

***CITY OF LEBANON, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2005***

CITY OF LEBANON, OREGON
CITY OFFICIALS
JUNE 30, 2005

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Lebanon, Oregon 97355

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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Oregon as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Oregon as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2006 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting standards generally accepted in the United States of America require that financial statements include Management's Discussion and Analysis as supplemental information. Management has not presented the required Management's Discussion and Analysis.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


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

By: _____
Charles A. Swank, A Shareholder
July 26, 2006

BASIC FINANCIAL STATEMENTS

CITY OF LEBANON, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 14,008,515	\$ 3,442,337	\$ 17,450,852
Accounts receivable	725,111	632,199	1,357,310
Prepaid expenses	21,066	-	21,066
Property taxes receivable	369,809	874	370,683
Special assessments/loans	966,271	-	966,271
Court fines	729,204	-	729,204
Capital assets, net	22,038,988	22,881,368	44,920,356
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	38,858,964	26,956,778	65,815,742
LIABILITIES			
Accounts payable	404,069	40,745	444,814
Payroll liabilities	96,845	-	96,845
Retainage payable	5,110	-	5,110
Deposits	-	80,755	80,755
Reserved for claims	110,671	123,567	234,238
Noncurrent liabilities:			
Due within one year:			
Loan payable	-	2,985	2,985
Bonds payable	663,528	305,000	968,528
Accrued compensated absences	203,968	18,578	222,546
Due in more than one year:			
Loan payable	69,848	276	70,124
Bonds payable	11,599,608	8,815,000	20,414,608
Bonds discount	-	(250,193)	(250,193)
Accrued compensated absences	637,526	200,659	838,185
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	13,791,173	9,337,372	23,128,545
NET ASSETS			
Investment in capital assets (net of related debt)	9,706,004	14,008,300	23,714,304
Restricted for special purposes	4,477,117	-	4,477,117
Unrestricted	10,884,670	3,611,106	14,495,776
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 25,067,791</u>	<u>\$ 17,619,406</u>	<u>\$ 42,687,197</u>

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

CITY OF LEBANON, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	<i>Expenses</i>	<i>Program Revenues</i>	
		<i>Fees, Fines, and Charges for Services</i>	<i>Operating Grants and Contributions</i>
FUNCTIONS/PROGRAMS			
Governmental activities:			
General government	\$ 699,178	\$ 136,293	\$ 83,416
Community services and development	4,885,029	1,573,800	8,391,202
Public safety	2,694,434	502,608	67,483
Interest on long-term debt	723,424	-	-
Unallocated depreciation	2,502,713	-	-
<i>Total governmental activities</i>	11,504,778	2,212,701	8,542,101
Business-type activities:			
Water	1,732,755	2,269,133	-
Storm drain utility	7,972	-	-
Wastewater	1,609,423	2,450,096	-
Railroad	140	103	-
<i>Total business-type activities</i>	3,350,290	4,719,332	-
<i>Total activities</i>	<u>\$ 14,855,068</u>	<u>\$ 6,932,033</u>	<u>\$ 8,542,101</u>

General revenues:

Property taxes
Franchise fees
Intergovernmental
Miscellaneous
Loss on disposal of assets

Total general revenues

Transfers

Change in net assets

Net assets, July 1, 2004

Net assets, June 30, 2005

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

<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 401,946	\$ (77,523)	\$ -	\$ (77,523)
-	5,079,973	-	5,079,973
-	(2,124,343)	-	(2,124,343)
-	(723,424)	-	(723,424)
-	(2,502,713)	-	(2,502,713)
401,946	(348,030)	-	(348,030)
-	-	536,378	536,378
-	-	(7,972)	(7,972)
-	-	840,673	840,673
-	-	(37)	(37)
-	-	1,369,042	1,369,042
<u>\$ 401,946</u>	(348,030)	1,369,042	1,021,012
	4,327,326	-	4,327,326
	1,266,408	-	1,266,408
	257,005	-	257,005
	460,587	75,738	536,325
	(1,314,941)	(280,048)	(1,594,989)
	4,996,385	(204,310)	4,792,075
	1,498,577	(1,498,577)	-
	6,146,932	(333,845)	5,813,087
	18,920,859	17,953,251	36,874,110
	<u>\$ 25,067,791</u>	<u>\$ 17,619,406</u>	<u>\$ 42,687,197</u>

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

CITY OF LEBANON, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Inter- governmental</u>
ASSETS		
Cash and investments	\$ 266,160	\$ 1,478,731
Accounts receivable	277,250	220,545
Prepaid expenses	-	-
Property taxes receivable	217,139	-
Special assessments/loans	-	941,312
Court fines receivable	542,965	186,239
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 1,303,514</u>	<u>\$ 2,826,827</u>
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 63,947	\$ 295,999
Payroll taxes payable	-	-
Retainage payable	-	5,110
Compensated absences payable	118,052	50,780
Deferred revenues	770,852	1,138,640
Reserved for claims	40,201	70,470
	<hr/>	<hr/>
<i>Total Liabilities</i>	993,052	1,560,999
 Fund Balances		
Unreserved, reported in:		
General fund	310,462	-
Special revenue funds	-	1,265,828
Capital projects fund	-	-
Debt services funds	-	-
	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>310,462</u>	<u>1,265,828</u>
	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,303,514</u>	<u>\$ 2,826,827</u>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 10,308,630	\$ 1,954,994	\$ 14,008,515
154,458	72,858	725,111
-	21,066	21,066
-	152,670	369,809
-	24,959	966,271
-	-	729,204
<u>\$ 10,463,088</u>	<u>\$ 2,226,547</u>	<u>\$ 16,819,976</u>
\$ 28,661	\$ 15,462	\$ 404,069
-	96,845	96,845
-	-	5,110
16,882	18,256	203,970
146,609	179,461	2,235,562
-	-	110,671
192,152	310,024	3,056,227
-	-	310,462
-	1,149,955	2,415,783
10,270,936	-	10,270,936
-	766,568	766,568
10,270,936	1,916,523	13,763,749
<u>\$ 10,463,088</u>	<u>\$ 2,226,547</u>	<u>\$ 16,819,976</u>

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

CITY OF LEBANON, OREGON

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

RECONCILIATION TO THE STATEMENT OF NET ASSETS

<i>Fund Balances</i>	\$ 13,763,749
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	2,235,562
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	22,038,988
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	<u>(12,970,508)</u>
<i>Net assets of governmental activities</i>	<u><u>\$ 25,067,791</u></u>

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

CITY OF LEBANON, OREGON**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Inter- governmental</u>
REVENUES		
Taxes and assessments	\$ 2,538,794	\$ 27,057
Licenses and permits	1,271,949	644,638
Charges for services	38,798	17,111
Intergovernmental	332,003	1,557,798
Fines and forfeitures	226,795	123,960
Miscellaneous	142,987	90,020
	<hr/>	<hr/>
<i>Total Revenues</i>	4,551,326	2,460,584
EXPENDITURES		
Current operating:		
General government	584,341	-
Community services and development	728,947	3,899,089
Public safety	2,542,915	-
Capital outlay	59,171	313,764
Debt service	-	-
Contingency	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	3,915,374	4,212,853
REVENUES OVER (UNDER) EXPENDITURES	635,952	(1,752,269)
OTHER FINANCING SOURCES (USES)		
Transfers in	2,000	2,022,864
Transfers out	(381,324)	(325,498)
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(379,324)	1,697,366
NET CHANGE IN FUND BALANCES	256,628	(54,903)
FUND BALANCES, Beginning of year	53,834	1,320,731
	<hr/>	<hr/>
FUND BALANCES, End of year	\$ 310,462	\$ 1,265,828
	<hr/> <hr/>	<hr/> <hr/>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 390,037	\$ 1,800,134	\$ 4,756,022
-	-	1,916,587
-	-	55,909
7,486,467	122,784	9,499,052
-	117,074	467,829
273,321	198,000	704,328
8,149,825	2,237,992	17,399,727
(11,240)	59,216	632,317
777,194	270,070	5,675,300
7,527	117,989	2,668,431
680,406	290,659	1,344,000
-	1,813,726	1,813,726
-	-	
1,453,887	2,551,660	12,133,774
6,695,938	(313,668)	5,265,953
292,895	289,188	2,606,947
(99,202)	(291,167)	(1,097,191)
193,693	(1,979)	1,509,756
6,889,631	(315,647)	6,775,709
3,381,305	2,232,170	6,988,040
<u>\$ 10,270,936</u>	<u>\$ 1,916,523</u>	<u>\$ 13,763,749</u>

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

CITY OF LEBANON, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

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

<i>Net change in fund balances - total governmental funds</i>	\$ 6,775,709
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	68,347
The Statement of Activities reports gains and losses arising from the disposal of existing capital assets, while governmental funds do not report any gains and losses on the disposal of existing capital assets.	(1,314,941)
Governmental funds do not report expenditures for unpaid compensated absences, interest expense, or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	(66,868)
Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.	(405,617)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.	1,090,302
<i>Change in net assets of governmental activities.</i>	<u>\$ 6,146,932</u>

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

CITY OF LEBANON, OREGON
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2005

ASSETS

Current assets

Cash and investments	\$ 3,442,337
Accounts receivable	632,199
Property taxes receivable	874

<i>Total Current Assets</i>	4,075,410
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Noncurrent assets

Capital assets, net	22,881,368
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<i>Total Assets</i>	26,956,778
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LIABILITIES

Current liabilities

Accounts payable	40,745
Deposits	80,755
Loan payable - current portion	2,985
Bonds payable - current portion	305,000

<i>Total Current Liabilities</i>	429,485
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Noncurrent liabilities

Loans payable	276
Bonds payable	8,815,000
Bonds discount	(250,193)
Compensated absences payable	219,237
Reserved for claims	123,567

<i>Total Noncurrent Liabilities</i>	8,907,887
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NET ASSETS

Investment in capital assets (net of related debt)	14,008,300
Unrestricted	3,611,106

<i>Total Net Assets</i>	\$ 17,619,406
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The accompanying notes are an integral part of the financial statements.

CITY OF LEBANON, OREGON**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND****YEAR ENDED JUNE 30, 2005**

OPERATING REVENUES

Charges for services	\$ 4,501,882
Miscellaneous	217,450

Total Operating Revenues 4,719,332

OPERATING EXPENSES

Personnel services	1,522,301
Materials and services	784,252
Capital outlay / depreciation	646,531

Total Operating Expenses 2,953,084

OPERATING INCOME (LOSS)

1,766,248

NONOPERATING REVENUES (EXPENSES)

Transfers in	1,221,701
Transfers out	(2,720,278)
Interest income	75,738
Interest expense	(397,206)
Loss on disposal of assets	(280,048)

Total Nonoperating Revenue (Expenses) (2,100,093)

CHANGE IN NET ASSETS

(333,845)

NET ASSETS, Beginning of year

17,953,251

NET ASSETS, End of year\$ 17,619,406

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

CITY OF LEBANON, OREGON
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 4,736,962
Cash paid to employees for services	(1,451,131)
Cash paid to suppliers for goods and services	(821,035)

Net Cash Provided by Operating Activities 2,464,796

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

Transfers in	1,221,701
Transfers out	(2,720,278)
Interfund borrowing	(130,000)

*Net Cash Provided by (Used in) Non-Capital
Financing Activities* (1,628,577)

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

Acquisition of capital assets	(246,844)
Principal paid on contracts/bonds payable	(307,814)
Interest paid	(380,860)

Net Cash Used in Capital and Related Financing Activities (935,518)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	75,738
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Net Change in Cash and Investments (23,561)

CASH AND INVESTMENTS, Beginning of year 3,465,898

CASH AND INVESTMENTS, End of year \$ 3,442,337

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

Operating income	\$ 1,766,248
Depreciation	646,531
Change in assets and liabilities	
Accounts receivable	9,050
Accounts payable and accrued liabilities	(36,217)
Compensated absences payable	71,170
Deposit payable	8,580
Reserved for claims	(566)
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 2,464,796</u></u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The City of Lebanon, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2005.

The governing boards of the Urban Renewal Agency, the Cheadle Lake Urban Renewal Agency and the Northwest Urban Renewal Agency of the City of Lebanon consist of all of the members of the Lebanon City Council. The area served by the Agencies is either within the existing City limits of the City of Lebanon or under a delayed annexation agreement requiring annexation to the City at the option of the Lebanon City Council. The Urban Renewal Agency, the Cheadle Lake Urban Renewal Agency, and the Northwest Urban Renewal Agency are reported as blended component units of the City. These agencies do not issue separate financial statements.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

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

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental (general, special revenue, debt service) and proprietary type funds. Major individual governmental funds, governmental and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements and are detailed in the other supplementary information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

The reporting model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

General Fund - this fund accounts for the activities of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees and state and county shared revenues. Primary expenditures are for police protection, parks, planning and general government.

Special Revenue Fund

Intergovernmental Fund - this fund accounts for revenue derived from specific tax or other earmarked revenue sources, including state gas tax, grants and funds set aside to finance particular functions or activities.

Capital Projects Fund

Capital Projects Fund - the City has one capital projects fund which accounts for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary fund.

The City reports the following nonmajor governmental funds:

Special Revenue Funds

Urban Renewal Fund - this fund accounts for revenue derived from specific tax or other earmarked revenue source set aside to finance development in the urban renewal district.

Northwest Urban Renewal Fund - this fund accounts for revenue derived from specific tax or other earmarked revenue sources set aside to finance development in the northwest urban renewal district.

Cheadle Lake Urban Renewal Fund - this fund accounts for revenue derived from specific tax or other earmarked revenue sources set aside to finance development in the Cheadle Lake urban renewal district.

Recorder's Trust - this fund accounts for transactions involving employee benefits.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Debt Service Funds

The City has two debt service funds, the Debt Service Fund and the Bancroft Bond Fund. These funds account for the payment of principle and interest on general obligation bonds.

The City reports one major proprietary fund:

Enterprise Fund

The City has one enterprise fund, which is comprised of seven departments. These departments account for the acquisition, operation and maintenance of the municipal sewer and water systems.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide financial statements and the proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets are segregated into investment in capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise fees, licenses, interest revenue and charges for services. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Receivables for court fines and permits are offset by deferred revenues.

The proprietary funds are accounted for utilizing the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time liabilities are incurred. The proprietary funds have adopted, under GASB No. 20, not to follow FASB pronouncements issued after November 30, 1989, unless specifically adopted by GASB.

CITY OF LEBANON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Transfers between funds are to facilitate operations.

The basis of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2005. Actual results may differ from such estimates.

Cash and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial paper Record, and the State Treasurer's Investment Pool.

Investments are stated at cost, which approximates fair value. Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale. The fair value adjustment is an "unrealized" gain or loss and is reported with other interest income. No investments are carried at amortized cost.

For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include cash and investment pool amounts since they have the characteristics of demand deposits.

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the business-type funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types, which have been collected within sixty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners.

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue on the fund financial statements.

Interest earned on assessments in the governmental fund types is accrued when due and is approximately offset by the related improvement bond interest expenditure which is also recognized when due.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of fixed assets are included in operations.

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond a single reporting period. Infrastructure are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure reported in governmental activities consists of roads, bridges, sidewalks, and traffic and lighting systems. Infrastructure reported in business-type activities consist of water, stormwater and wastewater collection systems.

As permitted by GASB 34, the City has limited the retroactive capitalization of governmental fund infrastructure to fiscal years ended after June 30, 1980. Although, the majority of such infrastructure was placed in service before that date, it has not been included in these financial statements since they have been primarily depreciated.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

Buildings	50 years
Water and sewer systems	40 years
Equipment	5-40 years
Infrastructure	50 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Debt

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

Accrued Vacation Pay

Accumulated vested vacation pay is accrued in the enterprise funds as it is earned by employees. In governmental fund types the amounts, if any, expected to be liquidated with expendable available resources are accrued as liabilities of the funds and the amount payable from future resources is recorded on the Statement of Net Assets. Sick pay, which does not vest, is recorded in all funds when leave is taken.

Budget and Budgetary Accounting

A budget is prepared for each fund. Appropriations are adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes. Budgets are adopted at the departments level in the general fund and expenditures type for other funds. The budgets for the enterprise fund are adopted on the same basis as the budgets for the governmental funds, except for revenues, which are budgeted when received. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. During the fiscal year ended June 30, 2005, several appropriation transfers were made and approved by the City Council.

CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed as part of "cash and investments."

Cash and investments are comprised of the following at June 30, 2005:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<hr/>	<hr/>
<i>Cash</i>		
Cash on hand	\$ 1,450	\$ 1,450
Deposits with financial institutions	1,711,552	1,711,552
<i>Investments</i>		
Local Government Investment Pool	9,608,637	9,608,637
Federal securities	6,129,213	6,110,232
	<hr/>	<hr/>
	\$ 17,450,852	\$ 17,431,871
	<hr/> <hr/>	<hr/> <hr/>

CITY OF LEBANON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2005

CASH AND INVESTMENTS (Continued)

Deposits

The City's deposits are categorized below to give an indication of the level of risk. Category 1 are deposits that are insured or collateralized with securities held by the City or by an agent of the City in the City's name. Category 2 are deposits that are collateralized with securities that are held by the pledging financial institution's trust department (City's counterparty) or agent in the City's name. Category 3 are deposits that are not collateralized. Category 3 includes deposits that are collateralized other than in the City's name.

At year end, the book balance of the City's bank deposits (checking accounts) is \$1,711,550 and the bank balance is \$2,110,006. The difference is due to transactions in process. Of these deposits, \$100,000 was covered by federal depository insurance, the remaining amount is collateralized in accordance with Oregon Revised Statutes. Oregon Revised Statutes require depository institutions to maintain on deposit, with a collateral pool manager, securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager.

Investments

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper and the state treasurer's investment pool, among others.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City's investments are category 2.

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2005, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to classification. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

RECEIVABLES

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 277,250	\$ 278,277	\$ 154,458	\$ 6,757	\$ 632,199	\$ 1,348,941
Property Taxes	217,139	113,134	-	39,536	874	370,683
Special assessments / loans	-	972,964	-	1,676	-	974,640
Court fines	542,965	186,239	-	-	-	729,204
	<u>\$ 1,037,354</u>	<u>\$ 1,550,614</u>	<u>\$ 154,458</u>	<u>\$ 47,969</u>	<u>\$ 633,073</u>	<u>\$ 3,423,468</u>

Property Taxes - Collection Procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15, and May 15. The County bills and collects property taxes for the City.

	<u>Balances July 1, 2004</u>	<u>2004-05 Levy</u>	<u>Added To Rolls</u>	<u>Discounts & Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2005</u>
<i>General Fund</i>						
Current	\$ -	\$ 3,075,923	\$ 1,380	\$ 87,127	\$ 2,851,394	\$ 138,782
Prior	266,459	-	49	9,589	139,026	117,893
	<u>\$ 266,459</u>	<u>\$ 3,075,923</u>	<u>\$ 1,429</u>	<u>\$ 96,716</u>	<u>\$ 2,990,420</u>	<u>\$ 256,675</u>
<i>Urban Renewal</i>						
Current	\$ -	\$ 1,362,190	\$ 611	\$ 38,585	\$ 1,262,757	\$ 61,459
Prior	117,509	-	20	4,114	61,741	51,674
	<u>\$ 117,509</u>	<u>\$ 1,362,190</u>	<u>\$ 631</u>	<u>\$ 42,699</u>	<u>\$ 1,324,498</u>	<u>\$ 113,133</u>
<i>Wastewater</i>						
Current	\$ -	\$ 10,789	\$ 5	\$ 306	10,001	\$ 487
Prior	860	-	-	30	443	387
	<u>\$ 860</u>	<u>\$ 10,789</u>	<u>\$ 5</u>	<u>\$ 336</u>	<u>\$ 10,444</u>	<u>\$ 874</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

CAPITAL ASSETS

The summary of capital assets for the business-type activities for the year ended June 30, 2005 is as follows:

	<i>Balances July 1, 2004</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2005</i>
Water and sewer systems	\$ 30,139,982	\$ 179,402	\$ (898,215)	\$ 29,421,169
Construction in progress	2,029,451	67,442	-	2,096,893
	32,169,433	246,844	(898,215)	31,518,062
Less accumulated depreciation	(8,608,333)	(646,528)	618,167	(8,636,694)
	<u>\$ 23,561,100</u>	<u>\$ (399,684)</u>	<u>\$ (280,048)</u>	<u>\$ 22,881,368</u>

The changes in the capital assets for governmental activities for the year ended June 30, 2005 are as follows:

	<i>Balances July 1, 2004</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2005</i>
General improvements	\$ 51,806,814	\$ 2,097,096	\$ (2,576,704)	\$ 51,327,206
Less accumulated depreciation	(28,047,268)	(2,502,713)	1,261,763	(29,288,218)
	<u>\$ 23,759,546</u>	<u>\$ (405,617)</u>	<u>\$ (1,314,941)</u>	<u>\$ 22,038,988</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

LONG-TERM OBLIGATIONS

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

	<i>Outstanding July 1, 2004</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June30, 2005</i>	<i>Due Within One Year</i>
<i>Governmental activities</i>					
1994 GO Urban Renewal	\$ 675,000	\$ -	\$ (50,000)	\$ 625,000	\$ 55,000
1995 GO Refunding	2,335,000	-	(335,000)	2,000,000	355,000
1999 GO Urban Renewal	3,130,000	-	(80,000)	3,050,000	100,000
2000 GO Urban Renewal	4,720,000	-	(190,000)	4,530,000	200,000
2002 GO Pension Pool	2,066,663	-	(8,527)	2,058,136	11,989
SCIP Loan	88,533	-	(88,533)	-	-
Key Bank Note	90,490	-	(20,642)	69,848	21,606
Lebanon Schools	317,598	-	(317,598)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	13,423,284	-	(1,090,300)	12,332,984	743,595
Accrued vacation	660,635	180,856	-	841,491	203,968
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 14,083,919	\$ 180,856	\$ (1,090,300)	\$ 13,174,475	\$ 947,563
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<i>Outstanding July 1, 2004</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June30, 2005</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
2000 Wastewater Revenue	\$ 2,985,000	\$ -	\$ (125,000)	\$ 2,860,000	\$ 130,000
DOE Loan	6,075	-	(2,814)	3,261	3,261
2003 Wastewater Revenue Refunding	3,530,000	-	(180,000)	3,350,000	180,000
2004 Water Refunding	2,910,000	-	-	2,910,000	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	9,431,075	-	(307,814)	9,123,261	313,261
Accrued vacation	148,067	71,170	-	219,237	85,977
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 9,579,142	\$ 71,170	\$ (307,814)	\$ 9,342,498	\$ 399,238
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

LONG-TERM OBLIGATIONS (Continued)

The future maturities of obligations outstanding as of June 30, 2005:

Governmental Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 743,888	\$ 681,138	\$ 1,425,026
2007	801,854	646,485	1,448,339
2008	855,186	607,452	1,462,638
2009	887,288	565,891	1,453,179
2010	948,468	522,130	1,470,598
2011-2015	3,007,064	2,195,784	5,202,848
2016-2020	3,459,236	1,474,781	4,934,017
2021-2025	925,000	444,711	1,369,711
2026-2028	705,000	89,049	794,049
	<u>\$ 12,332,984</u>	<u>\$ 7,227,421</u>	<u>\$ 19,560,405</u>

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 312,985	\$ 367,745	\$ 680,730
2007	345,276	357,241	702,517
2008	485,000	344,846	829,846
2009	495,000	330,189	825,189
2010	520,000	313,808	833,808
2011-2015	2,895,000	1,262,654	4,157,654
2016-2020	3,590,000	586,795	4,176,795
2021-2023	480,000	20,370	500,370
	<u>\$ 9,123,261</u>	<u>\$ 3,583,648</u>	<u>\$ 12,706,909</u>

CITY OF LEBANON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2005

PENSION PLANS

Plan Description

Certain City employees participate in the Oregon Public Employee's Retirement System (PERS). Contributions are made for employees after six months of employment unless they are members of PERS, and eligible for contributions when they begin employment. PERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service in a PERS covered position. Retirement is allowed at age 58 or 30 years of service with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement age is 70. Contributions made by, or on behalf of, the employee are payable in a lump sum or monthly amounts using several payment options. Contributions made on behalf of the employee to the employer account can only be taken in monthly payments. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes, Chapter 238, Oregon Revised Statutes. PERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the Public Employees Retirement Board. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution.

In addition to the 6% "pick-up," the City contributed 8.42% of covered payroll to OPERS from July 2001 through March 2002. This contribution rate was determined as part of the December 31, 1999 actuarial evaluation. On March 15, 2002, the City issued pension bonds to finance an estimated unfunded actuarial liability of \$2,027,147. As a result, the Retirement Board reduced the City's contribution rate to 5.6% of covered payroll beginning April 2003. The City estimated that it will save \$169,831 in interest costs over the next 26 years from this transaction. The City's rate at July 1, 2003 was 8.52%. The City's payroll for employees covered by PERS for the year ended June 30, 2005 was \$4,099,421, the City's total payroll was \$4,220,712.

Annual Pension Cost

For fiscal 2004-05, the City's annual pension cost of \$595,447 for PERS was equal to the City's required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are the equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8.5% per year; (b) projected annual salary increases for inflation and merit of 4.25% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of PERS. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty year period on an open basis.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

PENSION PLANS (Continued)

Annual Pension Cost (Continued)

The following table presents three-year trend information for the City's defined benefit pension plan:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 687,912	100%	\$ -
6/30/04	590,840	100	-
6/30/05	595,447	100	-

TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 2,000	\$ 381,324
Intergovernmental	2,022,864	325,498
Urban Renewal	-	11,132
NW Urban Renewal	265,000	275,707
Cheadle Lake Urban Renewal	-	2,138
Debt Service	24,188	-
Bancroft Bonds	-	2,190
Capital Projects	292,896	99,203
Water	-	1,227,229
Water CIP	167,600	8,762
Small Water Line	427,908	27,231
Storm Drain Utility	-	513
Wastewater	-	1,411,349
Wastewater CIP	580,999	11,179
	<u>\$ 3,783,455</u>	<u>\$ 3,783,455</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2005

RECONCILIATION OF BUDGETARY TO GAAP BASIS

A reconciliation of revenues and expenditures per the budgetary basis to revenues and expenditures per the GAAP basis is as follows:

	<u>General</u>	<u>Inter- governmental</u>
Revenues and other financing sources:		
Per budgetary and GAAP basis	<u>\$4,551,326</u>	<u>\$ 2,460,584</u>
Expenditures and other financing uses:		
Per budgetary basis	\$4,222,640	\$ 4,516,802
Adjustments for:		
Accrued compensated absences	74,058	21,549
Per GAAP basis	<u>\$4,296,698</u>	<u>\$ 4,538,351</u>

INSURANCE RESERVES

For the past several years, the City has been setting aside funds in an insurance reserve account to use for self insurance against various risks. The deductibles on most City policies range from \$1,000 to \$5,000. However, the greatest portion of the reserve is set aside to meet the deductible on the earthquake policy, which is \$200,000. In addition, from time to time, when special expenditures are needed for safety reasons, funds from this reserve are used. All expenditures are made in accordance with Oregon Local Budget Law. The insurance reserves are classified as liabilities on the statement of net assets.

CONTINGENCIES

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEBANON, OREGON
SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2005

The following table presents a schedule of funding progress for the City's defined benefit pension plan:

<i>Actuarial Valuation Ending December 31</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability</i>	<i>Assets in Excess of Actuarial Liability (UAL)</i>	<i>Funded Percent</i>	<i>Covered Payroll</i>	<i>UAL as a Percentage of Covered Payroll</i>
12/31/99	23,768,901	23,678,316	90,585	100	3,267,506	3
12/31/01	23,241,602	21,993,059	1,248,543	106	4,082,775	31
12/31/03	24,368,493	26,684,447	(2,315,954)	91	4,020,536	(58)

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Taxes and assessments	\$ 2,464,820	\$ 2,464,820	\$ 2,538,794	\$ 2,538,794
Licenses and permits	1,246,258	1,246,258	1,271,949	1,271,949
Charges for services	52,700	52,700	38,798	38,798
Intergovernmental	295,000	307,600	332,003	332,003
Fines and forfeitures	224,000	224,000	226,795	226,795
Miscellaneous	98,400	98,400	142,987	142,987
<i>Total Revenues</i>	4,381,178	4,393,778	4,551,326	4,551,326
EXPENDITURES				
Administration	76,230	76,230	71,092	145,150
City attorney	43,445	43,445	32,628	32,628
Planning	75,011	87,611	85,242	85,242
Public works	17,050	17,050	14,218	14,218
Parks	364,971	364,971	315,585	315,585
Finance	76,013	76,013	74,075	74,075
Legislative	23,398	25,598	24,974	24,974
Library	248,258	263,358	260,914	260,914
Municipal court	239,084	239,084	231,112	231,112
Police	2,361,229	2,361,229	2,356,376	2,356,376
Senior services	137,096	147,096	146,321	146,321
Nondepartmental	427,196	399,896	228,779	228,779
<i>Total Expenditures</i>	4,088,981	4,101,581	3,841,316	3,915,374
REVENUES OVER (UNDER) EXPENDITURES	292,197	292,197	710,010	635,952
OTHER FINANCING SOURCES (USES)				
Transfers in	4,000	4,000	2,000	2,000
Transfers out	(398,197)	(398,197)	(381,324)	(381,324)
<i>Total Other Financing Sources (Uses)</i>	(394,197)	(394,197)	(379,324)	(379,324)
NET CHANGE IN FUND BALANCE	(102,000)	(102,000)	330,686	256,628
FUND BALANCE, Beginning of year	102,000	102,000	97,827	53,834
FUND BALANCE, End of year	\$ -	\$ -	\$ 428,513	\$ 310,462

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 42,000	\$ 42,000	\$ 27,057	\$ 27,057
Licenses and permits	369,523	369,523	644,638	644,638
Charges for services	20,000	20,000	17,111	17,111
Intergovernmental	1,905,323	1,905,323	1,557,798	1,557,798
Fines and forfeitures	129,856	129,856	123,960	123,960
Miscellaneous	292,720	292,720	90,020	90,020
<i>Total Revenues</i>	<i>2,759,422</i>	<i>2,759,422</i>	<i>2,460,584</i>	<i>2,460,584</i>
EXPENDITURES				
City Hall repairs	20,100	20,100	-	-
Motel tax	59,500	59,500	8,600	8,600
OTSC Grant	350	350	-	-
Building inspections	417,482	417,482	316,801	320,167
Park enterprise	17,982	17,982	9,557	9,524
Park grants	263,385	263,385	204,551	204,551
Operation and environment	1,535,738	1,535,738	1,299,535	1,298,543
GIS	358,924	358,924	290,490	290,955
Information system	381,829	381,829	289,718	286,895
Sidewalk and bikepath	39,442	39,442	648	648
Engineering development	147,673	147,673	135,524	141,469
Streets	630,840	630,840	525,394	540,267
Storm drains	64,587	64,587	59,266	64,291
911 communications	60,000	60,000	-	-
Civil forfeitures	1,845	1,845	1,845	1,845
School resource officer	75,851	75,851	71,278	68,366
Dial-A-Bus	148,375	148,375	126,403	124,691
STP street project	281,932	281,932	17,576	17,951
Downtown beautification project	72,939	72,939	38,742	39,077
ODOT grant/transportation	80,000	80,000	-	-
Parking enforcement	21,456	21,456	13,975	13,744
Homeland security & terrorism grant	98,118	98,118	17,790	17,790
1983-84 rehabilitation	74,664	74,664	2,284	2,284
85-86 housing rehabilitation unres.	100	100	-	-
Gills Landing	6,600	6,600	2,085	2,032
93 housing rehabilitation grant	26,000	26,000	-	-
1996 housing rehabilitation grant	26,000	26,000	15,115	15,115
1998 housing rehabilitation grant	39,659	39,659	55,539	55,539
2001 housing rehabilitation grant	50,000	50,000	-	-
Support services	11,250	11,250	5,943	5,943
Traffic team	158,902	158,902	122,903	122,824
Senior Center OCDBG	600,000	600,000	559,742	559,742
<i>Total Expenditures</i>	<i>5,771,523</i>	<i>5,673,405</i>	<i>4,191,304</i>	<i>4,212,853</i>

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES OVER (UNDER)				
EXPENDITURES	\$ (3,012,101)	\$ (2,913,983)	\$ (1,730,720)	\$ (1,752,269)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,124,256	2,124,256	2,022,864	2,022,864
Transfers out	(416,184)	(416,184)	(325,498)	(325,498)
<i>Total Other Financing Sources (Uses)</i>	<u>1,708,072</u>	<u>1,708,072</u>	<u>1,697,366</u>	<u>1,697,366</u>
NET CHANGE IN FUND BALANCE	(1,304,029)	(1,205,911)	(33,354)	(54,903)
FUND BALANCE, Beginning of year	<u>1,304,029</u>	<u>1,304,029</u>	<u>1,349,962</u>	<u>1,320,731</u>
FUND BALANCE, End of year	<u><u>\$ -</u></u>	<u><u>\$ 98,118</u></u>	<u><u>\$ 1,316,608</u></u>	<u><u>\$ 1,265,828</u></u>

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 252,500	\$ 252,500	\$ 390,037	\$ 390,037
Intergovernmental	7,488,770	7,488,770	7,486,467	7,486,467
Miscellaneous	518,325	518,325	273,321	273,321
<i>Total Revenues</i>	8,259,595	8,259,595	8,149,825	8,149,825
EXPENDITURES				
Equipment acquisition	1,251,713	1,251,713	206,087	206,087
Historic resources	120	120	-	-
Grant street bridge	7,594,534	7,594,534	332,684	333,631
Pioneer Cemetery	400	400	-	-
Local law enforce block grant	20,061	20,061	18,768	18,768
D.A.R.E.	8,447	8,447	5,486	5,486
Police	4,347	4,347	4,269	4,269
Library	84,870	84,870	20,659	20,659
Library building	56,000	56,000	-	-
Senior center building	56,000	56,000	14,603	14,603
Senior services	19,000	19,000	16,770	16,770
Snedaker trust	4,000	4,000	2,610	2,610
Streets capital projects	707,557	707,557	411,441	413,162
Infrastructure deferral	276,400	276,400	-	-
SDC drainage improvement	116,706	116,706	60,028	62,141
SDC park improvement	281,884	281,884	128,953	131,061
SDC wastewater improvement	82,201	82,201	72,395	73,872
SDC wastewater reimbursement	20,600	20,600	-	-
SDC streets improvement	525,506	525,506	75,453	78,910
SDC water improvement	408,892	408,892	81,559	83,098
SDC water reimbursement	17,925	17,925	-	-
<i>Total Expenditures</i>	11,537,163	11,537,163	1,451,765	1,453,887

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES OVER (UNDER)				
EXPENDITURES	\$ (3,277,568)	\$ (3,277,568)	\$ 6,698,060	\$ 6,695,938
OTHER FINANCING SOURCES (USES)				
Transfers in	417,313	417,313	292,895	292,895
Transfers out	(99,620)	(99,620)	(99,202)	(99,202)
<i>Total Other Financing Sources (Uses)</i>	<u>317,693</u>	<u>317,693</u>	<u>193,693</u>	<u>193,693</u>
NET CHANGE IN FUND BALANCE	(2,959,875)	(2,959,875)	6,891,753	6,889,631
FUND BALANCE, Beginning of year	<u>3,031,775</u>	<u>3,031,775</u>	<u>3,396,066</u>	<u>3,381,305</u>
FUND BALANCE, End of year	<u>\$ 71,900</u>	<u>\$ 71,900</u>	<u>\$ 10,287,819</u>	<u>\$ 10,270,936</u>

CITY OF LEBANON, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>Urban Renewal</u>	<u>NW Urban Renewal</u>	<u>Cheadle Lake Urban Renewal</u>
ASSETS			
Cash and investments	\$ 496,739	\$ 532,609	\$ 97,692
Accounts receivable	5,789	12,420	1,153
Property taxes receivable	34,018	73,133	5,983
Special assessments/loans	15,399	7,884	-
Prepaid expenses	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 551,945</u>	<u>\$ 626,046</u>	<u>\$ 104,828</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 560	\$ 643	\$ 324
Payroll taxes payable	-	-	-
Paid absences	3,928	10,182	4,146
Deferred revenues	49,415	81,018	5,983
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	53,903	91,843	10,453
Fund Balances			
Unreserved, reported in:			
Special revenue funds	498,042	534,203	94,375
Debt services funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	498,042	534,203	94,375
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 551,945</u>	<u>\$ 626,046</u>	<u>\$ 104,828</u>

<i>Debt Service</i>	<i>Bancroft Bond</i>	<i>Recorder</i>	<i>Bail Refund</i>	<i>Totals</i>
\$ 737,459	\$ 22,351	\$ 58,863	\$ 9,281	\$ 1,954,994
6,757	-	46,739	-	72,858
39,536	-	-	-	152,670
-	1,676	-	-	24,959
-	1,833	19,233	-	21,066
<u>\$ 783,752</u>	<u>\$ 25,860</u>	<u>\$ 124,835</u>	<u>\$ 9,281</u>	<u>\$ 2,226,547</u>
\$ (1)	\$ -	\$ 4,655	\$ 9,281	\$ 15,462
-	-	96,845	-	96,845
-	-	-	-	18,256
39,536	3,509	-	-	179,461
39,535	3,509	101,500	9,281	310,024
-	-	23,335	-	1,149,955
744,217	22,351	-	-	766,568
<u>744,217</u>	<u>22,351</u>	<u>23,335</u>	<u>-</u>	<u>1,916,523</u>
<u>\$ 783,752</u>	<u>\$ 25,860</u>	<u>\$ 124,835</u>	<u>\$ 9,281</u>	<u>\$ 2,226,547</u>

CITY OF LEBANON, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	<u>Urban Renewal</u>	<u>NW Urban Renewal</u>	<u>Cheadle Lake Urban Renewal</u>
REVENUES			
Taxes and assessments	\$ 400,294	\$ 851,020	\$ 83,655
Intergovernmental	-	-	-
Fines and forfeitures	-	-	-
Miscellaneous	14,719	18,127	1,847
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	415,013	869,147	85,502
EXPENDITURES			
Current operating:			
General government	-	-	-
Community services and development	98,303	132,173	39,594
Public safety	-	-	-
Capital outlay	288,830	506	1,323
Debt service	340,482	785,696	-
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	727,615	918,375	40,917
	<hr/>	<hr/>	<hr/>
REVENUES OVER (UNDER) EXPENDITURES	(312,602)	(49,228)	44,585
OTHER FINANCING SOURCES (USES)			
Transfers in	-	265,000	-
Transfers out	(11,132)	(275,707)	(2,138)
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(11,132)	(10,707)	(2,138)
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(323,734)	(59,935)	42,447
FUND BALANCES, Beginning of year	821,776	594,138	51,928
	<hr/>	<hr/>	<hr/>
FUND BALANCES, End of year	<u>\$ 498,042</u>	<u>\$ 534,203</u>	<u>\$ 94,375</u>

<i>Debt Service</i>	<i>Bancroft Bond</i>	<i>Recorder's</i>	<i>Bail Refund</i>	<i>Totals</i>
\$ 465,165	\$ -	\$ -	\$ -	\$ 1,800,134
122,784	-	-	-	122,784
-	-	-	117,074	117,074
116,584	496	45,312	915	198,000
704,533	496	45,312	117,989	2,237,992
-	-	59,216	-	59,216
-	-	-	-	270,070
-	-	-	117,989	117,989
-	-	-	-	290,659
594,588	92,960	-	-	1,813,726
594,588	92,960	59,216	117,989	2,551,660
109,945	(92,464)	(13,904)	-	(313,668)
24,188	-	-	-	289,188
-	(2,190)	-	-	(291,167)
24,188	(2,190)	-	-	(1,979)
134,133	(94,654)	(13,904)	-	(315,647)
610,084	117,005	37,239	-	2,232,170
<u>\$ 744,217</u>	<u>\$ 22,351</u>	<u>\$ 23,335</u>	<u>\$ -</u>	<u>\$ 1,916,523</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2005

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 383,140	\$ 383,140	\$ 400,294	\$ 400,294
Miscellaneous	11,500	11,500	14,719	14,719
<i>Total Revenues</i>	394,640	394,640	415,013	415,013
EXPENDITURES				
Urban renewal	469,253	469,253	383,842	387,133
Urban renewal debt service	340,560	340,560	340,482	340,482
Contingency	347,775	347,775	-	-
<i>Total Expenditures</i>	1,157,588	1,157,588	724,324	727,615
REVENUES OVER (UNDER)				
EXPENDITURES	(762,948)	(762,948)	(309,311)	(312,602)
OTHER FINANCING SOURCES (USES)				
Transfers out	(11,620)	(11,620)	(11,132)	(11,132)
NET CHANGE IN FUND BALANCE	(774,568)	(774,568)	(320,443)	(323,734)
FUND BALANCE, Beginning of year	842,368	842,368	822,413	821,776
FUND BALANCE, End of year	\$ 67,800	\$ 67,800	\$ 501,970	\$ 498,042

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NW URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2005

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 773,100	\$ 773,100	\$ 851,020	\$ 851,020
Miscellaneous	222,100	222,100	18,127	18,127
<i>Total Revenues</i>	995,200	995,200	869,147	869,147
EXPENDITURES				
Personal services	95,234	95,234	91,931	101,401
Materials and services	213,497	213,497	30,772	30,772
Capital outlay	292,027	292,027	506	506
Debt service	463,200	463,200	785,696	785,696
Contingency	468,028	468,028	-	-
<i>Total Expenditures</i>	1,531,986	1,531,986	908,905	918,375
REVENUES OVER (UNDER)				
EXPENDITURES	(536,786)	(536,786)	(39,758)	(49,228)
OTHER FINANCING SOURCES (USES)				
Transfers in	478,695	478,695	265,000	265,000
Transfers out	(489,884)	(489,884)	(275,707)	(275,707)
<i>Total Other Financing Sources (Uses)</i>	(11,189)	(11,189)	(10,707)	(10,707)
NET CHANGE IN FUND BALANCE	(547,975)	(547,975)	(50,465)	(59,935)
FUND BALANCE, Beginning of year	547,975	547,975	594,849	594,138
FUND BALANCE, End of year	\$ -	\$ -	\$ 544,384	\$ 534,203

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CHEADLE LAKE URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2005

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 72,000	\$ 72,000	\$ 83,655	\$ 83,655
Miscellaneous	-	-	1,847	1,847
<i>Total Revenues</i>	72,000	72,000	85,502	85,502
EXPENDITURES				
Personal services	35,500	35,500	34,001	37,745
Materials and services	6,510	6,510	1,849	1,849
Capital outlay	61,452	61,452	1,323	1,323
Debt service	72,000	72,000	-	-
Contingency	14,820	14,820	-	-
<i>Total Expenditures</i>	190,282	190,282	37,173	40,917
REVENUES OVER (UNDER) EXPENDITURES	(118,282)	(118,282)	48,329	44,585
OTHER FINANCING SOURCES (USES)				
Loan proceeds	70,600	70,600	-	-
Transfers out	(2,318)	(2,318)	(2,138)	(2,138)
<i>Total Other Financing Sources (Uses)</i>	68,282	68,282	(2,138)	(2,138)
NET CHANGE IN FUND BALANCE	(50,000)	(50,000)	46,191	42,447
FUND BALANCE, Beginning of year	50,000	50,000	52,331	51,928
FUND BALANCE, End of year	\$ -	\$ -	\$ 98,522	\$ 94,375

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2005

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 463,253	\$ 463,253	\$ 465,165	\$ 465,165
Intergovernmental	122,781	122,781	122,784	122,784
Miscellaneous	132,732	132,732	116,584	116,584
<i>Total Revenues</i>	718,766	718,766	704,533	704,533
EXPENDITURES				
Debt service	594,691	594,691	594,588	594,588
Contingency	350,473	350,473	-	-
<i>Total Expenditures</i>	945,164	945,164	594,588	594,588
REVENUES OVER (UNDER)				
EXPENDITURES	(226,398)	(226,398)	109,945	109,945
OTHER FINANCING SOURCES (USES)				
Transfers in	41,640	41,640	24,188	24,188
NET CHANGE IN FUND BALANCE	(184,758)	(184,758)	134,133	134,133
FUND BALANCE, Beginning of year	604,671	604,671	610,084	610,084
FUND BALANCE, End of year	\$ 419,913	\$ 419,913	\$ 744,217	\$ 744,217

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BANCROFT BOND FUND
YEAR ENDED JUNE 30, 2005

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 1,710	\$ 1,710	\$ -	\$ -
Miscellaneous	850	850	496	496
<i>Total Revenues</i>	2,560	2,560	496	496
EXPENDITURES				
Materials and services	22,250	22,250	-	-
Debt service	95,149	95,149	92,960	92,960
<i>Total Expenditures</i>	117,399	117,399	92,960	92,960
REVENUES OVER (UNDER)				
EXPENDITURES	(114,839)	(114,839)	(92,464)	(92,464)
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,310)	(2,310)	(2,190)	(2,190)
NET CHANGE IN FUND BALANCE	(117,149)	(117,149)	(94,654)	(94,654)
FUND BALANCE, Beginning of year	117,149	117,149	117,005	117,005
FUND BALANCE, End of year	\$ -	\$ -	\$ 22,351	\$ 22,351

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - RECORDER'S FUND
YEAR ENDED JUNE 30, 2005

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 45,312	\$ 45,312
EXPENDITURES				
Materials and services	-	-	59,216	59,216
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	(13,904)	(13,904)
FUND BALANCE, Beginning of year	-	-	37,239	37,239
FUND BALANCE, End of year	\$ -	\$ -	\$ 23,335	\$ 23,335

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BAIL REFUND FUND
YEAR ENDED JUNE 30, 2005

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Fines and forfeitures	\$ 151,000	\$ 151,000	\$ 117,074	\$ 117,074
Miscellaneous	9,000	9,000	915	915
<i>Total Revenues</i>	160,000	160,000	117,989	117,989
EXPENDITURES				
Materials and services	160,000	160,000	117,989	117,989
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	-	-
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ -	\$ -	\$ -	\$ -

CITY OF LEBANON, OREGON
SCHEDULE OF FUND NET ASSETS - ALL PROPRIETARY FUND DEPARTMENTS
JUNE 30, 2005

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
ASSETS			
Current assets			
Cash and investments	\$ 848,511	\$ 587,702	\$ 89,084
Accounts receivable	361,357	-	-
Property taxes receivable	-	-	-
<i>Total Current Assets</i>	1,209,868	587,702	89,084
Noncurrent assets			
Capital assets, net	4,366,580	848,777	75,318
<i>Total Assets</i>	5,576,448	1,436,479	164,402
LIABILITIES			
Current liabilities			
Accounts payable	22,612	-	5,063
Deposits	80,755	-	-
Loan payable - current portion	-	-	-
Bonds payable - current portion	-	-	-
<i>Total Current Liabilities</i>	103,367	-	5,063
Noncurrent liabilities			
Loans payable	-	-	-
Bonds payable	-	2,910,000	-
Bonds discount	-	(80,256)	-
Compensated absences payable	98,264	-	10,283
Reserved for claims	70,375	-	-
<i>Total Noncurrent Liabilities</i>	168,639	2,829,744	10,283
NET ASSETS			
Investment in capital assets (net of related debt)	4,366,580	(1,980,967)	75,318
Unrestricted	937,862	587,702	73,738
<i>Total Net Assets</i>	<u>\$ 5,304,442</u>	<u>\$ (1,393,265)</u>	<u>\$ 149,056</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ 36,864	\$ 44,630	\$ 1,835,020	\$ 526	\$ 3,442,337
-	270,842	-	-	632,199
-	874	-	-	874
36,864	316,346	1,835,020	526	4,075,410
-	16,342,577	1,248,116	-	22,881,368
36,864	16,658,923	3,083,136	526	26,956,778
140	12,529	401	-	40,745
-	-	-	-	80,755
-	2,741	-	-	2,741
-	-	305,000	-	305,000
140	15,270	305,401	-	429,241
-	520	-	-	520
-	-	5,905,000	-	8,815,000
-	-	(169,937)	-	(250,193)
2,952	103,541	4,197	-	219,237
-	53,192	-	-	123,567
2,952	157,253	5,739,260	-	8,908,131
-	16,339,316	(4,791,947)	-	14,008,300
33,772	147,084	1,830,422	526	3,611,106
<u>\$ 33,772</u>	<u>\$ 16,486,400</u>	<u>\$ (2,961,525)</u>	<u>\$ 526</u>	<u>\$ 17,619,406</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
ALL PROPRIETARY FUND DEPARTMENTS
YEAR ENDED JUNE 30, 2005

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
OPERATING REVENUES			
Charges for services	\$ 2,159,890	\$ -	\$ -
Miscellaneous	109,242	1	-
<i>Total Operating Revenues</i>	2,269,132	1	-
OPERATING EXPENSES			
Personnel services	684,900	-	251,503
Materials and services	361,159	-	129,269
Capital outlay / depreciation	181,209	-	20,333
<i>Total Operating Expenses</i>	1,227,268	-	401,105
OPERATING INCOME (LOSS)	1,041,864	1	(401,105)
NONOPERATING REVENUES (EXPENSES)			
Transfers in	-	176,361	464,341
Transfers out	(1,272,423)	(8,762)	(27,231)
Interest income	19,220	11,231	1,996
Interest expense	-	(104,382)	-
Loss on disposal of assets	(132,213)	-	(23,342)
<i>Total Nonoperating Revenue (Expenses)</i>	(1,385,416)	74,448	415,764
CHANGE IN NET ASSETS	(343,552)	74,449	14,659
NET ASSETS, Beginning of year	5,647,994	(1,467,714)	134,397
NET ASSETS, End of year	<u>\$ 5,304,442</u>	<u>\$ (1,393,265)</u>	<u>\$ 149,056</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ 2,341,992	\$ -	\$ -	\$ 4,501,882
-	108,104	-	103	217,450
-	2,450,096	-	103	4,719,332
7,058	578,840	-	-	1,522,301
914	292,770	-	140	784,252
-	444,989	-	-	646,531
7,972	1,316,599	-	140	2,953,084
(7,972)	1,133,497	-	(37)	1,766,248
-	-	580,999	-	1,221,701
(513)	(1,411,349)	-	-	(2,720,278)
863	1,109	41,307	12	75,738
-	(3,497)	(289,327)	-	(397,206)
-	(122,913)	(1,580)	-	(280,048)
350	(1,536,650)	331,399	12	(2,100,093)
(7,622)	(403,153)	331,399	(25)	(333,845)
41,394	16,889,553	(3,292,924)	551	17,953,251
\$ 33,772	\$ 16,486,400	\$ (2,961,525)	\$ 526	\$ 17,619,406

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER DEPARTMENT
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>GAAP</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	<i>Basis</i>
REVENUES				
Charges for services	\$ 2,296,000	\$ 2,296,000	\$ 2,169,009	\$ 2,159,890
Miscellaneous	101,000	101,000	167,564	128,462
<i>Total Revenues</i>	2,397,000	2,397,000	2,336,573	2,288,352
EXPENSES				
Personal services	739,904	739,904	652,595	684,900
Materials and services	613,455	613,455	448,551	361,159
Capital outlay/depreciation	177,128	177,128	19,951	181,209
Contingency	329,470	329,470	-	-
<i>Total Expenses</i>	1,859,957	1,859,957	1,121,097	1,227,268
REVENUES OVER (UNDER) EXPENSES	537,043	537,043	1,215,476	1,061,084
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,303,043)	(1,303,043)	(1,227,229)	(1,272,423)
NET CHANGE IN NET ASSETS	(766,000)	(766,000)	(11,753)	(343,552)
NET ASSETS, Beginning of year	766,000	766,000	775,342	5,647,994
NET ASSETS, End of year	\$ -	\$ -	\$ 763,589	\$ 5,304,442

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER CAPITAL IMPROVEMENT DEPARTMENT
YEAR ENDED JUNE 30, 2005

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 3,500	\$ 3,500	\$ 11,232	\$ 11,232
<i>Total Revenues</i>	3,500	3,500	11,232	11,232
EXPENSES				
Capital outlay/depreciation	650,238	650,238	1,040	-
Debt service	100,500	100,500	99,366	104,382
<i>Total Expenses</i>	750,738	750,738	100,406	104,382
REVENUES OVER (UNDER) EXPENSES				
	(747,238)	(747,238)	(89,174)	(93,150)
OTHER FINANCING SOURCES (USES)				
Transfers in	240,000	240,000	167,600	176,361
Transfers out	(8,762)	(8,762)	(8,762)	(8,762)
<i>Total Other Financing Sources (Uses)</i>	231,238	231,238	158,838	167,599
NET CHANGE IN NET ASSETS	(516,000)	(516,000)	69,664	74,449
NET ASSETS, Beginning of year	516,000	516,000	518,039	(1,467,714)
NET ASSETS, End of year	\$ -	\$ -	\$ 587,703	\$ (1,393,265)

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - SMALL WATER LINE DEPARTMENT
YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,996	\$ 1,996
<i>Total Revenues</i>	-	-	1,996	1,996
EXPENSES				
Personal services	273,323	273,323	248,070	251,503
Materials and services	154,606	154,606	144,077	129,269
Capital outlay/depreciation	7,170	7,170	(11,501)	20,333
Contingency	10,000	10,000	-	-
<i>Total Expenses</i>	445,099	445,099	380,646	401,105
REVENUES OVER (UNDER) EXPENSES	(445,099)	(445,099)	(378,650)	(399,109)
OTHER FINANCING SOURCES (USES)				
Transfers in	427,908	427,908	427,908	464,341
Transfers out	(27,231)	(27,231)	(27,231)	(27,231)
<i>Total Other Financing Sources (Uses)</i>	400,677	400,677	400,677	413,768
NET CHANGE IN NET ASSETS	(44,422)	(44,422)	22,027	14,659
NET ASSETS, Beginning of year	44,422	44,422	61,993	134,397
NET ASSETS, End of year	\$ -	\$ -	\$ 84,020	\$ 149,056

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - STORM DRAIN UTILITY DEPARTMENT
YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 500	\$ 500	\$ 863	\$ 863
<i>Total Revenues</i>	500	500	863	863
EXPENSES				
Personal services	6,843	6,843	7,159	7,058
Materials and services	37,144	37,144	914	914
<i>Total Expenses</i>	43,987	43,987	8,073	7,972
REVENUES OVER (UNDER) EXPENSES	(43,487)	(43,487)	(7,210)	(7,109)
OTHER FINANCING SOURCES (USES)				
Transfers out	(513)	(513)	(513)	(513)
NET CHANGE IN NET ASSETS	(44,000)	(44,000)	(7,723)	(7,622)
NET ASSETS, Beginning of year	44,000	44,000	44,447	41,394
NET ASSETS, End of year	\$ -	\$ -	\$ 36,724	\$ 33,772

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WASTEWATER DEPARTMENT
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Charges for services	\$ 2,402,000	\$ 2,402,000	\$ 2,352,379	\$ 2,341,992
Miscellaneous	593,191	593,191	114,534	109,213
<i>Total Revenues</i>	<u>2,995,191</u>	<u>2,995,191</u>	<u>2,466,913</u>	<u>2,451,205</u>
EXPENSES				
Personal services	552,620	552,620	543,599	578,840
Materials and services	438,885	438,885	410,486	292,770
Capital outlay/depreciation	7,878	7,878	(11,365)	444,989
Debt service	5,816	5,816	6,311	3,497
Contingency	486,313	486,313	-	-
<i>Total Expenses</i>	<u>1,491,512</u>	<u>1,491,512</u>	<u>949,031</u>	<u>1,320,096</u>
REVENUES OVER (UNDER) EXPENSES	1,503,679	1,503,679	1,517,882	1,131,109
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,543,950)	(1,543,950)	(1,411,349)	(1,411,349)
NET CHANGE IN NET ASSETS	(40,271)	(40,271)	106,533	(403,153)
NET ASSETS, Beginning of year	<u>40,271</u>	<u>40,271</u>	<u>(118,532)</u>	<u>16,889,553</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,999)</u>	<u>\$ 16,486,400</u>

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WASTEWATER CAPITAL IMPROVEMENT DEPARTMENT
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 22,000	\$ 22,000	\$ 41,307	\$ 41,307
<i>Total Revenues</i>	22,000	22,000	41,307	41,307
EXPENSES				
Personal services	35,051	35,051	34,734	-
Materials and services	190,045	190,045	11,435	-
Capital outlay/depreciation	1,891,967	1,891,967	1,580	-
Debt service	582,999	582,999	582,997	289,327
Contingency	4,758	4,758	-	-
<i>Total Expenses</i>	2,704,820	2,704,820	630,746	289,327
REVENUES OVER (UNDER) EXPENSES				
	(2,682,820)	(2,682,820)	(589,439)	(248,020)
OTHER FINANCING SOURCES (USES)				
Transfers in	865,999	865,999	580,999	580,999
Transfers out	(11,179)	(11,179)	(11,179)	-
<i>Total Other Financing Sources (Uses)</i>	854,820	854,820	569,820	580,999
NET CHANGE IN NET ASSETS	(1,828,000)	(1,828,000)	(19,619)	332,979
NET ASSETS, Beginning of year	1,828,000	1,828,000	1,854,239	(3,292,924)
NET ASSETS, End of year	\$ -	\$ -	\$ 1,834,620	\$ (2,959,945)

CITY OF LEBANON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - RAILROAD DEPARTMENT
YEAR ENDED JUNE 30, 2005**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 10	\$ 10	\$ 115	\$ 115
<i>Total Revenues</i>	10	10	115	115
EXPENSES				
Materials and services	360	360	140	140
<i>Total Expenses</i>	360	360	140	140
REVENUES OVER (UNDER) EXPENSES	(350)	(350)	(25)	(25)
NET ASSETS, Beginning of year	350	350	551	551
NET ASSETS, End of year	\$ -	\$ -	\$ 526	\$ 526

CITY OF LEBANON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2005

<i>Tax Year</i>	<i>2004-2005 Levy</i>	<i>Uncollected Balance July 1, 2004</i>	<i>Added To Rolls</i>	<i>Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balance June 30, 2005</i>
2004-2005	\$ 4,448,902	\$ -	\$ 1,996	\$ 126,017	\$ 4,124,152	\$ 200,729
2003-2004		200,159	10	3,488	108,189	88,492
2002-2003		97,145	7	2,585	43,254	51,313
2001-2002		55,372	-	1,328	33,872	20,172
2000-2001		23,117	-	1,158	18,203	3,756
1999-2000		3,453	-	1,067	626	1,760
1998-1999		1,245	-	993	(291)	543
Prior Years		4,337	52	3,115	(2,643)	3,917
Total	\$ 4,448,902	\$ 384,828	\$ 2,065	\$ 139,751	\$ 4,325,362	\$ 370,682

CITY OF LEBANON, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2005

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
PRINCIPAL TRANSACTIONS			
Governmental Activities			
1994 GO Urban Renewal	3.0-6.0%	1994	2013-14
1995 GO Refunding	3.75-5.35%	1995	2009-10
1999 GO Urban Renewal	4.5-5.625%	1999	2018-19
2000 GO Urban Renewal	4.75-6.0%	2000	2019-20
2002 GO Pension Pool	2.0-7.3605	2002	2027-28
SCIP Loan	5.0%	1987	2012-13
Key Bank Note	5.95%	1998	2007-08
Lebanon Schools	LGIP rate	2003	2004-2005
Business-type Activities			
DOE Loan	8.5%	1987	2007-08
2000 Wastewater Revenue	4.7-5.7%	2000	2019-20
2003 Wastewater Revenue Refunding	2.0-4.125%	2003	2019-20
2004 Water Refunding	2.0-4.2%	2004	2020-21
			Unmatured Interest Outstanding
	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>July 1, 2004</u>
BOND INTEREST TRANSACTIONS			
Governmental Activities			
1994 GO Urban Renewal	3.0-6.0%	1994	\$ 235,258
1995 GO Refunding	3.75-5.35%	1995	386,146
1999 GO Urban Renewal	4.5-5.625%	1999	1,707,260
2000 GO Urban Renewal	4.75-6.0%	2000	2,689,551
2002 GO Pension Pool	2.0-7.3605	2002	2,911,576
SCIP Loan	5.0%	1987	22,198
Key Bank Note	5.95%	1998	11,783
Lebanon Schools	LGIP rate	2003	4,532
Business-type Activities			
DOE Loan	8.5%	1987	709
2000 Wastewater Revenue	4.7-5.7%	2000	1,588,010
2003 Wastewater Revenue Refunding	2.0-4.125%	2003	1,178,534
2004 Water Refunding	2.0-4.2%	2004	1,194,162
			<u>\$ 11,929,719</u>

<i>Outstanding July 1, 2004</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2005</i>
\$ 675,000	\$ -	\$ 50,000	\$ 625,000
2,335,000	-	335,000	2,000,000
3,130,000	-	80,000	3,050,000
4,720,000	-	190,000	4,530,000
2,066,663	-	8,528	2,058,135
88,533	-	88,533	-
90,490	-	20,642	69,848
317,598	-	317,598	-
6,075	-	2,814	3,261
2,985,000	-	125,000	2,860,000
3,530,000	-	180,000	3,350,000
2,910,000	-	-	2,910,000
<u>\$ 22,854,359</u>	<u>\$ -</u>	<u>\$ 1,398,115</u>	<u>\$ 21,456,244</u>

<i>New Issues</i>	<i>Interest Coupons Paid/ Refunded</i>	<i>Unmatured Interest June 30, 2005</i>	
\$ -	\$ 39,053	\$ 196,205	
-	111,310	274,836	
-	171,429	1,535,831	
-	273,183	2,416,368	
-	114,252	2,797,324	
(17,771)	4,427	-	early pay-off
-	4,926	6,857	
-	4,532	-	
-	402	307	
-	161,893	1,426,117	
-	116,104	1,062,430	
-	99,368	1,094,794	
<u>\$ (17,771)</u>	<u>\$ 1,100,879</u>	<u>\$ 10,811,069</u>	

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS
JUNE 30, 2005

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>1994 GO Urban Renewal</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 55,000	\$ 36,403	\$ 91,403
2007	60,000	33,488	93,488
2008	60,000	29,963	89,963
2009	65,000	26,438	91,438
2010	70,000	22,619	92,619
2011	75,000	18,506	93,506
2012	75,000	14,100	89,100
2013	80,000	9,694	89,694
2014	85,000	4,994	89,994
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 625,000</u>	<u>\$ 196,205</u>	<u>\$ 821,205</u>

<i>1995 GO Refunding</i>			<i>1999 GO Urban Renewal</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 355,000	\$ 94,573	\$ 449,573	\$ 100,000	\$ 167,589	\$ 267,589
375,000	76,500	451,500	115,000	162,689	277,689
400,000	56,625	456,625	130,000	156,939	286,939
420,000	35,100	455,100	145,000	150,309	295,309
450,000	12,038	462,038	160,000	142,769	302,769
-	-	-	175,000	133,969	308,969
-	-	-	195,000	124,344	319,344
-	-	-	215,000	113,619	328,619
-	-	-	240,000	101,794	341,794
-	-	-	260,000	88,593	348,593
-	-	-	285,000	73,969	358,969
-	-	-	315,000	57,937	372,937
-	-	-	340,000	40,218	380,218
-	-	-	375,000	21,093	396,093
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,000,000</u>	<u>\$ 274,836</u>	<u>\$ 2,274,836</u>	<u>\$ 3,050,000</u>	<u>\$ 1,535,831</u>	<u>\$ 4,585,831</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)
JUNE 30, 2005

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2000 GO Urban Renewal</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 200,000	\$ 263,113	\$ 463,113
2007	210,000	252,313	462,313
2008	220,000	240,762	460,762
2009	235,000	228,552	463,552
2010	245,000	215,392	460,392
2011	260,000	201,550	461,550
2012	275,000	186,600	461,600
2013	290,000	170,787	460,787
2014	310,000	154,112	464,112
2015	325,000	136,287	461,287
2016	345,000	117,600	462,600
2017	370,000	96,900	466,900
2018	390,000	74,700	464,700
2019	415,000	51,300	466,300
2020	440,000	26,400	466,400
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 4,530,000</u>	<u>\$ 2,416,368</u>	<u>\$ 6,946,368</u>

<i>2002 GO Pension Pool</i>			<i>SCIP Loan</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 11,989	\$ 115,791	\$ 127,780	\$ -	\$ -	\$ -
18,551	119,230	137,781	-	-	-
20,540	122,240	142,780	-	-	-
22,288	125,492	147,780	-	-	-
23,468	129,312	152,780	-	-	-
27,144	135,636	162,780	-	-	-
27,634	140,146	167,780	-	-	-
30,292	147,487	177,779	-	-	-
30,290	152,490	182,780	-	-	-
31,704	161,076	192,780	-	-	-
32,796	169,984	202,780	-	-	-
33,687	179,093	212,780	-	-	-
32,872	184,908	217,780	-	-	-
33,233	194,547	227,780	-	-	-
51,648	186,132	237,780	-	-	-
140,000	111,068	251,068	-	-	-
160,000	101,478	261,478	-	-	-
185,000	90,518	275,518	-	-	-
205,000	77,845	282,845	-	-	-
235,000	63,802	298,802	-	-	-
260,000	48,292	308,292	-	-	-
295,000	30,482	325,482	-	-	-
150,000	10,275	160,275	-	-	-
<u>\$ 2,058,136</u>	<u>\$ 2,797,324</u>	<u>\$ 4,855,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)
JUNE 30, 2005

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Key Bank Note</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ 21,899	\$ 3,669	\$ 25,568
2007	23,303	2,265	25,568
2008	24,646	923	25,569
2009	-	-	-
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 69,848</u>	<u>\$ 6,857</u>	<u>\$ 76,705</u>

<i>DOE Loan</i>			<i>2003 Wastewater Revenue Refunding</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 2,985	\$ 231	\$ 3,216	\$ 180,000	\$ 112,504	\$ 292,504
276	76	352	185,000	108,904	293,904
-	-	-	185,000	105,204	290,204
-	-	-	190,000	101,041	291,041
-	-	-	200,000	95,816	295,816
-	-	-	210,000	89,816	299,816
-	-	-	210,000	83,329	293,329
-	-	-	220,000	76,294	296,294
-	-	-	225,000	68,319	293,319
-	-	-	235,000	60,163	295,163
-	-	-	245,000	51,627	296,627
-	-	-	255,000	42,563	297,563
-	-	-	260,000	32,850	292,850
-	-	-	270,000	22,450	292,450
-	-	-	280,000	11,550	291,550
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,261</u>	<u>\$ 307</u>	<u>\$ 3,568</u>	<u>\$ 3,350,000</u>	<u>\$ 1,062,430</u>	<u>\$ 4,412,430</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)
JUNE 30, 2005

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2004 Water Refunding</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006	\$ -	\$ 99,367	\$ 99,367
2007	25,000	99,118	124,118
2008	155,000	97,317	252,317
2009	155,000	94,218	249,218
2010	160,000	90,787	250,787
2011	165,000	86,763	251,763
2012	165,000	82,266	247,266
2013	175,000	77,203	252,203
2014	180,000	71,565	251,565
2015	185,000	65,310	250,310
2016	195,000	58,470	253,470
2017	205,000	50,860	255,860
2018	210,000	42,560	252,560
2019	225,000	33,860	258,860
2020	230,000	24,760	254,760
2021	235,000	15,225	250,225
2022	245,000	5,145	250,145
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
	<u>\$ 2,910,000</u>	<u>\$ 1,094,794</u>	<u>\$ 4,004,794</u>

<i>2000 Wastewater Revenue</i>			<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 130,000	\$ 155,643	\$ 285,643	\$ 1,056,873	\$ 1,048,883	\$ 2,105,756
135,000	149,143	284,143	1,147,130	1,003,726	2,150,856
145,000	142,325	287,325	1,340,186	952,298	2,292,484
150,000	134,930	284,930	1,382,288	896,080	2,278,368
160,000	127,205	287,205	1,468,468	835,938	2,304,406
165,000	118,885	283,885	1,077,144	785,125	1,862,269
175,000	110,223	285,223	1,122,634	741,008	1,863,642
185,000	100,948	285,948	1,195,292	696,032	1,891,324
195,000	91,050	286,050	1,265,290	644,324	1,909,614
205,000	80,520	285,520	1,241,704	591,949	1,833,653
215,000	69,040	284,040	1,317,796	540,690	1,858,486
230,000	57,000	287,000	1,408,687	484,353	1,893,040
245,000	43,890	288,890	1,477,872	419,126	1,896,998
255,000	29,925	284,925	1,573,233	353,175	1,926,408
270,000	15,390	285,390	1,271,648	264,232	1,535,880
-	-	-	375,000	126,293	501,293
-	-	-	405,000	106,623	511,623
-	-	-	185,000	90,518	275,518
-	-	-	205,000	77,845	282,845
-	-	-	235,000	63,802	298,802
-	-	-	260,000	48,292	308,292
-	-	-	295,000	30,482	325,482
-	-	-	150,000	10,275	160,275
<u>\$ 2,860,000</u>	<u>\$ 1,426,117</u>	<u>\$ 4,286,117</u>	<u>\$ 21,456,245</u>	<u>\$ 10,811,069</u>	<u>\$ 32,267,314</u>

COMPLIANCE SECTION

CITY OF LEBANON, OREGON

**COMMENTS OF THE INDEPENDENT AUDITOR REQUIRED BY STATE OF OREGON MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS
YEAR ENDED JUNE 30, 2005**

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-000 through 162-16-000 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in annual financial reports. Required comments and disclosures related to our audit of such financial statements and schedules are set forth on the following pages.

Significant Accounting Policies

The significant accounting policies followed in preparing the City's financial statements are summarized in the notes to the basic financial statements.

Organization and Fund Structure

The organization and fund structure of the City is documented in the notes to the basic financial statements.

Internal Accounting Control

We have audited the basic financial statements of the City of Lebanon as of and for the year ended June 30, 2005, and have issued our report thereon dated July 26, 2006. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the City taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness. We did issue a letter dated July 26, 2006 to management containing our other comments.

Indebtedness

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 264.250 (3). We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements, at June 30, 2005.

Adequacy of Collateral Securing Depository Balances

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2005.

CITY OF LEBANON, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2005

Budget Compliance

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the fiscal years ending June 30, 2005 and 2006, except no budget was adopted for the Recorder's Fund. A description of the budgeting process is in the notes to the basic financial statements.

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2005. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering City-owned property at June 30, 2005.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2005.

Public Contracting and Purchasing

Our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the City was in compliance.

Schedule of Accountability of Independently Elected Officials

There are no elected City officials who collect or receive funds on behalf of the City.

Use Of State Highway Funds

The City has complied with the legal requirements relating to the use of revenue from taxes on motor vehicle use fuel.

Programs Funded from Outside Sources

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by the other governmental agencies. The City is in compliance with the guidelines in all material respects, except that the Single Audit filing was not completed within the required time frame.

Financial Reporting Requirements


We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

CITY OF LEBANON, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)
YEAR ENDED JUNE 30, 2005

This report is intended for the information of the City of Lebanon, the State of Oregon, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

By: 
Charles A. Swank, A Shareholder

July 26, 2006



GROVE, MUELLER & SWANK, P.C.

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

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

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

We have audited the basic financial statements of City of Lebanon, as of and for the year ended June 30, 2005, and have issued our report thereon dated July 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Lebanon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting, and its operation that we consider to be material weaknesses. We did issue our separate letter to management, dated July 26, 2006, containing our other comments.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lebanon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*, except the City did not complete the audit of its financial statements in a timely manner.

This report is intended for the information of the City Council and management of City of Lebanon, Federal, State of Oregon and pass-through funding agencies, and the State of Oregon Division of Audits and is not intended to be and should not be used by anyone other than those specified parties.


CERTIFIED PUBLIC ACCOUNTANTS
Salem, Oregon
July 26, 2006



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of City of Lebanon with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of audit results. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Lebanon's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Lebanon's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the City did not complete its audit and file the required reports within the time requirements of the Single Audit Act.

Internal Control over Compliance

The management of City of Lebanon, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council and management of City of Lebanon, Federal, State of Oregon and pass-through funding agencies, and the State of Oregon Division of Audits and is not intended to be and should not be used by anyone other than those specified parties.


CERTIFIED PUBLIC ACCOUNTANTS
Salem, Oregon
July 26, 2006

CITY OF LEBANON, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Pass Through Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development, Community Development Block Grant	14.228	\$ 558,101
U.S. Department of Justice - Bulletproof Vest Grant	16.607	2,178
U.S. Department of Justice - Local Law Enforcement Block Grant	16.592	<u>7,467</u>
Total U.S. Department of Justice		9,645
Public Transit Grant, Small City and Rural Areas Program Passed through Oregon Department of Transportation Public Transit Division to fund Dial-A-Bus Services	20.509	40,604
Oregon Office of Homeland Security - Criminal Justice Services Division Grant	97.073	12,282
Oregon Office of Homeland Security - Law Enforcement Terrorism Prevention Program	97.074	<u>4,733</u>
Total Oregon Office of Homeland Security		<u>17,015</u>
<i>Total Federal Programs</i>		<u>\$ 625,365</u>

CITY OF LEBANON, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Purpose of the Schedule

The accompanying schedule of expenditures of federal awards (the "Schedule") is a supplementary schedule to the City of Lebanon, Oregon's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the City of Lebanon, Oregon, it is not intended to and does not present either the financial position, changes in fund balances, or the operating funds' revenues, expenditures and changes in the City of Lebanon, Oregon.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance

Pursuant to the Single Audit Act of 1984 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act of 1984 and OMB Circular A-133 establish criteria to be used in defining major federal financial assistance programs. Major programs for the City of Lebanon, Oregon are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Reporting Entity

The reporting entity is fully described in notes to the financial statements. Additionally, the Schedule includes all federal programs administered by the City of Lebanon, Oregon for the year ended June 30, 2005.

Revenue and Expenditure Recognition

The receipt and expenditure of federal awards are accounted for under the modified accrual basis of accounting.

CITY OF LEBANON, OREGON
SUMMARY OF AUDIT RESULTS
YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued:	Unqualified
Internal control reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

14.228

Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.