is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit, I considered the City of Lebanon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Lebanon's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Steve Tuchscherer, CPA
February 1, 2018

CITY OF LEBANON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2017

Grantor / Lender Program and Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through Oregon Department of Transportation:		
Formula Grants for Rural Areas	20.509	\$ 82,545
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	3,014
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Passed through Oregon Infrastructure Finance Authority		
Capitalization Grants for Drinking Water State Revolving Funds Project No. S16004	* 66.468	1,077,005
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 1,162,564

This schedule has been prepared using the modified accrual basis of accounting.

* Major Programs

CITY OF LEBANON

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of federal awards (the “Schedule”) includes the federal award activity of City of Lebanon under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Lebanon, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Lebanon.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COSTS RATE

City of Lebanon has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF LEBANON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

Section I—Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the financial statements of City of Lebanon in accordance with GAAP.
2. No material weaknesses or significant deficiencies in internal control related to the financial statement audit were identified which are required to be reported.
3. No instances of noncompliance material to the financial statements of City of Lebanon were disclosed during the audit.
4. The auditor’s report on compliance for the major federal award program expresses an unmodified opinion.
5. The audit did not disclose any findings that are required to be reported.
6. The program tested as a major program was Capitalization Grants for Drinking Water State Revolving Funds CFDA No. 66.468.
7. The threshold for distinguishing between Type A and B programs was \$750,000.
8. The District was determined to be a low-risk auditee.

Section II—Financial Statements Findings

No findings related to the financial statements are reported in accordance with *Government Auditing Standards* for the year ended June 30, 2017.

Section III—Findings and Questioned Costs for Federal Awards.

No matters were reported relating to significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Section IV—Summary Schedule of Prior Audit Findings

There were no findings or questioned costs for the year ended June 30, 2016.