

***CITY OF LEBANON, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2007***

**CITY OF LEBANON, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2007**

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**CITY OF LEBANON, OREGON**  
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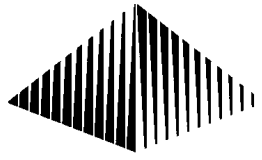
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## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
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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, 2007, 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. 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, 2007, 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.

Management's discussion and analysis and the Schedule of Funding Progress - Public Employees Retirement System are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted by the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual for the General Fund and Intergovernmental Fund and the other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts 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  
June 8, 2008

## Management's Discussion and Analysis

Readers of the City of Lebanon's Comprehensive Annual Financial Report (CAFR) are offered this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007 by management. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the financial statements, which follow this section.

### Financial Highlights

- The assets of the City of Lebanon exceeded liabilities at the close of the fiscal year by \$44,308,855 (net assets), an increase of \$2,001,952 from June 30, 2006. Of this amount, \$5,127,263 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets increased for governmental activities by \$912,825, an increase of 3.82% from June 30, 2006. Net assets increased for business-type activities by \$1,089,127, an increase of 5.92% from June 30, 2006.
- As of the close of FY 06-07, the City of Lebanon's governmental funds reported combined ending fund balances of \$27,596,378, an increase of \$12,028,003 from the prior year. Approximately 56% of the total amount, \$15,568,375, is available for spending at the City Council's discretion (unreserved fund balance).
- At the end of FY 06-07, unreserved fund balance in the General Fund was \$560,717 or 11.5% of the total General Fund expenditures. This was an increase of \$221,251 from June 30, 2006, based on better financial performance than expected.
- Total governmental activities debt increased by \$19,912,003 or 160% during FY 06-07. The increase was the net result of issuing \$19,970,000 in GO Bonds, borrowing an additional \$3,261,609 in State of Oregon SPWF funds to pay for infrastructure improvements in the Urban Renewal District and Airport Area Industrial improvements, and making all required debt service payments. Total business-type activities debt decreased by \$345,209 or 3.92% as the result of making all required debt service payments.

### Overview of the Financial Statements

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

**Government-wide Financial Statements** 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (called governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (called business-type activities). The governmental activities of the City include police, library, senior services, parks, general administration, public works, and community development. The business-type activities of the City include water and wastewater. The government-wide financial statements can be found on pages 11-12 of the financial statements.

**Fund Financial Statements** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

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

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

The City of Lebanon maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Intergovernmental, Capital Projects, and NW Urban Renewal funds, all of which are considered to be major funds. Data from the other six funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, along with all other funds. Budgetary comparison statements have been provided for the General Fund and major special revenue funds to demonstrate compliance with this budget. Budgetary comparisons for all other funds have been provided as supplementary information.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

***Proprietary Funds*** The City of Lebanon has one enterprise fund comprised of seven departments. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its Water, Water CIP, Small Water Line, Wastewater, Wastewater CIP, Railroad, and Storm Drainage operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide aggregate information for the Water, Wastewater, Water CIP, Wastewater CIP, Small Waterline, and Railroad funds. Individual fund data is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

***Fiduciary Funds*** The City has no fiduciary funds.



**Notes to the Basic Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements. The notes to the basic financial statements can be found on pages 21-36 of this report.

**Supplementary Information** Supplementary information includes the combining statements referred to earlier in connection with non-major governmental funds; budgetary comparisons for non-major, and enterprise funds; and other financial schedules. This information can be found on pages 37-61 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$44,308,855 at the close of FY 06-07. This represented a \$2,001,952 or 4.73% increase in net assets.

<b>CITY OF LEBANON</b>						
<b>Summary of Net Assets</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
Current and other assets	\$ 19,258,424	\$ 30,753,632	\$ 4,642,758	\$ 4,645,268	\$ 23,901,182	\$ 35,398,900
Capital assets	20,334,372	27,627,574	23,037,308	23,845,276	43,371,680	51,472,850
Total assets	<u>39,592,796</u>	<u>58,381,206</u>	<u>27,680,066</u>	<u>28,490,544</u>	<u>67,272,862</u>	<u>86,871,750</u>
Current and other liabilities	1,577,146	1,216,055	248,131	300,927	1,825,277	1,516,982
Long-term liabilities	14,095,734	32,332,410	9,044,948	8,713,503	23,140,682	41,045,913
Total liabilities	<u>15,672,880</u>	<u>33,548,465</u>	<u>9,293,079</u>	<u>9,014,430</u>	<u>24,965,959</u>	<u>42,562,895</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	8,745,261	14,360,902	14,227,099	15,597,777	22,972,360	29,958,679
Restricted	14,777,987	9,222,913	-	-	14,777,987	9,222,913
Unrestricted	396,668	1,248,926	4,159,888	3,878,337	4,556,556	5,127,263
<b>Total Net Assets</b>	<u>\$ 23,919,916</u>	<u>\$ 24,832,741</u>	<u>\$ 18,386,987</u>	<u>\$ 19,476,114</u>	<u>\$ 42,306,903</u>	<u>\$ 44,308,855</u>

The second largest portion of the City’s net assets (26.0%) reflects the City’s investment in capital assets (land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City’s investment in capital assets increased \$6,986,319 or 30% from June 30, 2006. The City’s major capital assets are investments in infrastructure – the water, and wastewater systems of treatment plants and collection/distribution facilities, and the street and sidewalk system. The City uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets totaling \$9,222,913 or 20.8% represent resources that are subject to external restrictions on how they may be used. This represents an decrease in the dollar value of the City’s restricted net assets from June 30, 2006 of \$5,555,074 or 38%. The remaining balance of unrestricted net assets, \$5,127,263, may be used to meet the City’s ongoing obligations to citizens and creditors.

Unrestricted net assets for governmental activities totaled \$1,248,926 or 5.9% of the total net assets for governmental activities. Business-type activities unrestricted net assets totaled \$3,878,337 or 21.0% of the total net assets for business-type activities. At the end of FY 06-07, for the government as a whole, the City of Lebanon is able to report positive balances in all three categories of net assets.

**CITY OF LEBANON**  
**Summary of Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
<b>Revenue:</b>						
Program Revenue:						
Fees, Fines, and Charges for Services	\$ 2,289,896	\$ 2,105,689	\$ 5,461,760	\$ 5,140,779	\$ 7,751,656	\$ 7,246,468
Operating grants and contributions	2,864,362	1,886,790	-	-	2,864,362	1,886,790
Capital grants and contributions	505,523	940,609	-	-	505,523	940,609
General Revenue:						
Property Taxes	4,938,206	5,298,768	-	-	4,938,206	5,298,768
Franchise fees	1,373,934	1,487,309	-	-	1,373,934	1,487,309
Intergovernmental	281,349	285,056	-	-	281,349	285,056
Miscellaneous	647,294	834,640	111,265	207,865	758,559	1,042,505
Total Revenues	12,900,564	12,838,861	5,573,025	5,348,644	18,473,589	18,187,505
<b>Expenses:</b>						
General Government	804,384	2,838,491	-	-	804,384	2,838,491
Community services and development	10,640,200	5,864,430	-	-	10,640,200	5,864,430
Public Safety	3,003,927	3,067,563	-	-	3,003,927	3,067,563
Interest on long-term debt	680,950	646,261	-	-	680,950	646,261
Unallocated depreciation	-	-	-	-	-	-
Water	-	-	2,088,883	2,044,341	2,088,883	2,044,341
Wastewater	-	-	1,635,011	1,724,192	1,635,011	1,724,192
Railroad	-	-	528	275	528	275
Loss on disposal of assets	-	-	-	-	-	-
Total Expenses	15,129,461	12,416,745	3,724,422	3,768,808	18,853,883	16,185,553
Excess of rev. over exp. before transfers	(2,228,897)	422,116	1,848,603	1,579,836	(380,294)	2,001,952
Transfers	1,081,022	490,709	(1,081,022)	(490,709)	-	-
Increase in Net Assets	(1,147,875)	912,825	767,581	1,089,127	(380,294)	2,001,952
Net Assets - Beginning	25,067,791	23,919,916	17,619,406	18,386,987	42,687,197	42,306,903
Net Assets - Ending	\$ 23,919,916	\$ 24,832,741	\$ 18,386,987	\$ 19,476,114	\$ 42,306,903	\$ 44,308,855

- Governmental activities increased the City's net assets by \$912,825. This was primarily the result of a reduction in expenditures of 17.93%.
- Business-type activities increased the City's net assets by \$1,089,127. There were no rate increases during the year. Transfers decreased 54.6%.

### Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$27,596,378, an increase of \$12,028,003 in comparison with the prior year. This entire amount is classified as unreserved fund balance.

The General Fund is the main operating fund for the City. At the end of FY 06-07, unreserved fund balance of the General Fund was \$560,717. As a measure of the General Fund's liquidity, it may be useful to compare the fund balance to total fund expenditures. The unreserved fund balance represents 12.7% of the total General Fund operating expenditures.

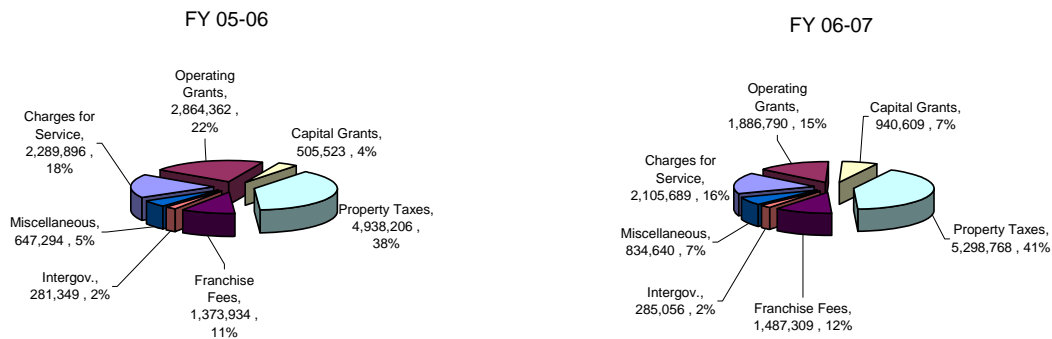
The fund balance of the General Fund increased by \$221,251 during FY 06-07. Revenues increased by 6.9% while operating expenses increased 11.0%. Most of the revenue increase occurred in property taxes and franchise fees while much of the operating expense increase was in Public Safety. There was a large decrease in capital outlay spending in Public Safety as the Police department completed a project to install mobile data terminals in police patrol vehicles.

In the Intergovernmental Fund, the fund balance increased \$373,991 based on continued commercial and residential building activity. The building department was able to increase by over 300% the contingency amount that would be drawn on for operations in the future if building activity slows.

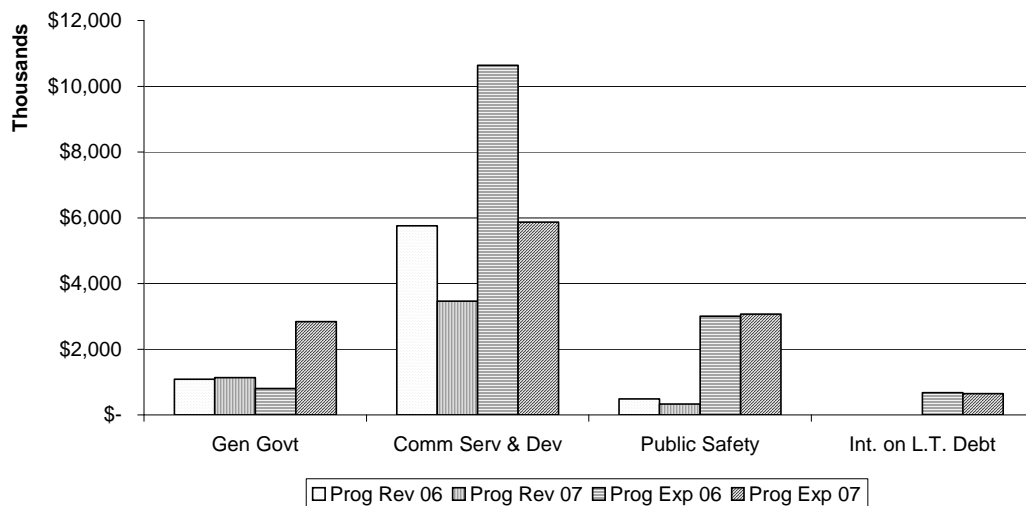
In the Capital Projects Fund, the ending fund balance was \$12,047,695 higher than the prior year, reflecting GO Bond proceeds recorded in the fund for the construction of a Justice Center and Library.

The NW Urban Renewal district ended FY 06-07 with a fund balance \$107,868 higher than the prior year. Revenues other than taxes were down considerably since much of the revenue in the prior year was from grants and loans in support of the Lowes project infrastructure. That project was completed in FY 06-07, but the majority of the expenditures occurred in FY 05-06. Overall, expenditures were also down from the FY 05-06 levels.

**Revenue by Source - Governmental Funds**



**Program Revenue and Expenses - Governmental Funds**

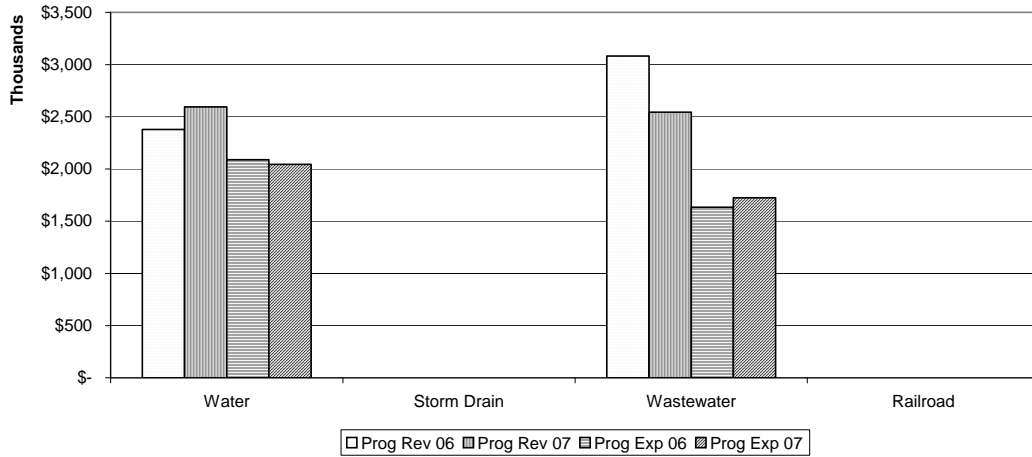


**Proprietary Funds** The City's proprietary funds provide the same type of information found in the

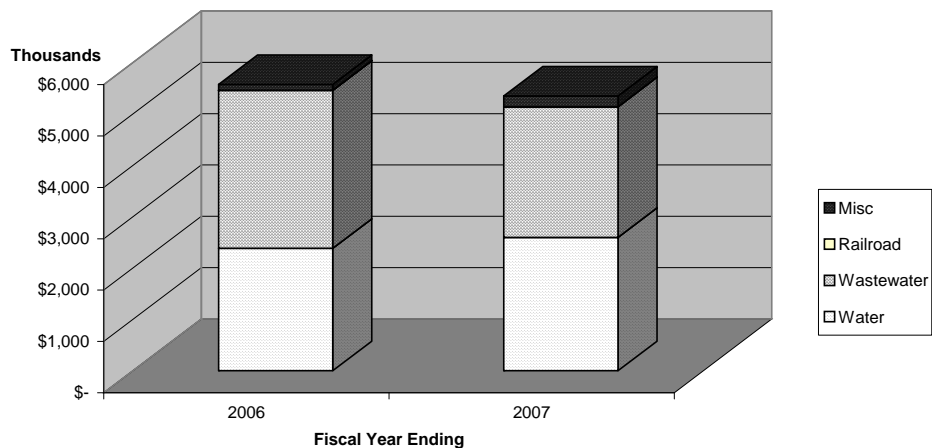
government-wide financial statements, but in more detail. Activities in the proprietary funds increased the City's net assets by \$1,089,127. Key elements of this increase are as follows:

- The Wastewater and Wastewater CIP departments accounted for \$828,094 of this increase, although in FY 05-06 the increase from these two departments was \$1,071,812.
- Water and Wastewater fees were not increased in FY06-07, and have not been increased since July 2001. Charges for service increased 7.6% for Water and 4.0% for Wastewater. This is all due to growth in the number of customers served and increased water consumption.

**Program Revenue and Expenses - Business-type Activities**



**Revenues by Source - Business-type Activities**



**Budgetary Highlights**

There were small differences between the original budget and final amended budget during the year. The City Council adopted a resolution to transfer \$27,000 appropriations from the Police department to the Human Resources department to pay for unanticipated labor attorney costs. This transfer of appropriation occurred in the General fund resulting in a net \$0 increase in the General fund budget.

The Nondepartmental department appeared to under expend its budget by \$319,755. This department includes the General Fund Contingency, which is not spent and gives the appearance of a large underexpenditure.

The Council adopted a supplemental budget for the Capital Projects Fund that increased that fund by \$2,085,000, or 19.8%. This added an appropriation for the Airport Area Industrial Improvements, a project that extended infrastructure in support of commercial development off of Oak Street.

### Capital Asset and Debt Administration

**Capital Assets** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$51,472,850 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, machinery and equipment, office equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 18.7%. This total includes a 35.9% increase in governmental activities and a 3.5% increase in business-type activities.

Major capital asset events during FY 06-07 included the following:

- New radio dispatch system equipment in Police totaled over \$120,000.
- Improvements to equipment and structures in city parks, and a new vehicle totaled over \$103,000.
- A new street sweeper for \$130,242.
- Continued work on the new Grant Street bridge added over \$4,852,000.
- Infrastructure projects for water, wastewater, municipal buildings, and streets totaled \$5,923,908.

CITY OF LEBANON CAPITAL ASSETS (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
Land	\$ 1,896,285	\$ 1,744,311	\$ 412,048	\$ 398,734	\$ 2,308,333	\$ 2,143,045
Buildings	1,863,516	1,724,973	4,904,204	4,965,144	6,767,720	6,690,117
Vehicles	211,073	302,677	211,575	202,760	422,648	505,437
Machinery and Equipment	476,592	801,174	4,319,849	2,467,871	4,796,441	3,269,045
Infrastructure	15,886,906	23,054,439	10,761,611	13,080,505	26,648,517	36,134,944
Construction in Progress		-	2,428,021	2,730,262	2,428,021	2,730,262
Total	\$ 20,334,372	\$ 27,627,574	\$ 23,037,308	\$ 23,845,276	\$ 43,371,680	\$ 51,472,850

**Long-Term Debt** At the end of FY 06-07 the City had total debt outstanding of \$39,944,269. Of this amount \$29,426,938 comprised debt backed by the full faith and credit of the government, \$8,465,000 is revenue supported, backed by the revenue of the Water & Wastewater utility operation, and \$2,027,597 is limited-tax debt supported by operating funds of the City. The City also had total notes outstanding of \$24,734.

<b>CITY OF LEBANON Outstanding Debt</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006	June 30, 2007
General obligation bonds	\$ 9,495,000	\$ 24,490,000	\$ -	\$ -	\$ 9,495,000	\$ 24,490,000
Revenue bonds	-	-	8,810,000	8,465,000	8,810,000	8,465,000
Pension obligation bonds	2,046,147	2,027,597	-	-	2,046,147	2,027,597
NWURD SPWF	1,675,327	3,677,462	-	-	1,675,327	3,677,462
General Fund SPWF	-	1,259,476	-	-	-	1,259,476
Total bonded debt	<u>13,216,474</u>	<u>31,454,535</u>	<u>8,810,000</u>	<u>8,465,000</u>	<u>22,026,474</u>	<u>39,919,535</u>
Notes payable	47,964	24,734	209	-	48,173	24,734
<b>Total Debt Outstanding</b>	<b>\$ 13,264,438</b>	<b>\$ 31,479,269</b>	<b>\$ 8,810,209</b>	<b>\$ 8,465,000</b>	<b>\$ 22,074,647</b>	<b>\$ 39,944,269</b>

The City's total debt increased \$17,869,622 or 81.0% during FY 06-07. The increase was the result of new GO bond debt issued to construct the Justice Center and Library buildings. SPWF funds totaling \$3,677,462 to complete infrastructure projects in the NW Urban Renewal area and \$1,259,476 to construct infrastructure in the Airport Industrial area in support of commercial development. The City's outstanding notes decreased \$23,439 (49%) during FY 06-07. The decrease was the result of paying scheduled debt payments.

Additional information on the City of Lebanon's long-term debt can be found on pages 31-32 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Linn County, where Lebanon is the second largest city, was 6.2% in June 2007. This is a decrease from last June's 6.5% seasonally adjusted rate. Linn County, while showing recent improvement, continues to have unemployment rates higher than the State as a whole.
- Property tax revenue was projected to increase 6% in FY 07-08 based on the same rate of increase in the assessed value. At the end of the second week of October, the City was notified that actual assessed value had increased 8.73% which will result in approximately \$64,000 more in property tax revenue to the City, over what is in the adopted budget. This was largely the result of a high level of building activity occurring in the City.
- Utility revenue for the Water and Wastewater funds are projected to increase 5% and 11.6% respectively from growth in the number of customers, and consumption. There is a 10% wastewater rate increase planned for FY 07-08 in support of the wastewater CIP program and projects.

All of these factors were considered when preparing the budget for the 2008 fiscal year.

During FY 06-07, unreserved fund balances in the General Fund increased to \$560,717. The City of Lebanon has appropriated \$156,441 of this amount for spending in FY 07-08. This left the contingency in FY 07-08 at \$404,276, or 6.8% of the General Fund total. The budgeted contingency as a percent of the General Fund total in FY 06-07 was 5.5%. The City Council has established a goal of building this amount to approximately 10% of the General Fund total, or \$593,000.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lebanon's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Lebanon, 925 Main Street, Lebanon, Oregon 97335.

***BASIC FINANCIAL STATEMENTS***

**CITY OF LEBANON, OREGON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 28,377,905	\$ 3,736,033	\$ 32,113,938
Accounts receivable	709,736	690,954	1,400,690
Prepaid expenses	1,833	-	1,833
Property taxes receivable	326,208	780	326,988
Special assessments/loans	802,126	-	802,126
Court fines	535,824	-	535,824
Capital assets, net	27,627,574	23,845,276	51,472,850
<i>Total Assets</i>	58,381,206	28,273,043	86,654,249
<b>LIABILITIES</b>			
Accounts payable	996,050	80,507	1,076,557
Payroll liabilities	101,005	-	101,005
Deposits	-	85,810	85,810
Reserved for claims	119,000	134,610	253,610
Noncurrent liabilities:			
Due within one year:			
Loan payable	90,974	-	90,974
Bonds payable	915,000	485,000	1,400,000
Accrued compensated absences	95,605	21,033	116,638
Due in more than one year:			
Loan payable	4,870,698	-	4,870,698
Bonds payable	25,602,597	7,980,000	33,582,597
Deferred charges	-	(217,501)	(217,501)
Accrued compensated absences	757,536	227,470	985,006
<i>Total Liabilities</i>	33,548,465	8,796,929	42,345,394
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	14,360,902	15,597,777	29,958,679
Restricted for special purposes	9,222,913	-	9,222,913
Unrestricted	1,248,926	3,878,337	5,127,263
<i>Total Net Assets</i>	\$ 24,832,741	\$ 19,476,114	\$ 44,308,855

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



**CITY OF LEBANON, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>FUNCTIONS/PROGRAMS</b>			
<b>Governmental Activities:</b>			
General government	\$ 2,838,491	\$ 76,700	\$ 121,397
Community services and development	5,864,430	1,758,199	1,702,765
Public safety	3,067,563	270,790	62,628
Interest on long-term debt	646,261	-	-
<i>Total Governmental Activities</i>	12,416,745	2,105,689	1,886,790
<b>Business-type Activities:</b>			
Water	2,044,341	2,596,121	-
Storm drain utility	275	-	-
Wastewater	1,724,192	2,544,658	-
<i>Total Business-type Activities</i>	3,768,808	5,140,779	-
<i>Total Activities</i>	<u>\$ 16,185,553</u>	<u>\$ 7,246,468</u>	<u>\$ 1,886,790</u>
<b>General Revenues:</b>			
Property taxes			
Franchise fees			
Intergovernmental			
Miscellaneous			
Loss on disposal of assets			
<i>Total General Revenues</i>			
<b>Transfers</b>			
<b>Change in Net Assets</b>			
<i>Net Assets, July 1, 2006</i>			
<i>Net Assets, June 30, 2007</i>			

<i>Net (Expenses) Revenues and Changes in Net Assets</i>			
<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 940,609	\$ (1,699,785)	\$ -	\$ (1,699,785)
-	(2,403,466)	-	(2,403,466)
-	(2,734,145)	-	(2,734,145)
-	(646,261)	-	(646,261)
940,609	(7,483,657)	-	(7,483,657)
-	-	551,780	551,780
-	-	(275)	(275)
-	-	820,466	820,466
-	-	1,371,971	1,371,971
<u>\$ 940,609</u>	(7,483,657)	1,371,971	(6,111,686)
	5,298,768	-	5,298,768
	1,487,309	-	1,487,309
	285,056	-	285,056
	841,328	207,865	1,049,193
	(6,688)	-	(6,688)
	7,905,773	207,865	8,113,638
	490,709	(490,709)	-
	912,825	1,089,127	2,001,952
	23,919,916	18,386,987	42,306,903
	<u>\$ 24,832,741</u>	<u>\$ 19,476,114</u>	<u>\$ 44,308,855</u>

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

**CITY OF LEBANON, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>General</u>	<u>Inter- governmental</u>	<u>NW Urban Renewal</u>
<b>ASSETS</b>			
Cash and investments	\$ 518,525	\$ 1,756,282	\$ 2,671,442
Accounts receivable	222,505	130,219	153,571
Prepaid expenses	-	-	-
Property taxes receivable	228,683	-	90,084
Special assessments/loans	-	795,673	4,886
Court fines receivable	438,786	97,038	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 1,408,499</u>	<u>\$ 2,779,212</u>	<u>\$ 2,919,983</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 69,198	\$ 46,055	\$ 145,267
Payroll taxes payable	-	-	-
Compensated absences payable	57,619	30,280	3,627
Deferred revenues	678,733	912,116	94,969
Reserved for claims	42,232	76,768	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	847,782	1,065,219	243,863
<b>Fund Balances</b>			
Unreserved, reported in:			
General fund	560,717	-	-
Special revenue funds	-	1,713,993	2,676,120
Capital projects fund	-	-	-
Debt services funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>560,717</u>	<u>1,713,993</u>	<u>2,676,120</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,408,499</u>	<u>\$ 2,779,212</u>	<u>\$ 2,919,983</u>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 22,411,253	\$ 1,020,403	\$ 28,377,905
148,934	54,507	709,736
-	1,833	1,833
-	7,441	326,208
-	1,567	802,126
-	-	535,824
<u>\$ 22,560,187</u>	<u>\$ 1,085,751</u>	<u>\$ 30,753,632</u>
\$ 600,617	\$ 134,913	\$ 996,050
-	101,005	101,005
3,473	606	95,605
148,935	10,841	1,845,594
-	-	119,000
753,025	247,365	3,157,254
-	-	560,717
-	136,401	4,526,514
21,807,162	-	21,807,162
-	701,985	701,985
21,807,162	838,386	27,596,378
<u>\$ 22,560,187</u>	<u>\$ 1,085,751</u>	<u>\$ 30,753,632</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, 2007**

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<i>Fund Balances</i>	\$ 27,596,378
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.	1,845,594
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	
Capital asset cost	62,334,391
Accumulated depreciation	(34,706,817)
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.	
Loans payable	(4,961,672)
Bonds payable	(26,517,597)
Accrued compensated absences	(757,536)
	<hr/>
<i>Net assets of governmental activities</i>	<u><u>\$ 24,832,741</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, 2007**

	<u>General</u>	<u>Inter- governmental</u>
<b>REVENUES</b>		
Taxes and assessments	\$ 2,897,563	\$ 30,476
Licenses and permits	1,490,654	892,718
Charges for services	14,177	14,896
Intergovernmental	313,316	1,133,205
Fines and forfeitures	214,774	64,523
Miscellaneous	169,322	230,173
	<hr/>	<hr/>
<i>Total Revenues</i>	5,099,806	2,365,991
<b>EXPENDITURES</b>		
Current operating:		
General government	579,571	-
Community services and development	774,852	3,363,226
Public safety	3,065,075	-
Capital outlay	119,130	402,097
Debt service	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	4,538,628	3,765,323
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	561,178	(1,399,332)
<b>OTHER FINANCING SOURCES (USES)</b>		
Bond and loan proceeds	-	-
Transfers in	2,966	1,892,211
Transfers out	(342,893)	(118,888)
Bond defeasance	-	-
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(339,927)	1,773,323
<b>NET CHANGE IN FUND BALANCES</b>	221,251	373,991
<b>FUND BALANCES, Beginning of year</b>	<hr/> 339,466	<hr/> 1,340,002
<b>FUND BALANCES, End of year</b>	<hr/> \$ 560,717	<hr/> \$ 1,713,993

<i>NW Urban Renewal</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 1,419,994	\$ 947,143	\$ 987,937	\$ 6,283,113
-	-	-	2,383,372
-	-	-	29,073
744,738	349,322	-	2,540,581
-	-	80,582	359,879
157,379	782,489	83,759	1,423,122
2,322,111	2,078,954	1,152,278	13,019,140
-	536	114,311	694,418
935,962	929,904	356,425	6,360,369
-	5,859	82,945	3,153,879
2,780,088	6,913,051	532	10,214,898
462,313	-	1,312,228	1,774,541
4,178,363	7,849,350	1,866,441	22,198,105
(1,856,252)	(5,770,396)	(714,163)	(9,178,965)
2,002,133	21,229,476	-	23,231,609
-	348,872	24,702	2,268,751
(38,013)	(30,513)	(33,341)	(563,648)
-	(3,729,744)	-	(3,729,744)
1,964,120	17,818,091	(8,639)	21,206,968
107,868	12,047,695	(722,802)	12,028,003
2,568,252	9,759,467	1,561,188	15,568,375
\$ 2,676,120	\$ 21,807,162	\$ 838,386	\$ 27,596,378

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, 2007**

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<i>Net change in fund balances - total governmental funds</i>	\$ 12,028,003
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.	(173,590)
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.	6,688
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.	(19,960)
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.	
Capital outlay	10,214,898
Depreciation	(2,921,696)
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.	
Proceeds from issuance of debt	(23,231,609)
Debt principal paid	5,010,091
	<hr/>
<i>Change in net assets of governmental activities.</i>	<u><u>\$ 912,825</u></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, 2007**

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**ASSETS**

**Current assets**

Cash and investments	\$ 3,736,033
Accounts receivable	690,954
Property taxes receivable	780

<i>Total Current Assets</i>	4,427,767
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**Noncurrent assets**

Capital assets, net	23,845,276
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<i>Total Assets</i>	28,273,043
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**LIABILITIES**

**Current liabilities**

Accounts payable	80,507
Deposits	85,810
Bonds payable - current portion	345,000
Compensated absences	21,033

<i>Total Current Liabilities</i>	532,350
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**Noncurrent liabilities**

Bonds payable	8,120,000
Bonds discount	(217,501)
Compensated absences	227,470
Reserved for claims	134,610

<i>Total Noncurrent Liabilities</i>	8,264,579
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<i>Total Liabilities</i>	8,796,929
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**NET ASSETS**

Investment in capital assets (net of related debt)	15,597,777
Unrestricted	3,878,337

<i>Total Net Assets</i>	\$ 19,476,114
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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, 2007**

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**OPERATING REVENUES**

Charges for services	\$ 4,902,157
Miscellaneous	238,622

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*Total Operating Revenues* 5,140,779

**OPERATING EXPENSES**

Personal services	1,663,126
Materials and services	1,066,342
Depreciation	682,175

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*Total Operating Expenses* 3,411,643

**OPERATING INCOME**

1,729,136

**NONOPERATING REVENUES (EXPENSES)**

Transfers in	2,596,024
Transfers out	(3,086,733)
Interest income	207,865
Interest expense	(357,165)

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*Total Nonoperating Revenue (Expenses)* (640,009)

**CHANGE IN NET ASSETS**

1,089,127

**NET ASSETS, Beginning of year**

18,386,987

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**NET ASSETS, End of year**

\$ 19,476,114

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

**CITY OF LEBANON, OREGON**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2007**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 5,100,023
Cash paid to employees for services	(1,649,362)
Cash paid to suppliers for goods and services	(1,019,631)

*Net Cash Provided by Operating Activities* 2,431,030

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

Transfers in	2,596,024
Transfers out	(3,086,733)

*Net Cash Used in Non-Capital Financing Activities* (490,709)

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

Acquisition of capital assets	(1,490,143)
Principal paid on contracts/bonds payable	(345,209)
Interest paid	(340,819)

*Net Cash Used in Capital and Related Financing Activities* (2,176,171)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>207,865</u>
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*Net Change in Cash and Investments* (27,985)

**CASH AND INVESTMENTS, Beginning of year** 3,764,018

**CASH AND INVESTMENTS, End of year** \$ 3,736,033

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

Operating income	\$ 1,729,136
Depreciation	682,175
<i>Change in assets and liabilities</i>	
Receivables	(46,841)
Accounts payable and accrued liabilities	39,446
Compensated absences payable	13,764
Deposits	6,085
Reserved for claims	7,265
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 2,431,030</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, 2007.

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, capital projects, 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.

*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.

*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.

*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 Fund* - 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, 2007

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**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, 2007. 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 is 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 consists of water, stormwater and wastewater collection systems.

As permitted by the reporting model, 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, 2007**

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**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, and will be paid from the debt service funds. Accrued compensated absences are generally paid by all funds except the debt service funds.

*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 department level in the general fund and expenditure 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, 2007, 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, 2007:

	<i>Carrying Value</i>	<i>Fair Value</i>
<b>Cash</b>		
Cash on hand	\$ 1,450	\$ 1,450
Deposits with financial institutions	2,120,634	2,120,634
<b>Investments</b>		
Local Government Investment Pool	14,232,838	14,232,838
Federal securities	15,759,016	15,759,016
	<u>\$ 32,113,938</u>	<u>\$ 32,113,938</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2007**

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**CASH AND INVESTMENTS (Continued)**

*Deposits*

At June 30, 2007, the City's deposits with various financial institutions have a bank value of \$2,486,554. The difference is due to transactions in process. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a custodian, in a collateral pool, securities having a value not less than 25% of the outstanding certificates of participation which are issued by the collateral pool manager. The certificates of participation are issued in the City's name and are held by the City.

*Investments*

As of June 30, 2007, the City held the following investments and maturities:

<i>Investment type</i>	<i>Carrying Value</i>	<i>Average Maturity (years)</i>	<i>Percent of Investment Portfolio</i>
Local government investment pool	\$ 14,232,838	< one year	47%
U.S. agency securities	15,759,016	< one year	53%
	\$ 29,991,854		100%

The "weighted average maturity in years" calculation assumes that all investments are held until maturity.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the investments above, except for the investment in the Local Government Investment Pool which is not evidenced by securities, are held in safekeeping by the financial institution counterparty in the financial institution's general customer account name.

The City's policy, which adheres to State of Oregon law, is to limit its investments to the following: Issuers within Oregon must be rated "A" (bonds) or A-2 / P-2 (commercial paper) or better by Standard & Poor's, Moody's Investors Service or any other nationally recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1 / P-1 (commercial paper) or better.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2007**

**CASH AND INVESTMENTS (Continued)**

At June 30, 2007, the City investments are rated as follows:

**Rating by Moody's Investors Service**

<i>Investment type</i>	<i>Total</i>	<i>AAA</i>	<i>Not Rated</i>
Local government investment pool	\$ 14,232,838	\$ -	\$ 14,232,838
U.S. agency securities	15,759,016	15,759,016	-
	<u>\$ 29,991,854</u>	<u>\$ 15,759,016</u>	<u>\$ 14,232,838</u>

The City's policy for investing in individual issuers varies depending on the type of investments. U.S. treasury and agency securities do not have restrictions regarding concentration with any one issuer. At June 30, 2007, more than 5% of the City's portfolio is invested in FHLB, FHLMC, FNMA, FFCB, and Freddi Mac securities. These investments are 11.43%, 8.20%, 8.99%, 8.71% and 5.60%, respectively, of the City's total investments.

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, 2007, 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 risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

**RECEIVABLES**

	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Enterprise</i>	<i>Total</i>
Accounts	\$ 222,505	\$ 338,297	\$ 148,934	\$ -	\$ 690,954	\$ 1,400,690
Property taxes	228,683	97,525	-	-	780	326,988
Special assessments / loans	-	800,559	-	1,567	-	802,126
Court fines	438,786	97,038	-	-	-	535,824
	<u>\$ 889,974</u>	<u>\$ 1,333,419</u>	<u>\$ 148,934</u>	<u>\$ 1,567</u>	<u>\$ 691,734</u>	<u>\$ 3,065,628</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2007**

**RECEIVABLES (Continued)**

*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.

	<i>Balances</i> <i>July 1,</i> <i>2006</i>	<i>2006-2007</i> <i>Levy</i>	<i>Added to</i> <i>Rolls</i>	<i>Discounts &amp;</i> <i>Adjustments</i>	<i>Collections</i>	<i>Balances</i> <i>June 30,</i> <i>2007</i>
<i>General and Debt Service Fund</i>						
Current	\$ -	\$ 3,451,695	\$ 877	\$ (94,127)	\$ (3,229,194)	\$ 129,251
Prior	229,806	-	135	(14,236)	(116,273)	99,432
	<u>\$ 229,806</u>	<u>\$ 3,451,695</u>	<u>\$ 1,012</u>	<u>\$ (108,363)</u>	<u>\$ (3,345,467)</u>	<u>\$ 228,683</u>

	<i>Balances</i> <i>July 1,</i> <i>2006</i>	<i>2006-2007</i> <i>Levy</i>	<i>Added to</i> <i>Rolls</i>	<i>Discounts &amp;</i> <i>Adjustments</i>	<i>Collections</i>	<i>Balances</i> <i>June 30,</i> <i>2007</i>
<i>Urban Renewal</i>						
Current	\$ -	\$ 2,023,172	\$ 514	\$ (71,095)	\$ (1,892,755)	\$ 59,836
Prior	118,222	-	65	(19,899)	(60,699)	37,689
	<u>\$ 118,222</u>	<u>\$ 2,023,172</u>	<u>\$ 579</u>	<u>\$ (90,994)</u>	<u>\$ (1,953,454)</u>	<u>\$ 97,525</u>

	<i>Balances</i> <i>July 1,</i> <i>2006</i>	<i>2006-2007</i> <i>Levy</i>	<i>Added to</i> <i>Rolls</i>	<i>Discounts &amp;</i> <i>Adjustments</i>	<i>Collections</i>	<i>Balances</i> <i>June 30,</i> <i>2007</i>
<i>Wastewater</i>						
Current	\$ -	\$ 11,958	\$ 3	\$ (326)	\$ (11,187)	\$ 448
Prior	766	-	-	(47)	(387)	332
	<u>\$ 766</u>	<u>\$ 11,958</u>	<u>\$ 3</u>	<u>\$ (373)</u>	<u>\$ (11,574)</u>	<u>\$ 780</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2007**

**CAPITAL ASSETS**

The summary of capital assets for the business-type activities for the year ended June 30, 2007 is as follows:

	<i><b>Balances July 1, 2006</b></i>	<i><b>Additions</b></i>	<i><b>Retirements</b></i>	<i><b>Balances June 30, 2007</b></i>
Water and sewer systems	\$ 29,852,124	\$ 1,187,902	\$ -	\$ 31,040,026
Construction in progress	2,428,021	302,241	-	2,730,262
	32,280,145	1,490,143	-	33,770,288
Less accumulated depreciation	(9,242,837)	(682,175)	-	(9,925,012)
	<u>\$ 23,037,308</u>	<u>\$ 807,968</u>	<u>\$ -</u>	<u>\$ 23,845,276</u>

The changes in the capital assets for governmental activities for the year ended June 30, 2007 are as follows:

	<i><b>Balances July 1, 2006</b></i>	<i><b>Additions</b></i>	<i><b>Retirements</b></i>	<i><b>Balances June 30, 2007</b></i>
Capital assets, cost	\$ 52,205,553	\$ 10,221,586	\$ (92,748)	\$ 62,334,391
	52,205,553	10,221,586	(92,748)	62,334,391
Less accumulated depreciation	(31,871,181)	(2,921,696)	86,060	(34,706,817)
	<u>\$ 20,334,372</u>	<u>\$ 7,299,890</u>	<u>\$ (6,688)</u>	<u>\$ 27,627,574</u>

Depreciation expense was charged as follows.

General government	\$ 467,471
Community services and development	2,425,008
Public safety	29,217
	<u>                    </u>
Total	<u>\$ 2,921,696</u>

Information to report nondepreciable capital assets separately from depreciable capital assets was not available.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2007**

**LONG-TERM OBLIGATIONS**

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

	<i>Outstanding July 1, 2006</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2007</i>	<i>Due Within One Year</i>
<i>Governmental activities</i>					
1994 GO Urban Renewal	\$ 570,000	\$ -	\$ (570,000)	\$ -	\$ -
1995 GO Refunding	1,645,000	-	(1,245,000)	400,000	400,000
1999 GO Urban Renewal	2,950,000	-	(2,950,000)	-	-
2000 GO Urban Renewal	4,330,000	-	(210,000)	4,120,000	220,000
2002 GO Pension Pool	2,046,147	-	(18,550)	2,027,597	66,240
2007 GO Refunding	-	19,970,000	-	19,970,000	295,000
NWURD SPWF	1,675,329	2,002,133	-	3,677,462	66,240
General Fund SPWF	-	1,259,476	-	1,259,476	-
Key Bank Note	47,964	-	(23,230)	24,734	24,734
	<u>13,264,440</u>	<u>23,231,609</u>	<u>(5,016,780)</u>	<u>31,479,269</u>	<u>1,072,214</u>
Accrued vacation	831,296	21,845	-	853,141	95,605
	<u>\$ 14,095,736</u>	<u>\$ 23,253,454</u>	<u>\$ (5,016,780)</u>	<u>\$ 32,332,410</u>	<u>\$ 1,167,819</u>
	<i>Outstanding July 1, 2006</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2007</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
2000 Wastewater Revenue	\$ 2,730,000	\$ -	\$ (135,000)	\$ 2,595,000	\$ 145,000
DOE Loan	209	-	(209)	-	-
2003 Wastewater Revenue Refunding	3,170,000	-	(185,000)	2,985,000	185,000
2004 Water Refunding	2,910,000	-	(25,000)	2,885,000	155,000
	<u>8,810,209</u>	<u>-</u>	<u>(345,209)</u>	<u>8,465,000</u>	<u>485,000</u>
Accrued vacation	234,739	13,764	-	248,503	21,033
	<u>\$ 9,044,948</u>	<u>\$ 13,764</u>	<u>\$ (345,209)</u>	<u>\$ 8,713,503</u>	<u>\$ 506,033</u>

On May 31, 2007 the City sold \$19,970,000 of General Obligation bonds. \$16,185,000 of the proceeds are to be used for construction projects and \$3,785,000 of the proceeds were used to refund three outstanding bond issues. The bonds bear interest at 4% - 5% and are payable over 20 years, with the final payment coming due on June 1, 2027. Principal and interest are due on June 1 of each year, and interest only is due on December 1 of each year.

The \$3,785,000 of bond proceeds plus an additional \$470,000 from the City was used to refund \$510,000 of the 1994 General Obligation bonds, \$870,000 of the 1995 General Obligation bonds, and \$2,835,000 of the 1999 Urban Renewal bonds. The refunding will save the City approximately \$209,000 over the life of the new bonds.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2007**

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**LONG-TERM OBLIGATIONS (Continued)**

The future maturities of obligations outstanding as of June 30, 2007:

*Governmental Activities*

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 1,026,514	\$ 1,460,058	\$ 2,486,572
2009	1,077,874	1,460,314	2,538,188
2010	2,909,678	1,349,452	4,259,130
2011	939,002	1,309,779	2,248,781
2012	1,055,167	1,273,265	2,328,432
2013-2017	6,002,531	5,747,513	11,750,044
2018-2022	7,803,021	4,184,382	11,987,403
2023-2027	10,262,893	1,896,135	12,159,028
2028-2032	1,228,113	156,075	1,384,188
	<b>\$ 32,304,793</b>	<b>\$ 18,836,973</b>	<b>\$ 51,141,766</b>

The above schedule includes \$2,085,000 for the General Fund SPWF loan. Only \$1,259,476 of loan proceeds had been disbursed as of June 30, 2007.

*Business-type Activities*

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 485,000	\$ 344,846	\$ 829,846
2009	495,000	330,189	825,189
2010	520,000	313,808	833,808
2011	540,000	295,464	835,464
2012	550,000	275,818	825,818
2013-2017	3,150,000	1,020,932	4,170,932
2018-2022	2,725,000	277,605	3,002,605
	<b>\$ 8,465,000</b>	<b>\$ 2,858,662</b>	<b>\$ 11,323,662</b>



## **CITY OF LEBANON, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2007*

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### **PENSION PLANS**

#### *Plan Description*

Certain city employees participate in the Oregon Public Employees Retirement System ("PERS"), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

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

#### *Funding Policy*

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% 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. The City has elected to contribute the 6.0% "pick-up" for the year ended June 30, 2007.

In addition to the 6.0% "pick-up," the City contributed 8.42% of covered payroll for the fiscal year ended June 30, 2007. This contribution rate was determined as part of the December 31, 2005 actuarial valuation.

#### *Annual Pension Cost*

All participating employers are required by law to submit the contributions as adopted by OPERB. For the fiscal year ended June 30, 2007, the City's annual pension expenditures/expense was \$859,410. The City's contributions were equal to the annual required contributions.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2007**

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**PENSION PLANS (Continued)**

*Annual Pension Cost (Continued)*

The City's pension liability and the annual required contribution rate were determined using the entity age cost method. The actuarial assumptions utilized in the valuation include an investment return of 8.0%, a projected salary increase of 3.75%, health cost inflation graded from 9.0% in 2007 to 5.0% in 2013 and a consumer price inflation component of 2.75%

The unfunded actuarial liability ("UAL"), created by this method is amortized as a level percentage of projected payroll over a closed amortization period of twenty-two years. This is different from the prior method of amortization, in that the liability was previously amortized as a level percentage of PERS covered payroll. The change in amortization method was in response to anticipated future declines in PERS covered payroll, since new hires will be participating in OPSRP.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25.0% per year. The actuarial value of assets is limited to a 10.0% corridor above and below the fair market value.

The Oregon Legislative Assembly created a second level or "Tier" of OPERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 ("Tier Two" members). Future interest credits on all member contributions in Tier One and Tier Two Regular Accounts are assumed to accrue at an annual rate of 8.0%, compounded annually.

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>
6/30/05	\$ 595,447	100%	\$ -
6/30/06	943,385	100	-
6/30/07	859,410	100	-

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2007**

**TRANSFERS**

<i>Transfers In:</i>	<i>Transfers Out:</i>									
	<i>General</i>	<i>Inter-governmental</i>	<i>NW Urban Renewal</i>	<i>Capital Projects</i>	<i>Water</i>	<i>Water CIP</i>	<i>Wastewater</i>	<i>Wastewater CIP</i>	<i>All Other</i>	<i>Total</i>
General	\$ -	\$ 2,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,966
Intergovernmental	202,237	-	36,533	30,513	679,214	19,454	856,036	22,906	45,318	1,892,211
Debt Service	9,476	9,050	-	-	3,088	-	3,088	-	-	24,702
Capital Projects	131,180	106,872	1,480	-	33,300	-	61,370	140	14,530	348,872
Water CIP	-	-	-	-	128,050	-	-	-	-	128,050
Small Water Line	-	-	-	-	456,000	-	-	-	-	456,000
Wastewater CIP	-	-	-	-	-	-	823,049	-	-	823,049
	<u>\$ 342,893</u>	<u>\$ 118,888</u>	<u>\$ 38,013</u>	<u>\$ 30,513</u>	<u>\$ 1,299,652</u>	<u>\$ 19,454</u>	<u>\$ 1,743,543</u>	<u>\$ 23,046</u>	<u>\$ 59,848</u>	<u>\$ 3,675,850</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**RESTATEMENT OF BEGINNING BALANCE**

The beginning net assets of the governmental activities has been decreased by \$1,675,329 and the beginning balance of governmental activities debt has been increased by the same amount. The restatement was necessary because the City had improperly recorded loan proceeds as grant revenue in the previous fiscal year.

**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:

	<i>General</i>	<i>Inter-governmental</i>	<i>NW Urban Renewal</i>
Budgetary revenues	\$ 5,099,806	\$ 2,365,991	\$ 2,322,111
<i>Per GAAP Basis</i>	<u>\$ 5,099,806</u>	<u>\$ 2,365,991</u>	<u>\$ 2,322,111</u>
Budgetary expenditures	\$ 4,526,443	\$ 3,765,496	\$ 4,185,532
Change in accrued compensated absences	12,185	(173)	(7,169)
<i>Per GAAP Basis</i>	<u>\$ 4,538,628</u>	<u>\$ 3,765,323</u>	<u>\$ 4,178,363</u>

**CITY OF LEBANON, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2007*

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**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.

**OVEREXPENDITURE OF APPROPRIATIONS**

During the year, the City overexpended the following appropriation:

Urban Renewal Fund	\$	90,650
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The overexpenditure was the result of the Council's decision to close out the Urban Renewal Fund as of June 30, 2007.

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**JUNE 30, 2007**

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

<b><i>Actuarial Valuation Ending December 31</i></b>	<b><i>Actuarial Value of Assets</i></b>	<b><i>Actuarial Accrued Liability</i></b>	<b><i>Assets in Excess of Actuarial Liability (UAL)</i></b>	<b><i>Funded Percent</i></b>	<b><i>Covered Payroll</i></b>	<b><i>UAL as a Percentage of Covered Payroll</i></b>
2003	\$24,368,493	\$26,684,447	\$ (2,315,954)	91%	\$ 4,020,536	( 58)%
2004	29,296,151	26,633,716	2,662,435	110	4,368,069	61
2005	30,511,526	30,171,130	340,396	101	3,944,062	8

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 2,840,750	\$ 2,840,750	\$ 2,897,563	\$ 2,897,563
Licenses and permits	1,418,100	1,418,100	1,490,654	1,490,654
Charges for services	30,700	30,700	14,177	14,177
Intergovernmental	289,000	289,000	313,316	313,316
Fines and forfeitures	222,500	222,500	214,774	214,774
Miscellaneous	146,400	146,400	169,322	169,322
<i>Total Revenues</i>	4,947,450	4,947,450	5,099,806	5,099,806
<b>EXPENDITURES</b>				
Administration	102,534	129,534	117,222	129,407
City attorney	34,095	34,095	32,544	32,544
Planning	88,387	88,387	86,123	86,123
Public works	3,787	3,787	2,466	2,466
Parks	616,174	616,174	465,241	465,241
Finance	86,263	86,263	84,626	84,626
Legislative	41,504	41,504	33,101	33,101
Library	287,076	287,076	273,979	273,979
Municipal court	256,919	256,919	246,712	246,712
Police	2,976,697	2,949,697	2,856,356	2,856,356
Senior services	130,306	130,306	113,208	113,208
Nondepartmental	534,620	534,620	214,865	214,865
<i>Total Expenditures</i>	5,158,362	5,158,362	4,526,443	4,538,628
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(210,912)	(210,912)	573,363	561,178
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,000	4,000	2,966	2,966
Transfers out	(351,943)	(351,943)	(342,893)	(342,893)
<i>Total Other Financing Sources (Uses)</i>	(347,943)	(347,943)	(339,927)	(339,927)
<b>NET CHANGE IN FUND BALANCE</b>	(558,855)	(558,855)	233,436	221,251
<b>FUND BALANCE, Beginning of year</b>	558,855	558,855	384,900	339,466
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 618,336	\$ 560,717

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 42,500	\$ 42,000	\$ 30,476	\$ 30,476
Licenses and permits	596,050	928,452	892,718	892,718
Charges for services	27,408	25,000	14,896	14,896
Intergovernmental	1,507,496	2,228,351	1,133,205	1,133,205
Fines and forfeitures	120,000	107,600	64,523	64,523
Miscellaneous	266,476	261,550	230,173	230,173
<i>Total Revenues</i>	2,559,930	3,592,953	2,365,991	2,365,991
<b>EXPENDITURES</b>				
City Hall repairs	20,100	32,300	12,772	12,772
Motel tax	53,000	44,700	36,640	36,640
Santiam travel station	3,197	3,100	-	-
OTSC Grant	-	345	-	-
Building inspections	753,258	1,131,229	440,809	441,889
Park enterprise	89,376	59,468	16,443	16,451
Park grants	343,664	106,078	32,040	32,040
Operation and environment	1,521,097	1,533,739	1,384,830	1,380,784
GIS	250,398	215,728	158,361	159,482
Information system	380,839	413,150	378,153	378,051
Sidewalk and bikepath	56,190	60,040	-	-
Engineering development	168,483	281,315	229,497	231,098
Streets	651,377	686,156	581,478	580,405
Storm drains	58,800	57,462	51,491	51,656
911 communications	60,000	60,000	-	-
School resource officer	82,104	84,154	81,485	83,909
Dial-A-Bus	156,296	211,795	154,493	153,170
STP street project	85,959	566,111	-	-
Downtown beautification project	10,738	10,080	-	-
Homeland security & terrorism grant	267,000	259,027	177,845	177,845
1983-84 rehabilitation	73,083	73,884	-	-
85-86 housing rehabilitation unres.	100	-	-	-
Gills Landing	8,641	5,500	4,660	4,653
93 housing rehabilitation grant	26,000	26,000	-	-
1996 housing rehabilitation grant	26,000	26,000	-	-
1998 housing rehabilitation grant	26,000	26,000	-	-
2001 housing rehabilitation grant	-	500,000	-	-
Support services	4,400	4,700	359	359
Traffic team	193,690	197,600	24,140	24,119
Senior Center OCDBG	50,000	-	-	-
<i>Total Expenditures</i>	5,419,790	6,675,661	3,765,496	3,765,323



	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (2,859,860)	\$ (3,082,708)	\$ (1,399,505)	\$ (1,399,332)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,110,363	2,233,364	1,892,211	1,892,211
Transfers out	(460,938)	(468,451)	(118,888)	(118,888)
<i>Total Other Financing Sources (Uses)</i>	<u>1,649,425</u>	<u>1,764,913</u>	<u>1,773,323</u>	<u>1,773,323</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,210,435)	(1,317,795)	373,818	373,991
<b>FUND BALANCE, Beginning of year</b>	<u>1,210,435</u>	<u>1,317,795</u>	<u>1,370,454</u>	<u>1,340,002</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,744,272</u>	<u>\$ 1,713,993</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - NW URBAN RENEWAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 1,436,950	\$ 1,436,950	\$ 1,419,994	\$ 1,419,994
Intergovernmental	6,438,000	6,438,000	744,738	744,738
Miscellaneous	15,000	15,000	157,379	157,379
<i>Total Revenues</i>	7,889,950	7,889,950	2,322,111	2,322,111
<b>EXPENDITURES</b>				
Personal services	297,290	297,290	306,756	299,587
Materials and services	2,067,804	2,067,804	636,375	636,375
Capital outlay	6,519,601	6,519,601	2,780,088	2,780,088
Debt service	462,350	462,350	462,313	462,313
Contingency	505,224	505,224	-	-
<i>Total Expenditures</i>	9,852,269	9,852,269	4,185,532	4,178,363
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(1,962,319)	(1,962,319)	(1,863,421)	(1,856,252)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	2,002,133	2,002,133
Transfers in	1,000,000	1,000,000	-	-
Transfers out	(1,038,013)	(1,038,013)	(38,013)	(38,013)
<i>Total Other Financing Sources (Uses)</i>	(38,013)	(38,013)	1,964,120	1,964,120
<b>NET CHANGE IN FUND BALANCE</b>	(2,000,332)	(2,000,332)	100,699	107,868
<b>FUND BALANCE, Beginning of year</b>	2,000,332	2,000,332	2,579,048	2,568,252
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 2,679,747	\$ 2,676,120

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 558,000	\$ 558,000	\$ 947,143	\$ 947,143
Intergovernmental	2,086,977	1,977	349,322	349,322
Miscellaneous	283,847	283,847	782,489	782,489
<i>Total Revenues</i>	2,928,824	843,824	2,078,954	2,078,954
<b>EXPENDITURES</b>				
Equipment acquisition	1,501,232	1,501,232	313,252	313,252
Historic resources	80	80	-	-
Grant street bridge	6,091,835	6,091,835	5,582,353	5,581,404
Pioneer Cemetery	6,698	6,698	55	55
Local law enforce block grant	-	-	116	116
Police	8,000	8,000	7,884	7,884
Library	119,977	119,977	20,345	20,345
Library building	55,900	55,900	306	306
Senior center building	34,100	34,100	-	-
Library/senior center building	-	-	318,510	318,510
Senior services	10,700	10,700	2,283	2,283
Snedaker trust	20,000	20,000	118	118
Streets	6,533	6,533	5,205	5,205
Streets capital projects	735,737	735,737	99,003	99,594
Infrastructure deferral	51,000	51,000	-	-
Airport improvements	2,085,000	2,085,000	1,273,475	1,273,475
SDC drainage	10,720	10,720	-	-
SDC drainage improvement	140,607	140,607	11,421	11,019
SDC park improvement	173,857	173,857	60,771	60,357
SDC wastewater improvement	138,237	138,237	12,031	11,617
SDC wastewater reimbursement	46,020	46,020	-	-
SDC streets improvement	766,357	766,357	95,987	95,603
SDC water improvement	515,454	515,454	48,628	48,207
SDC water reimbursement	32,520	32,520	-	-
<i>Total Expenditures</i>	12,550,564	12,550,564	7,851,743	7,849,350

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	\$ (9,621,740)	\$ (11,706,740)	\$ (5,772,789)	\$ (5,770,396)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	2,085,000	21,229,476	21,229,476
Transfers in	351,232	351,232	348,872	348,872
Transfers out	(32,873)	(32,873)	(30,513)	(30,513)
Bond defeasance	-	-	(3,729,744)	(3,729,744)
<i>Total Other Financing Sources (Uses)</i>	<u>318,359</u>	<u>2,403,359</u>	<u>17,818,091</u>	<u>17,818,091</u>
<b>NET CHANGE IN FUND BALANCE</b>	(9,303,381)	(9,303,381)	12,045,302	12,047,695
<b>FUND BALANCE, Beginning of year</b>	<u>9,356,908</u>	<u>9,356,908</u>	<u>9,765,331</u>	<u>9,759,467</u>
<b>FUND BALANCE, End of year</b>	<u><u>\$ 53,527</u></u>	<u><u>\$ 53,527</u></u>	<u><u>\$ 21,810,633</u></u>	<u><u>\$ 21,807,162</u></u>

***OTHER SUPPLEMENTARY INFORMATION***

**CITY OF LEBANON, OREGON**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	<u>Urban Renewal</u>	<u>Cheadle Lake Urban Renewal</u>	<u>Recorder</u>
<b>ASSETS</b>			
Cash and investments	\$ 11,865	\$ 137,691	\$ 160,958
Accounts receivable	-	-	54,507
Property taxes receivable	-	7,441	-
Special assessments/loans	-	-	-
Prepaid expenses	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 11,865</u>	<u>\$ 145,132</u>	<u>\$ 215,465</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 11,865	\$ 684	\$ 114,460
Payroll taxes payable	-	-	101,005
Compensated absences payable	-	606	-
Deferred revenues	-	7,441	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	11,865	8,731	215,465
<b>Fund Balances</b>			
Unreserved, reported in:			
Special revenue funds	-	136,401	-
Debt services funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	-	136,401	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,865</u>	<u>\$ 145,132</u>	<u>\$ 215,465</u>

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<i><u>Bail Refund</u></i>	<i><u>Debt Service</u></i>	<i><u>Bancroft Bond</u></i>	<i><u>Totals</u></i>
\$ 7,904	\$ 677,697	\$ 24,288	\$ 1,020,403
-	-	-	54,507
-	-	-	7,441
-	-	1,567	1,567
-	-	1,833	1,833
<u>\$ 7,904</u>	<u>\$ 677,697</u>	<u>\$ 27,688</u>	<u>\$ 1,085,751</u>
\$ 7,904	\$ -	\$ -	\$ 134,913
-	-	-	101,005
-	-	-	606
-	-	3,400	10,841
<u>7,904</u>	<u>-</u>	<u>3,400</u>	<u>247,365</u>
-	-	-	136,401
-	677,697	24,288	701,985
<u>-</u>	<u>677,697</u>	<u>24,288</u>	<u>838,386</u>
<u>\$ 7,904</u>	<u>\$ 677,697</u>	<u>\$ 27,688</u>	<u>\$ 1,085,751</u>

**CITY OF LEBANON, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007**

	<u>Urban Renewal</u>	<u>Cheadle Lake Urban Renewal</u>	<u>Recorder</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 414,764	\$ 121,077	\$ -
Fines and forfeitures	-	-	-
Miscellaneous	33,921	7,386	-
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	448,685	128,463	-
<b>EXPENDITURES</b>			
Current operating:			
General government	-	-	114,311
Community services and development	274,956	81,469	-
Public safety	-	-	-
Capital outlay	-	532	-
Debt service	697,677	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	972,633	82,001	114,311
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(523,948)	46,462	(114,311)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(15,766)	(17,365)	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(15,766)	(17,365)	-
<b>NET CHANGE IN FUND BALANCES</b>	(539,714)	29,097	(114,311)
<b>FUND BALANCES, Beginning of year</b>	<hr/> 539,714	<hr/> 107,304	<hr/> 114,311
<b>FUND BALANCES, End of year</b>	<hr/> <hr/> \$ -	<hr/> <hr/> \$ 136,401	<hr/> <hr/> \$ -



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<i>Bail Refund</i>	<i>Debt Service</i>	<i>Bancroft Bond</i>	<i>Totals</i>
\$ -	\$ 451,988	\$ 108	\$ 987,937
80,582	-	-	80,582
2,363	38,648	1,441	83,759
82,945	490,636	1,549	1,152,278
-	-	-	114,311
-	-	-	356,425
82,945	-	-	82,945
-	-	-	532
-	614,551	-	1,312,228
82,945	614,551	-	1,866,441
-	(123,915)	1,549	(714,163)
-	24,702	-	24,702
-	-	(210)	(33,341)
-	24,702	(210)	(8,639)
-	(99,213)	1,339	(722,802)
-	776,910	22,949	1,561,188
\$ -	\$ 677,697	\$ 24,288	\$ 838,386

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - URBAN RENEWAL FUND**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 410,241	\$ 410,241	\$ 414,764	\$ 414,764
Miscellaneous	13,500	13,500	33,921	33,921
<i>Total Revenues</i>	423,741	423,741	448,685	448,685
<b>EXPENDITURES</b>				
Urban renewal	50,137	50,137	275,260	274,956
Urban renewal debt service	371,200	371,200	697,677	697,677
Contingency	460,973	460,973	-	-
<i>Total Expenditures</i>	882,310	882,310	972,937	972,633
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(458,569)	(458,569)	(524,252)	(523,948)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(15,766)	(15,766)	(15,766)	(15,766)
<b>NET CHANGE IN FUND BALANCE</b>	(474,335)	(474,335)	(540,018)	(539,714)
<b>FUND BALANCE, Beginning of year</b>	528,570	528,570	540,018	539,714
<b>FUND BALANCE, End of year</b>	\$ 54,235	\$ 54,235	\$ -	\$ -

**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, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 108,500	\$ 108,500	\$ 121,077	\$ 121,077
Miscellaneous	2,000	2,000	7,386	7,386
<i>Total Revenues</i>	110,500	110,500	128,463	128,463
<b>EXPENDITURES</b>				
Personal services	67,313	67,313	66,001	65,737
Materials and services	62,116	62,116	15,732	15,732
Capital outlay	98,466	98,466	532	532
Debt service	108,500	108,500	-	-
Contingency	900	900	-	-
<i>Total Expenditures</i>	337,295	337,295	82,265	82,001
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(226,795)	(226,795)	46,198	46,462
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	104,160	104,160	-	-
Transfers out	(17,365)	(17,365)	(17,365)	(17,365)
<i>Total Other Financing Sources (Uses)</i>	86,795	86,795	(17,365)	(17,365)
<b>NET CHANGE IN FUND BALANCE</b>	(140,000)	(140,000)	28,833	29,097
<b>FUND BALANCE, Beginning of year</b>	140,000	140,000	108,174	107,304
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 137,007	\$ 136,401

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 452,064	\$ 452,064	\$ 451,988	\$ 451,988
Miscellaneous	12,000	12,000	38,648	38,648
<i>Total Revenues</i>	464,064	464,064	490,636	490,636
<b>EXPENDITURES</b>				
Debt service	614,850	614,850	614,551	614,551
Contingency	207,353	207,353	-	-
<i>Total Expenditures</i>	822,203	822,203	614,551	614,551
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(358,139)	(358,139)	(123,915)	(123,915)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	43,228	43,228	24,702	24,702
<b>NET CHANGE IN FUND BALANCE</b>	(314,911)	(314,911)	(99,213)	(99,213)
<b>FUND BALANCE, Beginning of year</b>	766,766	766,766	776,909	776,909
<b>FUND BALANCE, End of year</b>	<u>\$ 451,855</u>	<u>\$ 451,855</u>	<u>\$ 677,696</u>	<u>\$ 677,696</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BANCROFT BOND FUND**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 1,710	\$ 1,710	\$ 108	\$ 108
Miscellaneous	1,200	1,200	1,441	1,441
<i>Total Revenues</i>	2,910	2,910	1,549	1,549
<b>EXPENDITURES</b>				
Materials and services	22,400	22,400	-	-
Contingency	1,200	1,200	-	-
<i>Total Expenditures</i>	23,600	23,600	-	-
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(20,690)	(20,690)	1,549	1,549
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,310)	(2,310)	(210)	(210)
<b>NET CHANGE IN FUND BALANCE</b>	(23,000)	(23,000)	1,339	1,339
<b>FUND BALANCE, Beginning of year</b>	23,000	23,000	22,949	22,949
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 24,288	\$ 24,288

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - RECORDER FUND**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Materials and services	-	-	114,311	114,311
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	-	(114,311)	(114,311)
<b>FUND BALANCE, Beginning of year</b>	-	-	114,311	114,311
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BAIL REFUND FUND**  
**YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures	\$ 151,000	\$ 151,000	\$ 80,582	\$ 80,582
Miscellaneous	14,000	14,000	2,363	2,363
<i>Total Revenues</i>	165,000	165,000	82,945	82,945
<b>EXPENDITURES</b>				
Materials and services	165,000	165,000	82,945	82,945
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	-	-	-
<b>FUND BALANCE, Beginning of year</b>	-	-	-	-
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUND NET ASSETS - ALL PROPRIETARY FUND DEPARTMENTS**  
**JUNE 30, 2007**

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 574,837	\$ 699,939	\$ 67,109
Accounts receivable	390,892	-	-
Property taxes receivable	-	-	-
<i>Total Current Assets</i>	965,729	699,939	67,109
<b>Noncurrent assets</b>			
Capital assets, net	4,425,374	935,145	71,761
<i>Total Assets</i>	5,391,103	1,635,084	138,870
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	34,428	-	7,978
Deposits	85,810	-	-
Loan payable - current portion	-	-	-
Bonds payable - current portion	-	25,000	-
<i>Total Current Liabilities</i>	120,238	25,000	7,978
<b>Noncurrent liabilities</b>			
Loans payable	-	-	-
Bonds payable	-	2,860,000	-
Bonds discount	-	(70,224)	-
Compensated absences payable	106,209	-	25,889
Reserved for claims	76,664	-	-
<i>Total Noncurrent Liabilities</i>	182,873	2,789,776	25,889
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	4,425,374	(1,879,631)	71,761
Unrestricted	662,618	699,939	33,242
<i>Total Net Assets</i>	<u>\$ 5,087,992</u>	<u>\$ (1,179,692)</u>	<u>\$ 105,003</u>



<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ 37,988	\$ 540,303	\$ 1,815,743	\$ 114	\$ 3,736,033
-	300,062	-	-	690,954
-	780	-	-	780
37,988	841,145	1,815,743	114	4,427,767
-	16,617,879	1,795,117	-	23,845,276
37,988	17,459,024	3,610,860	114	28,273,043
72	16,004	22,025	-	80,507
-	-	-	-	85,810
-	209	-	-	209
-	-	320,000	-	345,000
72	16,213	342,025	-	511,526
-	(209)	-	-	(209)
-	-	5,260,000	-	8,120,000
-	-	(147,277)	-	(217,501)
-	113,269	3,136	-	248,503
-	57,946	-	-	134,610
-	171,006	5,115,859	-	8,285,403
-	16,617,879	(3,637,606)	-	15,597,777
37,916	653,926	1,790,582	114	3,878,337
<u>\$ 37,916</u>	<u>\$ 17,271,805</u>	<u>\$ (1,847,024)</u>	<u>\$ 114</u>	<u>\$ 19,476,114</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**ALL PROPRIETARY FUND DEPARTMENTS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,441,321	\$ -	\$ -
Miscellaneous	154,800	-	-
<i>Total Operating Revenues</i>	2,596,121	-	-
<b>OPERATING EXPENSES</b>			
Personnel services	823,504	-	273,316
Materials and services	448,093	5,016	188,474
Capital outlay/depreciation	199,564	-	7,256
<i>Total Operating Expenses</i>	1,471,161	5,016	469,046
<b>OPERATING INCOME (LOSS)</b>	1,124,960	(5,016)	(469,046)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers in	355,897	128,050	480,031
Transfers out	(1,299,652)	-	(26,507)
Interest income	28,167	38,487	2,992
Interest expense	-	(99,118)	-
<i>Total Nonoperating Revenue (Expenses)</i>	(915,588)	67,419	456,516
<b>CHANGE IN NET ASSETS</b>	209,372	62,403	(12,530)
<b>NET ASSETS, Beginning of year</b>	4,878,620	(1,242,095)	117,533
<b>NET ASSETS, End of year</b>	<u>\$ 5,087,992</u>	<u>\$ (1,179,692)</u>	<u>\$ 105,003</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ 2,460,836	\$ -	\$ -	\$ 4,902,157
-	83,822	-	-	238,622
-	2,544,658	-	-	5,140,779
10	566,296	-	-	1,663,126
265	413,164	11,330	-	1,066,342
-	475,355	-	-	682,175
275	1,454,815	11,330	-	3,411,643
(275)	1,089,843	(11,330)	-	1,729,136
-	808,997	823,049	-	2,596,024
-	(1,743,543)	(17,031)	-	(3,086,733)
2,056	31,560	104,597	6	207,865
-	-	(258,047)	-	(357,165)
2,056	(902,986)	652,568	6	(640,009)
1,781	186,857	641,238	6	1,089,127
36,135	17,084,948	(2,488,262)	108	18,386,987
\$ 37,916	\$ 17,271,805	\$ (1,847,024)	\$ 114	\$ 19,476,114

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -**  
**BUDGET AND ACTUAL - WATER DEPARTMENT**  
**YEAR ENDED JUNE 30, 2007**

	<b>Budgeted Amounts</b>		<b>Budget Basis</b>	<b>GAAP Basis</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 2,320,000	\$ 2,320,000	\$ 2,420,533	\$ 2,441,321
Miscellaneous	171,500	171,500	227,703	182,967
<i>Total Revenues</i>	2,491,500	2,491,500	2,648,236	2,624,288
<b>EXPENSES</b>				
Personal services	860,342	860,342	830,919	823,504
Materials and services	534,226	534,226	488,160	448,093
Capital outlay/depreciation	69,592	69,592	-	199,564
Contingency	101,688	101,688	-	-
<i>Total Expenses</i>	1,565,848	1,565,848	1,319,079	1,471,161
<b>REVENUES OVER (UNDER) EXPENSES</b>	925,652	925,652	1,329,157	1,153,127
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	355,897
Transfers out	(1,299,652)	(1,299,652)	(1,299,652)	(1,299,652)
<i>Total Other Financing Sources (Uses)</i>	(1,299,652)	(1,299,652)	(1,299,652)	(943,755)
<b>NET CHANGE IN NET ASSETS</b>	(374,000)	(374,000)	29,505	209,372
<b>NET ASSETS, Beginning of year</b>	374,000	374,000	439,771	4,878,620
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 469,276	\$ 5,087,992

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - WATER CAPITAL IMPROVEMENT DEPARTMENT  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 10,150	\$ 10,150	\$ 38,487	\$ 38,487
<b>EXPENSES</b>				
Materials and services	-	-	-	5,016
Capital outlay/depreciation	641,000	641,000	-	-
Debt service	129,200	129,200	124,118	99,118
Contingency	12,546	12,546	-	-
<i>Total Expenses</i>	<u>782,746</u>	<u>782,746</u>	<u>124,118</u>	<u>104,134</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(772,596)	(772,596)	(85,631)	(65,647)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	128,050	128,050	128,050	128,050
Transfers out	(19,454)	(19,454)	(19,454)	-
<i>Total Other Financing Sources (Uses)</i>	<u>108,596</u>	<u>108,596</u>	<u>108,596</u>	<u>128,050</u>
<b>NET CHANGE IN NET ASSETS</b>	(664,000)	(664,000)	22,965	62,403
<b>NET ASSETS, Beginning of year</b>	<u>664,000</u>	<u>664,000</u>	<u>676,973</u>	<u>(1,242,095)</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 699,938</u>	<u>\$ (1,179,692)</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - SMALL WATER LINE DEPARTMENT  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 2,992	\$ 2,992
<b>EXPENSES</b>				
Personal services	295,823	295,823	262,732	273,316
Materials and services	179,033	179,033	188,474	188,474
Capital outlay/depreciation	17,030	17,030	-	7,256
Contingency	2,607	2,607	-	-
<i>Total Expenses</i>	<u>494,493</u>	<u>494,493</u>	<u>451,206</u>	<u>469,046</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(492,493)	(492,493)	(448,214)	(466,054)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	456,000	456,000	456,000	480,031
Transfers out	(26,507)	(26,507)	(26,507)	(26,507)
<i>Total Other Financing Sources (Uses)</i>	<u>429,493</u>	<u>429,493</u>	<u>429,493</u>	<u>453,524</u>
<b>NET CHANGE IN NET ASSETS</b>	(63,000)	(63,000)	(18,721)	(12,530)
<b>NET ASSETS, Beginning of year</b>	<u>63,000</u>	<u>63,000</u>	<u>77,851</u>	<u>117,533</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,130</u>	<u>\$ 105,003</u>

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - STORM DRAIN UTILITY DEPARTMENT  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
<b>REVENUES</b>				
Miscellaneous	\$ 500	\$ 500	\$ 2,056	\$ 2,056
<b>EXPENSES</b>				
Personal services	-	-	10	10
Materials and services	33,233	33,233	265	265
Contingency	3,267	3,267	-	-
<i>Total Expenses</i>	<u>36,500</u>	<u>36,500</u>	<u>275</u>	<u>275</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	(36,000)	(36,000)	1,781	1,781
<b>NET ASSETS, Beginning of year</b>	<u>36,000</u>	<u>36,000</u>	<u>36,135</u>	<u>36,135</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,916</u>	<u>\$ 37,916</u>

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - WASTEWATER DEPARTMENT  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 2,610,000	\$ 2,610,000	\$ 2,439,502	\$ 2,460,836
Miscellaneous	84,000	84,000	115,382	115,382
<i>Total Revenues</i>	<u>2,694,000</u>	<u>2,694,000</u>	<u>2,554,884</u>	<u>2,576,218</u>
<b>EXPENSES</b>				
Personal services	594,411	594,411	553,618	566,296
Materials and services	399,402	399,402	412,319	413,164
Capital outlay/depreciation	68,362	68,362	844	475,355
Debt service	3,216	3,216	211	-
Contingency	215,066	215,066	-	-
<i>Total Expenses</i>	<u>1,280,457</u>	<u>1,280,457</u>	<u>966,992</u>	<u>1,454,815</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	<u>1,413,543</u>	<u>1,413,543</u>	<u>1,587,892</u>	<u>1,121,403</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	808,997
Transfers out	(1,743,543)	(1,743,543)	(1,743,543)	(1,743,543)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,743,543)</u>	<u>(1,743,543)</u>	<u>(1,743,543)</u>	<u>(934,546)</u>
<b>NET CHANGE IN NET ASSETS</b>	<u>(330,000)</u>	<u>(330,000)</u>	<u>(155,651)</u>	<u>186,857</u>
<b>NET ASSETS, Beginning of year</b>	<u>330,000</u>	<u>330,000</u>	<u>630,177</u>	<u>17,084,948</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,526</u>	<u>\$ 17,271,805</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, 2007**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 17,000	\$ 17,000	\$ 104,597	\$ 104,597
<i>Total Revenues</i>	17,000	17,000	104,597	104,597
<b>EXPENSES</b>				
Personal services	21,776	21,776	17,927	-
Materials and services	260,437	260,437	243,898	11,330
Capital outlay/depreciation	1,644,221	1,644,221	17,031	-
Debt service	578,049	578,049	578,047	258,047
Contingency	12,520	12,520	-	-
<i>Total Expenses</i>	2,517,003	2,517,003	856,903	269,377
<b>REVENUES OVER (UNDER) EXPENSES</b>	(2,500,003)	(2,500,003)	(752,306)	(164,780)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	823,049	823,049	823,049	823,049
Transfers out	(23,046)	(23,046)	(23,046)	(17,031)
<i>Total Other Financing Sources (Uses)</i>	800,003	800,003	800,003	806,018
<b>NET CHANGE IN NET ASSETS</b>	(1,700,000)	(1,700,000)	47,697	641,238
<b>NET ASSETS, Beginning of year</b>	1,700,000	1,700,000	1,746,020	(2,488,262)
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 1,793,717	\$ (1,847,024)

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - RAILROAD DEPARTMENT  
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
<b>REVENUES</b>				
Miscellaneous	\$ 105	\$ 105	\$ 6	\$ 6
<b>EXPENSES</b>				
Materials and services	105	105	-	-
<b>REVENUES OVER (UNDER) EXPENSES</b>	-	-	6	6
<b>NET ASSETS, Beginning of year</b>	-	-	108	108
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 114</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2007**

<b>Tax Year</b>	<b>Uncollected Balances July 1, 2006</b>	<b>2006-2007 Levy</b>	<b>Added To Rolls</b>	<b>Discounts &amp; Adjustments</b>	<b>Turnovers</b>	<b>Uncollected Balances June 30, 2007</b>
2006-07	\$ -	\$ 5,486,825	\$ 1,394	\$ (165,548)	\$ (5,133,136)	\$ 189,535
2005-06	190,212	-	72	(11,396)	(105,714)	73,174
2004-05	83,409	-	66	(6,712)	(37,666)	39,097
2003-04	44,194	-	62	(11,618)	(18,029)	14,609
2002-03	20,046	-	-	(2,174)	(13,294)	4,578
Prior Years	10,933	-	-	(2,282)	(2,656)	5,995
<b>Total</b>	<b>\$ 348,794</b>	<b>\$ 5,486,825</b>	<b>\$ 1,594</b>	<b>\$ (199,730)</b>	<b>\$ (5,310,495)</b>	<b>\$ 326,988</b>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2007**

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
<b>PRINCIPAL TRANSACTIONS</b>			
Governmental Activities			
1994 GO Urban Renewal	3.00-6.000%	1994	2013-14
1995 GO Refunding	3.75-5.350%	1995	2009-10
1999 GO Urban Renewal	4.50-5.625%	1999	2018-19
2000 GO Urban Renewal	4.75-6.000%	2000	2019-20
2002 GO Pension Pool	2.00-7.360%	2002	2027-28
2007 GO Refunding	4.00-5.000%	2007	2026-27
NWURD SPWF	4.00-4.375%	2007	2031-32
General Fund SPWF	3.77%	2007	2009-10
Key Bank Note	5.950%	1998	2007-08
Business-type Activities			
DOE Loan	8.500%	1987	2007-08
2000 Wastewater Revenue	4.70-5.700%	2000	2019-20
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	2019-20
2004 Water Refunding	2.00-4.200%	2004	2020-21
			<b>Unmatured Interest Outstanding July 1, 2006</b>
	<u>Interest Rates</u>	<u>Date of Issue</u>	
<b>BOND INTEREST TRANSACTIONS</b>			
Governmental Activities			
1994 GO Urban Renewal	3.00-6.000%	1994	\$ 159,802
1995 GO Refunding	3.75-5.350%	1995	180,263
1999 GO Urban Renewal	4.50-5.625%	1999	1,368,242
2000 GO Urban Renewal	4.75-6.000%	2000	2,153,255
2002 GO Pension Pool	2.00-7.360%	2002	2,681,533
2007 GO Refunding	4.00-5.000%	2007	-
NWURD SPWF	4.00-4.375%	2007	-
General Fund SPWF	3.77%	2007	167,414
Key Bank Note	5.95%	1998	3,188
Business-type Activities			
DOE Loan	8.500%	1987	76
2000 Wastewater Revenue	4.70-5.700%	2000	1,270,474
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	949,926
2004 Water Refunding	2.00-4.200%	2004	995,427
			<u>\$ 9,929,600</u>

<i>Outstanding July 1, 2006</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2007</i>
\$ 570,000	\$ -	\$ (570,000)	\$ -
1,645,000	-	(1,245,000)	400,000
2,950,000	-	(2,950,000)	-
4,330,000	-	(210,000)	4,120,000
2,046,147	-	(18,550)	2,027,597
-	19,970,000	-	19,970,000
1,675,329	2,002,133	-	3,677,462
-	1,259,476	-	1,259,476
47,964	-	(23,230)	24,734
209	-	(209)	-
2,730,000	-	(135,000)	2,595,000
3,170,000	-	(185,000)	2,985,000
2,910,000	-	(25,000)	2,885,000
<b>\$ 22,074,649</b>	<b>\$ 23,231,609</b>	<b>\$ (5,361,989)</b>	<b>\$ 39,944,269</b>

<i>New Issues</i>	<i>Interest/ Coupons Paid</i>	<i>Interest Saved By Refunding and Other Adjustments</i>	<i>Unmatured Interest June 30, 2007</i>
\$ -	\$ (33,488)	\$ (126,314)	\$ -
-	(76,500)	(47,138)	56,625
-	(162,689)	(1,205,553)	-
-	(252,313)	-	1,900,942
-	(119,230)	-	2,562,303
11,807,539	-	-	11,807,539
2,341,525	-	-	2,341,525
-	(298)	-	167,116
-	-	-	3,188
-	(2)	(74)	-
-	(149,143)	-	1,121,331
-	(108,904)	-	841,022
-	(99,118)	-	896,309
<b>\$ 14,149,064</b>	<b>\$ (1,001,685)</b>	<b>\$ (1,379,079)</b>	<b>\$ 21,697,900</b>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS**  
**JUNE 30, 2007**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>1995 GO Refunding</i>			<i>2000 GO Urban Renewal</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 400,000	\$ 56,625	\$ 456,625	\$ 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	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 400,000</u>	<u>\$ 56,625</u>	<u>\$ 456,625</u>	<u>\$ 4,120,000</u>	<u>\$ 1,900,942</u>	<u>\$ 6,020,942</u>

<i>2002 GO Pension Pool</i>			<i>2007 GO Refunding</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 20,540	\$ 122,240	\$ 142,780	\$ 295,000	\$ 857,627	\$ 1,152,627
22,288	125,492	147,780	730,000	875,400	1,605,400
23,468	129,312	152,780	460,000	846,200	1,306,200
27,144	135,636	162,780	555,000	827,800	1,382,800
27,634	140,146	167,780	650,000	805,600	1,455,600
30,293	147,487	177,780	725,000	779,600	1,504,600
30,290	152,490	182,780	620,000	750,600	1,370,600
31,704	161,076	192,780	690,000	725,800	1,415,800
32,796	169,984	202,780	760,000	698,200	1,458,200
33,687	179,093	212,780	830,000	667,800	1,497,800
32,872	184,908	217,780	905,000	631,600	1,536,600
33,233	194,547	227,780	1,000,000	595,400	1,595,400
51,648	186,132	237,780	1,080,000	555,400	1,635,400
140,000	111,068	251,068	1,175,000	506,800	1,681,800
160,000	101,478	261,478	1,280,000	450,988	1,730,988
185,000	90,518	275,518	1,390,000	390,187	1,780,187
205,000	77,845	282,845	1,510,000	324,162	1,834,162
235,000	63,802	298,802	1,635,000	252,437	1,887,437
260,000	48,292	308,292	1,775,000	170,688	1,945,688
295,000	30,482	325,482	1,905,000	95,250	2,000,250
150,000	10,275	160,275	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,027,597</u>	<u>\$ 2,562,303</u>	<u>\$ 4,589,900</u>	<u>\$ 19,970,000</u>	<u>\$ 11,807,539</u>	<u>\$ 31,777,539</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)**  
**JUNE 30, 2007**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>NWURD SPWF</i>			<i>General Fund SPWF</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 66,240	\$ 103,276	\$ 169,516	\$ -	\$ 78,605	\$ 78,605
2009	90,586	152,265	242,851	-	78,605	78,605
2010	96,210	148,642	244,852	2,085,000	9,906	2,094,906
2011	96,858	144,793	241,651	-	-	-
2012	102,533	140,919	243,452	-	-	-
2013	108,234	136,818	245,052	-	-	-
2014	108,963	132,488	241,451	-	-	-
2015	114,722	128,130	242,852	-	-	-
2016	120,511	123,541	244,052	-	-	-
2017	126,331	118,720	245,051	-	-	-
2018	132,184	113,667	245,851	-	-	-
2019	133,072	108,380	241,452	-	-	-
2020	138,994	103,057	242,051	-	-	-
2021	144,984	97,323	242,307	-	-	-
2022	151,034	91,234	242,268	-	-	-
2023	157,140	84,815	241,955	-	-	-
2024	168,293	78,137	246,430	-	-	-
2025	174,510	70,900	245,410	-	-	-
2026	180,801	63,265	244,066	-	-	-
2027	187,149	55,355	242,504	-	-	-
2028	198,555	47,167	245,722	-	-	-
2029	205,023	38,481	243,504	-	-	-
2030	216,556	29,511	246,067	-	-	-
2031	223,155	20,367	243,522	-	-	-
2032	234,824	10,274	245,098	-	-	-
	<u>\$ 3,677,462</u>	<u>\$ 2,341,525</u>	<u>\$ 6,018,987</u>	<u>\$ 2,085,000</u>	<u>\$ 167,116</u>	<u>\$ 2,252,116</u>





**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)**  
**JUNE 30, 2007**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2004 Water Refunding</i>			<i>2000 Wastewater Revenue</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 155,000	\$ 97,317	\$ 252,317	\$ 145,000	\$ 142,325	\$ 287,325
2009	155,000	94,218	249,218	150,000	134,930	284,930
2010	160,000	90,787	250,787	160,000	127,205	287,205
2011	165,000	86,763	251,763	165,000	118,885	283,885
2012	165,000	82,266	247,266	175,000	110,223	285,223
2013	175,000	77,203	252,203	185,000	100,948	285,948
2014	180,000	71,565	251,565	195,000	91,050	286,050
2015	185,000	65,310	250,310	205,000	80,520	285,520
2016	195,000	58,470	253,470	215,000	69,040	284,040
2017	205,000	50,860	255,860	230,000	57,000	287,000
2018	210,000	42,560	252,560	245,000	43,890	288,890
2019	225,000	33,860	258,860	255,000	29,925	284,925
2020	230,000	24,760	254,760	270,000	15,390	285,390
2021	235,000	15,225	250,225	-	-	-
2022	245,000	5,145	250,145	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 2,885,000</u>	<u>\$ 896,309</u>	<u>\$ 3,781,309</u>	<u>\$ 2,595,000</u>	<u>\$ 1,121,331</u>	<u>\$ 3,716,331</u>

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<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 1,511,514	\$ 1,804,904	\$ 3,316,418
1,572,874	1,790,503	3,363,377
3,429,678	1,663,260	5,092,938
1,479,002	1,605,243	3,084,245
1,605,167	1,549,083	3,154,250
1,733,527	1,489,137	3,222,664
1,669,253	1,420,624	3,089,877
1,786,426	1,357,286	3,143,712
1,913,307	1,288,462	3,201,769
2,050,018	1,212,936	3,262,954
2,175,056	1,124,175	3,299,231
2,331,305	1,035,862	3,367,167
2,490,642	922,689	3,413,331
1,694,984	730,416	2,425,400
1,836,034	648,845	2,484,879
1,732,140	565,520	2,297,660
1,883,293	480,144	2,363,437
2,044,510	387,139	2,431,649
2,215,801	282,245	2,498,046
2,387,149	181,087	2,568,236
348,555	57,442	405,997
205,023	38,481	243,504
216,556	29,511	246,067
223,155	20,367	243,522
234,824	10,274	245,098
<u>\$ 40,769,793</u>	<u>\$ 21,695,635</u>	<u>\$ 62,465,428</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, 2007**

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**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, 2007, and have issued our report thereon dated June 8, 2008. 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.

*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, 2007.

*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, 2007.

**CITY OF LEBANON, OREGON**

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

**YEAR ENDED JUNE 30, 2007**

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*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, 2007 and 2008, except as noted in the notes to the financial statements, no budget was adopted for the Recorder 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, 2007. 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, 2007.

*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, 2007.

*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 appears to have 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 other governmental agencies. The City is in compliance with the guidelines in all material respects.

*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, 2007**

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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

June 8, 2008