

***CITY OF LEBANON, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2009***

**CITY OF LEBANON, OREGON**  
**CITY OFFICIALS**  
**JUNE 30, 2009**

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	<b><u>Term Expires</u></b> <b><u>December</u></b>
<b>MAYOR</b>	
Ken Toombs 1299 Franklin Street Lebanon, Oregon 97355	2010
<b>COUNCIL MEMBERS</b>	
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Tim Fox 673 West D Street Lebanon, Oregon 97355	2010
Floyd Fisher 532 South Main Lebanon, Oregon 97355	2010
Ray Weldon 1610 South 4th Street Lebanon, Oregon 97355	2012
Don Thoma 298 W. Cedar Drive Lebanon, Oregon 97355	2012
Bob Elliott 795 Binshadler Lebanon, Oregon 97355	2010
<b>CITY ADMINISTRATOR</b>	
John Hitt 925 S. Main Lebanon, Oregon 97355	

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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, 2009, 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 opinions on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 opinions.

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, 2009, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The schedules of revenues, expenditures and changes in fund balance - budget and actual for the General Fund, Intergovernmental Fund, and NW Urban Renewal 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  
July 12, 2010

## Management's Discussion and Analysis

Readers of the City of Lebanon's Annual Financial Report are offered this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009 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

	June 30,		Change
	2009	2008	
Net assets	\$ 46,927,558	\$ 45,072,761	\$ 1,854,797
Change in net assets	1,854,797	(1,529,063)	3,383,860
Governmental fund balances	10,300,261	25,586,565	(15,286,304)
Proprietary net assets	19,566,127	19,640,055	(73,928)
Change in governmental net assets	(15,286,304)	(2,224,420)	(13,061,884)
Change in business-type net assets	(73,928)	29,332	(103,260)

### 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 nine 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 four 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 departmental financial statements provide information for the Water, Wastewater, Water CIP, Wastewater CIP, Small Waterline, and Railroad activities.

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

**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 20-36 of this report.

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparison schedules for the General Fund and all major special revenue funds. This information can be found on pages 37 - 39 of this report.



**Supplementary Information** Supplementary information includes the combining statements referred to earlier in connection with non-major governmental funds; budgetary comparisons for funds not presented as part of RSI; and other financial schedules. This information can be found on pages 40-60 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 \$ 46,927,558 at the close of FY 08-09. This represented a \$ 1,854,797 or 4.1% increase in net assets.

<b>CITY OF LEBANON</b>						
<b>Statements of Net Assets</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Current and other assets	\$ 17,726,779	\$ 30,076,028	\$ 2,587,100	\$ 6,565,455	\$ 20,313,879	\$ 36,641,483
Capital assets	43,744,206	27,899,632	30,133,961	26,693,527	73,878,167	54,593,159
Total assets	<u>61,470,985</u>	<u>57,975,660</u>	<u>32,721,061</u>	<u>33,258,982</u>	<u>94,192,046</u>	<u>91,234,642</u>
Current and other liabilities	4,037,044	1,639,265	607,236	1,327,352	4,644,280	2,966,617
Long-term liabilities	30,072,510	30,903,689	12,547,698	12,291,575	42,620,208	43,195,264
Total liabilities	<u>34,109,554</u>	<u>32,542,954</u>	<u>13,154,934</u>	<u>13,618,927</u>	<u>47,264,488</u>	<u>46,161,881</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	18,175,198	14,548,489	17,586,263	14,200,797	35,761,461	28,749,286
Restricted	6,904,490	9,436,992	-	-	6,904,490	9,436,992
Unrestricted	2,281,743	1,447,225	1,979,864	5,439,258	4,261,607	6,886,483
<b>Total Net Assets</b>	<u>\$ 27,361,431</u>	<u>\$ 25,432,706</u>	<u>\$ 19,566,127</u>	<u>\$ 19,640,055</u>	<u>\$ 46,927,558</u>	<u>\$ 45,072,761</u>

The largest portion of the City’s net assets (77%) 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 \$ 7,012,175 or 25% from June 30, 2008. 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 \$ 6,904,490 or 13% represent resources that are subject to external restrictions on how they may be used. This represents a decrease in the dollar value of the City’s restricted net assets from June 30, 2008 of \$ 2,532,502 or 27 %. The remaining balance of unrestricted net assets, \$ 4,261,607 , may be used to meet the City’s ongoing obligations to citizens and creditors.

Unrestricted net assets for governmental activities totaled \$ 2,281,743 or 8 % of the total net assets for governmental activities. Business-type activities unrestricted net assets totaled \$ 1,447,225 or 10 % of the total net assets for business-type activities. At the end of FY 08-09, 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**  
**Statement of Activities**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
<b>Revenue:</b>						
Program Revenue:						
Fees, Fines, and Charges for Services	\$ 2,413,300	\$ 1,763,620	\$ 5,909,975	\$ 5,204,675	\$ 8,323,275	\$ 6,968,295
Operating grants and contributions	3,295,225	695,082	-	-	3,295,225	695,082
Capital grants and contributions	709,908	1,060,046	-	-	709,908	1,060,046
General Revenue:						
Property Taxes	6,764,434	6,185,385	-	-	6,764,434	6,185,385
Franchise fees	1,639,996	1,592,117	-	-	1,639,996	1,592,117
Intergovernmental	344,525	313,737	-	-	344,525	313,737
Miscellaneous	659,779	1,267,620	69,184	185,270	728,963	1,452,890
Total Revenues	<u>15,827,167</u>	<u>12,877,607</u>	<u>5,979,159</u>	<u>5,389,945</u>	<u>21,806,326</u>	<u>18,267,552</u>
<b>Expenses:</b>						
General Government	1,648,091	1,055,040	-	-	1,648,091	1,055,040
Community services and development	2,822,611	10,372,254	-	-	2,822,611	10,372,254
Public Safety	9,771,262	3,352,992	-	-	9,771,262	3,352,992
Interest on long-term debt	1,457,686	1,231,177	-	-	1,457,686	1,231,177
Unallocated depreciation	-	-	-	-	-	-
Water	-	-	1,922,015	2,018,243	1,922,015	2,018,243
Wastewater	-	-	2,054,504	1,766,765	2,054,504	1,766,765
Storm Drain Utility	-	-	-	106	-	106
Railroad	-	-	33	38	33	38
Total Expenses	<u>15,699,650</u>	<u>16,011,463</u>	<u>3,976,552</u>	<u>3,785,152</u>	<u>19,676,202</u>	<u>19,796,615</u>
Excess of rev. over exp. before transfers	127,517	(3,133,856)	2,002,607	1,604,793	2,130,124	(1,529,063)
Transfers	1,801,208	1,575,461	(2,076,535)	(1,575,461)	(275,327)	-
Increase in Net Assets	<u>1,928,725</u>	<u>(1,558,395)</u>	<u>(73,928)</u>	<u>29,332</u>	<u>1,854,797</u>	<u>(1,529,063)</u>
Net Assets - Beginning	25,432,706	26,991,101	19,640,055	19,610,723	45,072,761	46,601,824
Net Assets - Ending	<u>\$ 27,361,431</u>	<u>\$ 25,432,706</u>	<u>\$ 19,566,127</u>	<u>\$ 19,640,055</u>	<u>\$ 46,927,558</u>	<u>\$ 45,072,761</u>

- Governmental activities increased the City's net assets by \$ 1,928,725 . This was primarily the result of an increase in revenues of 23%.
- Business-type activities decreased the City's net assets by \$ 73,928 . There was one rate increase during the year. Transfers decreased 14%.

### 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, 2009, the City's governmental funds reported combined ending fund balances of \$ 10,300,261 , a decrease of \$ 15,286,304 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 08-09, unreserved fund balance of the General Fund was \$ 849,541 . 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 17% of the total General Fund operating expenditures.

The fund balance of the General Fund decreased by \$196,775 during FY 08-09. Revenues increased by 3% while operating expenses increased 15%. 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.

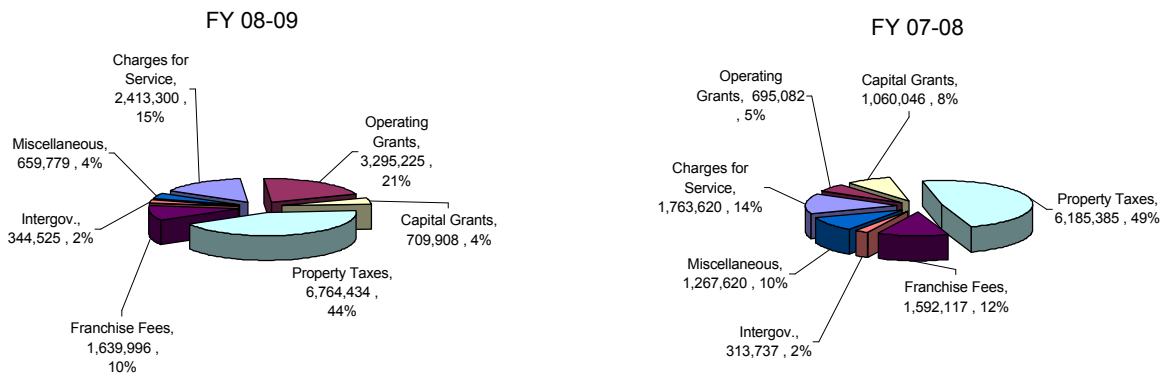
In the Intergovernmental Fund, the fund balance increased \$466,385 during FY08-09.

The NW Urban Renewal Fund fund balance decreased \$157,455 from the prior year. Capital outlay accounted for the majority of expenditures.

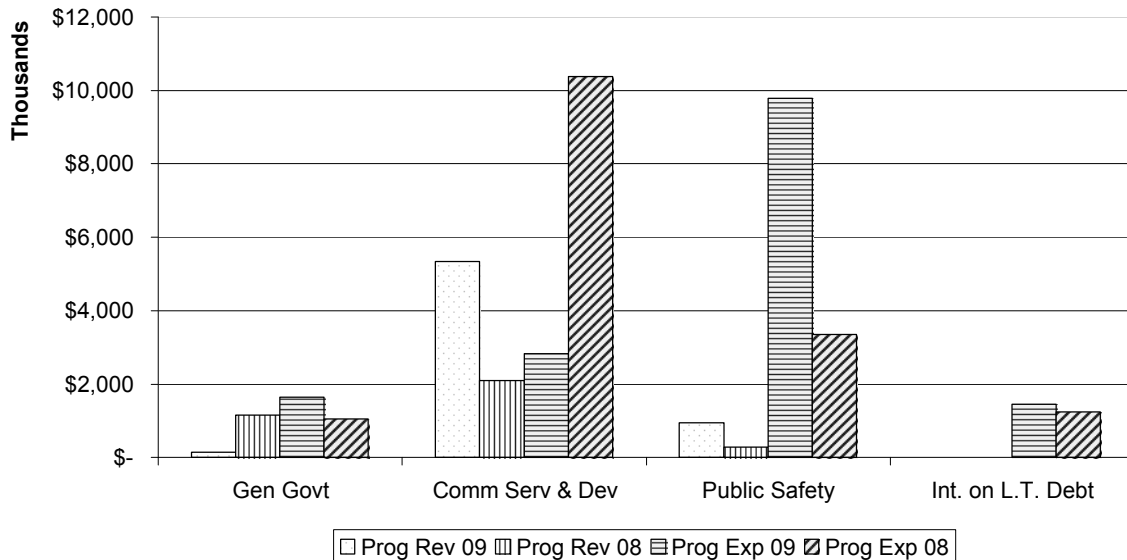
In the Capital Projects Fund, the ending fund balance was \$ 15,167,660 lower than the prior year. Spending for the construction of a justice center and library was in progress.

Projects included Lowes Truck Route North, Lowes Wetlands work, highway utility work, and a Connect Oregon rail project.

**Revenue by Source - Governmental Funds**



**Program Revenue and Expenses - Governmental Funds**

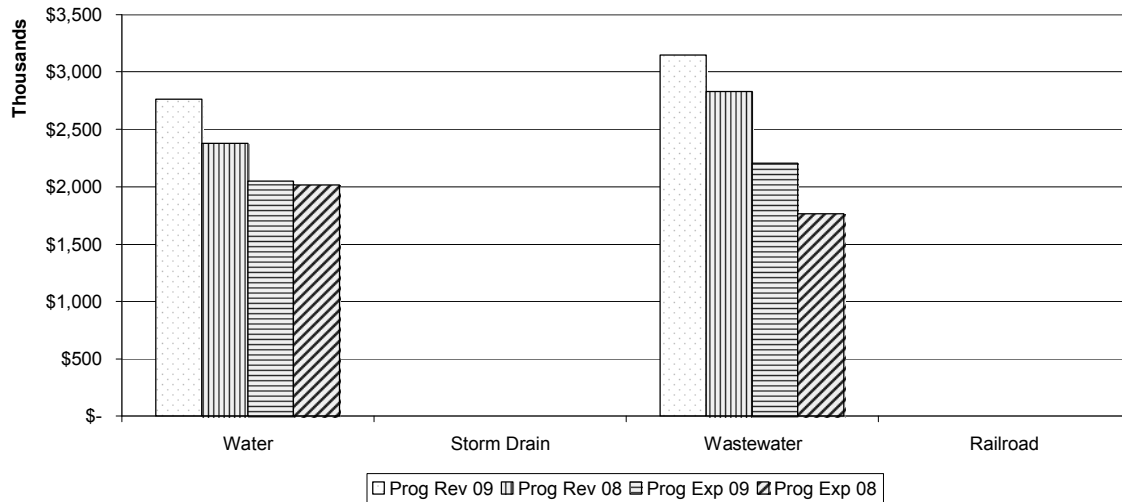


**Proprietary Funds** The City's proprietary fund provides the same type of information found in the government-wide

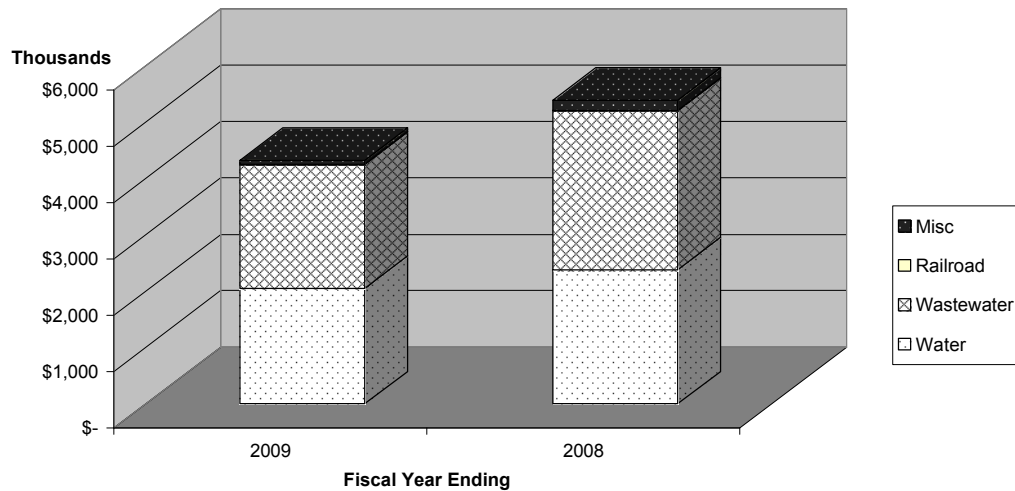
financial statements, but in more detail. Activities in the proprietary fund decreased the City's net assets by \$ 73,928 . Key elements of this increase are as follows:

- Water fees were increased in FY08-09 effective July 1, 2008 by 10%. Wastewater fees were increased 13.5% July 1, 2008. Charges for service increased 15.9% for Water and increased 12.5% for Wastewater.

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



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



**General Fund Budgetary Highlights**

There were small differences between the original budget and final amended budgets during the year. The City Council adopted a resolution to transfer \$2,500 in appropriations from Non-Departmental Community Partnership to the Library Department for unanticipated salary costs.

The Nondepartmental department appeared to under expend its budget by \$547,386. This department includes the General Fund Contingency, which is not spent and gives the appearance of a large underexpenditure.

**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, 2009, amounts to \$73,878,168 (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 35.3%. This total includes a 56.8% increase in governmental activities and a 12.9% increase in business-type activities.

Major capital asset events during FY 08-09 included the following:

- Improvements to equipment and structures in city parks, and a new vehicle totaled \$392,269.
- Rail reload facility for \$2,197,077.
- Continued work on the new Grant Street bridge added over \$810,329.
- Infrastructure projects for water, wastewater, municipal buildings, and streets totaled \$2,572,299.
- Technology upgrades, WI-Fi system, Phone system Fiber overlay, software \$553,600.

CITY OF LEBANON CAPITAL ASSETS						
	Governmental Activities		Business-type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Land	\$ 2,107,969	\$ 1,907,969	\$ 494,591	\$ 494,591	\$ 2,602,560	\$ 2,402,560
Buildings	3,229,158	3,126,045	-	-	3,229,158	3,126,045
Vehicles	2,559,711	1,993,342	-	-	2,559,711	1,993,342
Machinery and Equipment	1,462,727	1,373,711	-	-	1,462,727	1,373,711
Infrastructure	60,124,018	57,016,595	-	-	60,124,018	57,016,595
Water & Sewer System	-	-	39,245,449	33,233,447	39,245,449	33,233,447
Construction in Progress	14,849,279	-	1,922,922	3,668,132	16,772,201	3,668,132
Accumulated depreciation	(40,588,656)	(37,518,030)	(11,529,000)	(10,702,643)	(52,117,656)	(48,220,673)
Total	\$ 43,744,206	\$ 27,899,632	\$ 30,133,962	\$ 26,693,527	\$ 73,878,168	\$ 54,593,159

Additional information on capital assets can be found on pages 29-30 in the notes to the financial statements.

**Long-Term Debt** At the end of FY 08-09 the City had total debt outstanding of \$42,619,945. Of this amount \$27,910,469 comprised debt backed by the full faith and credit of the government, \$12,547,698 is revenue supported, backed by the revenue of the Water & Wastewater utility operation, and \$1,984,770 is limited-tax debt supported by operating funds of the City.

CITY OF LEBANON Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
General obligation bonds	\$ 22,610,000	\$ 23,575,000	\$ -	\$ -	\$ 22,610,000	\$ 23,575,000
Revenue bonds	-	-	12,547,698	12,291,575	12,547,698	12,291,575
Pension obligation bonds	1,984,769	2,007,057	-	-	1,984,769	2,007,057
General Fund SPWF	1,779,833	1,710,409	-	-	1,779,833	1,710,409
NWURD SPWF	3,520,636	3,611,222	-	-	3,520,636	3,611,222
Total bonded debt	29,895,238	30,903,688	12,547,698	12,291,575	42,442,936	43,195,263
Notes payable	177,008	24,734	-	-	177,008	24,734
<b>Total Debt Outstanding</b>	<b>\$ 30,072,246</b>	<b>\$ 30,928,422</b>	<b>\$ 12,547,698</b>	<b>\$ 12,291,575</b>	<b>\$ 42,619,944</b>	<b>\$ 43,219,997</b>

The City’s total debt decreased a net \$600,052 or 1.4% during FY 08-09. The net decrease was the result of new wastewater fund debt issued for the wastewater treatment plant effluent project for \$900,000, SPWF funds totaling \$69,424 to complete infrastructure projects in the NW Urban Renewal area to purchase land in the Cheadle Lake URD,

and outstanding notes decreased \$1,747,798 (4%) during FY 08-09.

Additional information on the City of Lebanon's long-term debt can be found on pages 31-33 of this report.

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

- Property tax revenue was projected to increase 3% in FY 09-10 based on the same rate of increase in the assessed value.
- Utility revenue for Water and Wastewater are projected to increase 14.6% and 6.8%, respectively, from growth in the number of customers, rate increases, and consumption. There is a 13.5% wastewater rate increase planned for FY 09-10 in support of the wastewater CIP program and projects, and a 3% water rate increase approved by council.

All of these factors were considered when preparing the budget for the 2010 fiscal year.

During FY 08-09, unreserved fund balances in the General Fund decreased to \$849,541. The City of Lebanon has appropriated \$249,185 of this amount for spending in FY 09-10. This left the contingency in FY 09-10 at \$600,356, or 8.7% of the General Fund total. The budgeted contingency as a percent of the General Fund total in FY 08-09 was 8.5%. The City Council has established a goal of building this amount to approximately 10% of the General Fund total, or \$690,000.

### **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 Manager, City of Lebanon, 925 S Main, Lebanon, Oregon 97355.

***BASIC FINANCIAL STATEMENTS***

**CITY OF LEBANON, OREGON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and investments	\$ 12,155,675	\$ 1,601,041	\$ 13,756,716
Accounts receivable	1,802,717	800,329	2,603,046
Prepaid expenses	1,833	-	1,833
Property taxes receivable	526,251	921	527,172
Special assessments/loans	704,312	-	704,312
Court fines	551,222	-	551,222
Prepaid pension asset	1,984,769	-	1,984,769
Deferred charges	-	184,809	184,809
Nondepreciable capital assets	16,957,248	1,922,922	18,880,170
Other depreciable capital assets, net	26,786,958	28,211,039	54,997,997
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	61,470,985	32,721,061	94,192,046
<b>LIABILITIES</b>			
Accounts payable	3,165,496	316,081	3,481,577
Payroll liabilities	116,375	-	116,375
Deposits	-	97,692	97,692
Noncurrent liabilities:			
Due within one year:			
Loan payable	98,991	244,255	343,246
Bonds payable	728,468	520,000	1,248,468
Accrued compensated absences	43,724	31,094	74,818
Due in more than one year:			
Loan payable	5,378,486	3,918,443	9,296,929
Bonds payable	23,866,301	7,865,000	31,731,301
Accrued compensated absences	711,713	162,369	874,082
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	34,109,554	13,154,934	47,264,488
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	18,175,198	17,586,263	35,761,461
Fund net assets			
Restricted for:			
Debt service	124,173	-	124,173
Construction	3,912,145	-	3,912,145
Grants and other restricted revenue	2,868,172	-	2,868,172
Unrestricted	2,281,743	1,979,864	4,261,607
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	\$ 27,361,431	\$ 19,566,127	\$ 46,927,558

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



**CITY OF LEBANON, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>FUNCTIONS/PROGRAMS</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,648,091	\$ 126,338	\$ 19,110	\$ -
Community services and development	2,822,611	1,665,416	2,956,417	709,908
Public safety	9,771,261	621,546	319,698	-
Interest on long-term debt	1,457,687	-	-	-
<i>Total Governmental Activities</i>	15,699,650	2,413,300	3,295,225	709,908
<b>Business-type Activities:</b>				
Water	1,922,015	2,762,936	-	-
Wastewater	2,054,504	3,146,938	-	-
Railroad	33	101	-	-
<i>Total Business-type Activities</i>	3,976,552	5,909,975	-	-
<i>Total Activities</i>	<u>\$ 19,676,202</u>	<u>\$ 8,323,275</u>	<u>\$ 3,295,225</u>	<u>\$ 709,908</u>

**General Revenues:**

Property taxes  
Franchise fees  
Intergovernmental  
Miscellaneous

*Total General Revenues*

**Transfers**

**Change in Net Assets**

*Net Assets, July 1, 2008*

*Net Assets, June 30, 2009*

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

<b><i>Governmental Activities</i></b>	<b><i>Business-type Activities</i></b>	<b><i>Totals</i></b>
\$ (1,502,643)	\$ -	\$ (1,502,643)
2,509,130	-	2,509,130
(8,830,017)	-	(8,830,017)
(1,457,687)	-	(1,457,687)
(9,281,217)	-	(9,281,217)
-	840,921	840,921
-	1,092,434	1,092,434
-	68	68
-	1,933,423	1,933,423
(9,281,217)	1,933,423	(7,347,794)
6,764,434	-	6,764,434
1,364,670	-	1,364,670
344,525	-	344,525
659,778	69,184	728,962
9,133,407	69,184	9,202,591
2,076,535	(2,076,535)	-
1,928,725	(73,928)	1,854,797
25,432,706	19,640,055	45,072,761
<b>\$ 27,361,431</b>	<b>\$ 19,566,127</b>	<b>\$ 46,927,558</b>

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

**CITY OF LEBANON, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<u>General</u>	<u>Inter- governmental</u>	<u>NW Urban Renewal</u>
<b>ASSETS</b>			
Cash and investments	\$ 852,929	\$ 1,924,153	\$ 1,045,153
Accounts receivable	199,022	270,424	926,190
Property taxes receivable	282,197	-	145,004
Special assessments/loans	-	699,491	-
Court fines receivable	415,897	135,325	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Assets</i>	<u>\$ 1,750,045</u>	<u>\$ 3,029,393</u>	<u>\$ 2,116,347</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 187,313	\$ 161,221	\$ 527,685
Payroll taxes payable	-	-	-
Retainage payable	-	-	-
Deferred revenues	713,191	852,437	148,258
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities</i>	900,504	1,013,658	675,943
<b>Fund Balances</b>			
Unreserved, reported in:			
General fund	849,541	-	-
Special revenue funds	-	2,015,735	1,440,404
Capital projects fund	-	-	-
Debt services funds	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Fund Balances</i>	<u>849,541</u>	<u>2,015,735</u>	<u>1,440,404</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,750,045</u>	<u>\$ 3,029,393</u>	<u>\$ 2,116,347</u>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 8,081,221	\$ 252,218	\$ 12,155,674
361,053	52,683	1,809,372
-	99,050	526,251
-	-	699,491
-	-	551,222
<hr/>	<hr/>	<hr/>
\$ 8,442,274	\$ 403,951	\$ 15,742,010
<hr/>	<hr/>	<hr/>
\$ 1,614,845	\$ 105,134	\$ 2,596,198
-	111,847	111,847
573,823	-	573,823
343,545	102,450	2,159,881
<hr/>	<hr/>	<hr/>
2,532,213	319,431	5,441,749
-	-	849,541
-	49,214	3,505,353
5,910,061	-	5,910,061
-	35,306	35,306
<hr/>	<hr/>	<hr/>
5,910,061	84,520	10,300,261
<hr/>	<hr/>	<hr/>
\$ 8,442,274	\$ 403,951	\$ 15,742,010
<hr/>	<hr/>	<hr/>

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, 2009**

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<i>Fund Balances</i>	\$ 10,300,261
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	2,159,881
The prepaid pension asset is not available to pay for current period expenditures and is therefore not a financial resource.	1,984,769
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	84,332,862
Accumulated depreciation	(40,588,656)
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	(5,477,477)
Bonds payable	(24,594,769)
Accrued compensated absences	(755,437)
Rounding	(3)
	<hr/>
<i>Net assets of governmental activities</i>	<u><u>\$ 27,361,431</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, 2009**

	<u>General</u>	<u>Inter- governmental</u>	<u>NW Urban Renewal</u>
<b>REVENUES</b>			
Taxes and assessments	\$ 3,333,859	\$ 39,897	\$ 1,839,840
Licenses and permits	1,369,774	863,707	-
Charges for services	24,607	4,142	-
Intergovernmental	352,759	1,521,805	1,703,320
Fines and forfeitures	260,377	131,710	-
Miscellaneous	140,099	181,131	36,096
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	5,481,475	2,742,392	3,579,256
<b>EXPENDITURES</b>			
Current operating:			
General government	700,366	-	-
Community services and development	920,654	3,871,311	798,531
Public safety	3,505,573	-	-
Capital outlay	338,354	459,206	2,199,744
Debt service			
Principal	1,314	-	325,586
Interest	6,667	-	380,818
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	5,472,928	4,330,517	3,704,679
	<hr/>	<hr/>	<hr/>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	8,547	(1,588,125)	(125,423)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	178,322	-	-
Transfers in	279,138	2,234,872	-
Transfers out	(662,782)	(180,362)	(32,032)
Proceeds from sale of capital assets	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(205,322)	2,054,510	(32,032)
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCES</b>	(196,775)	466,385	(157,455)
<b>FUND BALANCES, Beginning of year</b>	1,046,316	1,549,350	1,597,859
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES, End of year</b>	\$ 849,541	\$ 2,015,735	\$ 1,440,404
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 499,345	\$ 1,420,332	\$ 7,133,273
-	-	2,233,481
-	-	28,749
50,000	121,653	3,749,537
-	149,239	541,326
956,841	20,825	1,334,992
1,506,186	1,712,049	15,021,358
-	-	700,366
1,099,669	150,055	6,840,220
4,713	155,996	3,666,282
15,775,808	142,088	18,915,200
-	752,288	1,079,188
69,424	1,000,778	1,457,687
16,949,614	2,201,205	32,658,943
(15,443,428)	(489,156)	(17,637,585)
69,424	-	247,746
482,260	344,803	3,341,073
(302,916)	(86,446)	(1,264,538)
27,000	-	27,000
275,768	258,357	2,351,281
(15,167,660)	(230,799)	(15,286,304)
21,077,721	315,319	25,586,565
\$ 5,910,061	\$ 84,520	\$ 10,300,261

*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, 2009**

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*Net change in fund balances - total governmental funds* \$ (15,286,304)

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. 503,482

The amortization of the prepaid pension asset does not require the outlay of current financial resources and is not recorded as an expenditure in the governmental funds (22,288)

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. 57,819

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 18,915,200  
Depreciation (3,070,626)

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 (247,746)  
Debt principal paid 1,079,188

*Change in net assets of governmental activities.* \$ 1,928,725

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



**CITY OF LEBANON, OREGON**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2009**

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**ASSETS**

**Current assets**

Cash and investments	\$ 1,601,041
Accounts receivable	800,329
Property taxes receivable	921

<i>Total Current Assets</i>	2,402,291
-----------------------------	-----------

**Noncurrent assets**

Bonds discount	184,809
Nondepreciable capital assets	1,922,922
Other capital assets, net of depreciation	28,211,039

<i>Total Assets</i>	32,721,061
---------------------	------------

**LIABILITIES**

**Current liabilities**

Accounts payable	316,081
Deposits	97,692
Loan payable - current portion	244,255
Bonds payable - current portion	520,000
Compensated absences - current portion	31,094

<i>Total Current Liabilities</i>	1,209,122
----------------------------------	-----------

**Noncurrent liabilities**

Loans payable	3,918,443
Bonds payable	7,865,000
Compensated absences payable	162,369

<i>Total Noncurrent Liabilities</i>	11,945,812
-------------------------------------	------------

**NET ASSETS**

Investment in capital assets (net of related debt)	17,586,263
Unrestricted	1,979,864

<i>Total Net Assets</i>	\$ 19,566,127
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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, 2009**

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**OPERATING REVENUES**

Charges for services	\$ 5,695,435
Miscellaneous	214,540

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*Total Operating Revenues* 5,909,975

**OPERATING EXPENSES**

Personal services	1,956,226
Materials and services	596,701
Depreciation	826,357

---

*Total Operating Expenses* 3,379,284

---

**OPERATING INCOME**

2,530,691

**NONOPERATING REVENUES (EXPENSES)**

Interest income	69,184
Interest expense	(597,268)

---

*Total Nonoperating Revenue (Expenses)* (528,084)

**TRANSFERS OUT**

(2,076,535)

---

**CHANGE IN NET ASSETS**

(73,928)

**NET ASSETS, Beginning of year**

19,640,055

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**NET ASSETS, End of year**

\$ 19,566,127

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

**CITY OF LEBANON, OREGON**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2009**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 5,789,165
Cash paid to employees for services	(2,010,705)
Cash paid to suppliers for goods and services	(1,267,220)

*Net Cash Provided by Operating Activities* 2,511,240

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

Transfers out	<u>(2,076,535)</u>
---------------	--------------------

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

Acquisition of capital assets	(4,293,791)
Proceeds from sale of capital assets	27,000
Principal paid on contracts/bonds payable	(643,877)
Proceeds from issuance of debt	900,000
Interest paid	(580,922)

*Net Cash Used in Capital and Related Financing Activities* (4,591,590)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>69,184</u>
-------------------------	---------------

*Net Change in Cash and Investments* (4,087,701)

**CASH AND INVESTMENTS, Beginning of year** 5,688,742

**CASH AND INVESTMENTS, End of year** \$ 1,601,041

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

Operating income	\$ 2,530,691
Depreciation	826,357
<i>Change in assets and liabilities</i>	
Receivables	(125,692)
Accounts payable and accrued liabilities	(670,519)
Compensated absences payable	(54,479)
Deposits	4,882
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 2,511,240</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, 2009.

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*. When both restricted and unrestricted resources are available for use, the City's policy is to utilize the restricted resources first; unrestricted resources are then utilized as needed.

*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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basic Financial Statements (Continued)*

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.

*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 capital 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 sources 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.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

*Basis of Presentation (Continued)*

*Special Revenue Funds (Continued)*

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

*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 principal 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. 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.

**CITY OF LEBANON, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus and Basis of Accounting (Continued)*

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

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.

Interfund transfers, interfund services provided and used, interfund reimbursements and interfund payables and receivables are all interfund activities. The effect of interfund activities and administrative charges are eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated from the government-wide statements since elimination would distort the program revenues and direct costs of the City's functions.

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, 2009. 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.

It is the City's policy to report at amortized cost all short-term, highly liquid money market investments (including corporate bonds, commercial paper, bankers' acceptances, municipal bonds, US Treasury and US Agency obligations) and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase. Investments with a remaining maturity at time of purchase or more than one year are valued at fair value in accordance with GASB Statement No. 31.



**CITY OF LEBANON, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Investments (Continued)*

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 thirty 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.

*Prepaid Pension Obligation Costs*

The City issued debt in 2002 to fund a portion of the City's Public Employees Retirement System (PERS) unfunded actuarial liability. The amounts that were paid to PERS were recorded as prepaid pension obligation costs in the year of debt issuance and are amortized on a straight-line basis over the life of each debt issue.

*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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets (Continued)*

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.

*Long-Term Debt*

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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. Accrued compensated absences are generally paid by all funds except the debt service funds. 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, 2009, minor 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, 2009:

	<i>Carrying Value</i>	<i>Fair Value</i>
	<hr/>	<hr/>
<b><i>Cash</i></b>		
Cash on hand	\$ 1,650	\$ 1,650
Deposits with financial institutions	230,986	230,986
<b><i>Investments</i></b>		
Local Government Investment Pool	6,629,935	6,629,935
Federal securities	6,894,144	6,942,841
	<hr/>	<hr/>
	<b>\$ 13,756,715</b>	<b>\$ 13,805,412</b>
	<hr/> <hr/>	<hr/> <hr/>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**CASH AND INVESTMENTS (Continued)**

*Deposits*

At year end, the book balance of the City's bank deposits (checking accounts) was \$230,986 and the bank balance was \$98,038. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance (up to \$250,000 per banking institution).

*Investments*

As of June 30, 2009, 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	\$ 6,629,935	< one year	49%
U.S. agency securities	6,894,144	< one year	51%
	<u>\$ 13,524,079</u>		<u>100%</u>

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.

At June 30, 2009, the City's 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	\$ 6,629,935	\$ -	\$ 6,629,935
U.S. agency securities	6,894,144	6,894,144	-
	<u>\$ 13,524,079</u>	<u>\$ 6,894,144</u>	<u>\$ 6,629,935</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**CASH AND INVESTMENTS (Continued)**

*Investments (Continued)*

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, 2009, more than 7% of the City's portfolio is invested in FHLB securities.

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, 2009, 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 199,022	\$ 1,242,641	\$ 361,054	\$ -	\$ 800,329	\$ 2,603,046
Property taxes	282,197	158,587	-	85,467	921	527,172
Special assessments / loans	-	702,745	-	1,567	-	704,312
Court fines	415,897	135,325	-	-	-	551,222
	<u>\$ 897,116</u>	<u>\$ 2,239,298</u>	<u>\$ 361,054</u>	<u>\$ 87,034</u>	<u>\$ 801,250</u>	<u>\$ 4,385,752</u>

*Property Taxes - Collection Procedures*

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

	<u>Balances July 1, 2008</u>	<u>2008-2009 Levy</u>	<u>Added to Rolls</u>	<u>Interest, Discounts &amp; Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2009</u>
<i>General and Debt Service Fund</i>						
Current	\$ 178,858	\$ 4,798,916	\$ 2,046	\$ (140,115)	\$ (4,433,956)	\$ 405,749
Prior	100,201	-	271	(2,973)	(135,585)	(38,086)
	<u>\$ 279,059</u>	<u>\$ 4,798,916</u>	<u>\$ 2,317</u>	<u>\$ (143,088)</u>	<u>\$ (4,569,541)</u>	<u>\$ 367,663</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**RECEIVABLES (Continued)**

*Property Taxes - Collection Procedures (Continued)*

	<i>Balances July 1, 2008</i>	<i>2008-2009 Levy</i>	<i>Added to Rolls</i>	<i>Interest, Discounts &amp; Adjustments</i>	<i>Collections</i>	<i>Balances June 30, 2009</i>
<i>Urban Renewal</i>						
Current	\$ 70,599	\$ 2,132,594	\$ 909	\$ (62,266)	\$ (1,970,408)	\$ 171,428
Prior	43,246	-	113	(1,156)	(55,044)	(12,841)
	<u>\$ 113,845</u>	<u>\$ 2,132,594</u>	<u>\$ 1,022</u>	<u>\$ (63,422)</u>	<u>\$ (2,025,452)</u>	<u>\$ 158,587</u>
	<i>Balances July 1, 2008</i>	<i>2008-2009 Levy</i>	<i>Added to Rolls</i>	<i>Interest, Discounts &amp; Adjustments</i>	<i>Collections</i>	<i>Balances June 30, 2009</i>
<i>Wastewater</i>						
Current	\$ 357	\$ 11,969	\$ 5	\$ (349)	\$ (11,059)	\$ 923
Prior	341	-	-	(7)	(336)	(2)
	<u>\$ 698</u>	<u>\$ 11,969</u>	<u>\$ 5</u>	<u>\$ (356)</u>	<u>\$ (11,395)</u>	<u>\$ 921</u>

**CAPITAL ASSETS**

The summary of capital assets for the business-type activities for the year ended June 30, 2009 is as follows:

	<i>Balances July 1, 2008</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2009</i>
Land	\$ 494,591	\$ -	\$ -	\$ 494,591
Construction in progress	3,668,132	1,922,922	(3,668,132)	1,922,922
<i>Total nondepreciable assets</i>	4,162,723	1,922,922	(3,668,132)	2,417,513
Water system	8,451,748	1,435,905	(52,741)	9,834,912
Sewer system	24,781,699	4,628,837	-	29,410,536
<i>Total depreciable assets</i>	33,233,447	6,064,742	(52,741)	39,245,448
Accumulated depreciation - water	(3,977,110)	(238,757)	52,741	(4,163,126)
Accumulated depreciation - sewer	(6,725,533)	(640,341)	-	(7,365,874)
<i>Total accumulated depreciation</i>	(10,702,643)	(879,098)	52,741	(11,529,000)
<i>Total capital assets, net</i>	<u>\$ 26,693,527</u>	<u>\$ 7,108,566</u>	<u>\$ (3,668,132)</u>	<u>\$ 30,133,961</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**CAPITAL ASSETS (Continued)**

The changes in the capital assets for governmental activities for the year ended June 30, 2009 are as follows:

	<i>Balances July 1, 2008</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2009</i>
Land	\$ 1,907,969	\$ 200,000	\$ -	\$ 2,107,969
Construction in progress	-	14,849,279	-	14,849,279
<i>Total nondepreciable assets</i>	1,907,969	15,049,279	-	16,957,248
Buildings and improvements	3,126,045	103,113	-	3,229,158
Machinery and equipment	1,993,342	566,369	-	2,559,711
Vehicles and rolling stock	1,373,711	89,016	-	1,462,727
Infrastructure	57,016,595	3,107,423	-	60,124,018
<i>Total depreciable assets</i>	63,509,693	3,865,921	-	67,375,614
Accumulated depreciation - buildings	(1,304,909)	(101,001)	-	(1,405,910)
Accumulated depreciation - machinery	(1,320,073)	(185,088)	-	(1,505,161)
Accumulated depreciation - vehicles	(994,686)	(56,229)	-	(1,050,915)
Accumulated depreciation - infrastructure	(33,898,362)	(2,728,308)	-	(36,626,670)
<i>Total accumulated depreciation</i>	(37,518,030)	(3,070,626)	-	(40,588,656)
<i>Total capital assets, net</i>	\$ 27,899,632	\$ 15,844,574	\$ -	\$ 43,744,206

Depreciation expense was charged as follows:

General government	\$ 491,300
Community services and development	2,548,620
Public safety	30,706
	<hr/>
Total	\$ 3,070,626

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

**LONG-TERM OBLIGATIONS**

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

	<i>Outstanding July 1, 2008</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2009</i>	<i>Due Within One Year</i>
<i>Governmental activities</i>					
2000 GO Urban Renewal	\$ 3,900,000	\$ -	\$ (235,000)	\$ 3,665,000	\$ 245,000
2002 GO Pension Pool	2,007,057	-	(22,288)	1,984,769	23,468
2007 GO Refunding	19,675,000	-	(730,000)	18,945,000	460,000
NWURD SPWF	3,611,222	-	(90,586)	3,520,636	96,210
General Fund SPWF	1,710,409	69,424	-	1,779,833	2,781
National Mortgage	-	178,322	(1,314)	177,008	-
	<u>30,903,688</u>	<u>247,746</u>	<u>(1,079,188)</u>	<u>30,072,246</u>	<u>827,459</u>
Accrued compensated absences	813,256	-	(57,819)	755,437	43,724
	<u>\$ 31,716,944</u>	<u>\$ 247,746</u>	<u>\$ (1,137,007)</u>	<u>\$ 30,827,683</u>	<u>\$ 871,183</u>
	<i>Outstanding July 1, 2008</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2009</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
2000 Wastewater Revenue	\$ 2,450,000	\$ -	\$ (150,000)	\$ 2,300,000	\$ 160,000
2003 Wastewater Revenue Refunding	2,800,000	-	(190,000)	2,610,000	200,000
2004 Water Refunding	2,730,000	-	(155,000)	2,575,000	160,000
2007 Cannibal Project Financing	4,311,575	-	(148,877)	4,162,698	244,255
2009 Wastewater CIP SRF Loan	-	900,000	-	900,000	-
	<u>12,291,575</u>	<u>900,000</u>	<u>(643,877)</u>	<u>12,547,698</u>	<u>764,255</u>
Accrued compensated absences	247,942	-	(54,479)	193,463	31,094
	<u>\$ 12,539,517</u>	<u>\$ 900,000</u>	<u>\$ (698,356)</u>	<u>\$ 12,741,161</u>	<u>\$ 795,349</u>

The 2000 Urban Renewal general obligation bonds were issued to provide financing for urban renewal projects. The original amount of the issue was \$5,435,000 and had interest rates ranging from 4.75% to 6.00%. Annual principal and semiannual interest payments range from approximately \$461,000 to \$469,000. The final bonds mature in 2019-20.

The 2002 general obligation pension bonds were issued to pay down the City's actuarial liability with PERS. The original amount of the issue was \$2,081,188 and had interest rates ranging from 2.00% to 7.36%. Annual principal and semiannual interest payments range from approximately \$148,000 to \$325,000. The final bonds mature in 2027-28.



**CITY OF LEBANON, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2009*

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***LONG-TERM OBLIGATIONS (Continued)***

The 2007 general obligation refunding bonds were issued to prepay or partially prepay three outstanding general obligation bond issues, including \$1,245,000 on the 1995 general obligation refunding bonds. The original amount of the issue was \$19,970,000 and had interest rates ranging from 4% to 5%. Annual principal and semiannual interest payments range from approximately \$1,306,000 to \$2,000,000. The final bonds mature in 2036-27.

Drawdowns on the \$3,677,462 general obligation NW Urban Renewal District Special Public Works Fund loan were complete in 2007. The loan proceeds were used for urban renewal projects. The interest rates on the loan range from 4.00% to 4.375%. Annual payments range from approximately \$241,00 to \$246,000. The loan is scheduled to be repaid by 2032.

Drawdowns on the general obligation General Fund Special Public Works Fund loan were begun in 2007 and will continue until the full amount of \$2,085,000 has been disbursed. The interest rate is 3.77%. The loan is scheduled to mature in 2009-10.

The revenue supported 2000 wastewater revenue bonds were issued in the amount of \$3,320,000 with interest rates ranging from 4.7% to 5.7%. Annual principal and semiannual interest payments range from approximately \$284,000 to \$289,000. The final bonds mature in 2019-20.

The revenue supported 2003 wastewater revenue refunding bonds were issued to prepay a previously outstanding wastewater bond. The original amount of the issue was \$3,775,000 and had interest rates ranging from 2.00% to 4.125%. Annual principal and semiannual interest payments range from approximately \$291,000 to \$296,000. The final bonds mature in 2019-20.

The 2004 water refunding bonds are revenue supported and were issued in the original amount of \$3,000,000 to prepay a portion of a previously outstanding water bond issue. Interest rates range from 2.0% to 4.2%. Annual principal and semiannual interest payments range from approximately \$249,000 to \$259,000. The final bonds mature in 2020-21.

During the prior year, the City drew down the full amount of \$4,311,575 of the revenue supported 2007 Cannibal Project financing loan to pay the costs of wastewater improvement projects. Interest rates range from 2.1% to 4.22%. Annual principal and interest payments are \$415,956. The final payment will be in 2021-22.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

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**LONG-TERM OBLIGATIONS (Continued)**

The future maturities of obligations outstanding as of June 30, 2009:

*Governmental Activities*

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 888,199	\$ 1,394,656	\$ 2,282,855
2011	1,174,291	1,395,995	2,570,286
2012	1,116,561	1,346,830	2,463,391
2013	1,220,262	1,306,415	2,526,677
2014	1,136,399	1,259,077	2,395,476
2015-2019	7,209,202	5,582,984	12,792,186
2020-2024	8,845,977	3,491,729	12,337,706
2025-2029	7,806,820	1,038,803	8,845,623
2030-2032	674,535	60,152	734,687
	<b>\$ 30,072,246</b>	<b>\$ 16,876,641</b>	<b>\$ 46,948,887</b>

The above schedule includes \$2,085,000 for the General Fund SPWF loan. Only \$1,779,833 of loan proceeds had been disbursed as of June 30, 2009.

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 781,528	\$ 526,055	\$ 1,307,583
2011	829,980	482,356	1,312,336
2012	851,882	450,808	1,302,690
2013	894,277	417,040	1,311,317
2014	927,187	380,619	1,307,806
2015-2019	5,284,161	1,276,287	6,560,448
2020-2022	2,697,276	219,652	2,916,928
2023-2027	281,407	23,168	304,575
	<b>\$ 12,547,698</b>	<b>\$ 3,775,985</b>	<b>\$ 16,323,683</b>

**CITY OF LEBANON, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
YEAR ENDED JUNE 30, 2009

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**PENSION PLANS**

*Plan Description*

The City is a participating employer in the Oregon Public Employees Retirement System (“OPERS”), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

*Funding Status*

Covered employees are required by state statute to contribute 6.0 percent of their salary to the plan which is invested in the Individual Account Program (IAP). Employers are permitted to pay employee contributions to the fund.

The City is required by statute to contribute actuarially computed amounts as determined by OPERS. OPERS completes an actuarial valuation as of December 31 of odd numbered years for new rates to be implemented July 1 of the next odd numbered year. Rates are subject to change as a result of subsequent actuarial valuations and the proportion of the system that is funded for each local government employer. For rate changes implemented July 1, 2005, the PERB voted to phase in the rate changes for PERS (for most employers a rate increase). On July 1, 2007 the City’s rate decreased to 4.07 percent based on the 2005 actuarial valuation.

For OPSRP, all employers are included in a single pool, with separate rates assigned for police and fire participants and general service participants. These rates are 12.08% for Tier 1/Tier 2 subject payroll, 12.64% for OPSRP general service subject payroll, and 15.91% for OPSRP police and fire subject payroll based on the December 31, 2005 valuation.

*Annual Pension Cost*

The City’s contributions to PERS for the fiscal years ending June 30, 2007, 2008, and 2009 were \$859,410, \$855,135, and \$985,791, respectively, which equaled the required contribution for the year.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2009**

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**TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 279,138	\$ 662,782
Intergovernmental	2,234,872	180,362
NW Urban Renewal	-	32,032
Cheadle Lake Urban Renewal	-	19,200
Debt Service	344,803	67,246
Capital Projects	482,260	302,916
Water	-	1,628,238
Water CIP	249,000	18,465
Small Water Line	474,798	28,868
Storm Drain Utility	-	39,366
Wastewater	-	2,284,973
Wastewater CIP	1,228,000	28,423
	<u>\$ 5,292,871</u>	<u>\$ 5,292,871</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.

**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. The insurance reserves are classified as unrestricted net assets 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.

**CITY OF LEBANON, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
 YEAR ENDED JUNE 30, 2009

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***GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT***

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", issued June 30, 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for measurement, recognition, and display of other postemployment benefits, expenses, and related liabilities or assets, note disclosures, and if applicable, required supplementary information in the financial reports.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the District Beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.

***OVEREXPENDITURES OF APPROPRIATIONS***

The City overexpended appropriations as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Overexpended</u>
General fund			
Parks	\$ 706,676	\$ 754,185	\$ (47,509)
Finance	107,558	107,559	(1)
Intergovernmental fund			
Information system	485,263	500,367	(15,104)
Storm drains	60,147	61,160	(1,013)
NW Urban Renewal District fund			
Personal services	243,261	288,638	(45,377)
Capital Projects fund			
Library/senior center building	14,693,200	14,819,230	(126,030)
Airport improvements	-	69,424	(69,424)
Cheadle Lake Urban Renewal District fund			
Personal services	125,281	125,639	(358)
Capital outlay	112,675	142,088	(29,413)

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 3,402,500	\$ 3,402,500	\$ 3,333,859	\$ (68,641)
Licenses and permits	1,403,100	1,403,100	1,369,774	(33,326)
Charges for services	20,500	20,500	24,607	4,107
Intergovernmental	329,000	329,000	352,759	23,759
Fines and forfeitures	234,000	234,000	260,377	26,377
Miscellaneous	190,200	190,200	140,099	(50,101)
<i>Total Revenues</i>	<u>5,579,300</u>	<u>5,579,300</u>	<u>5,481,475</u>	<u>(97,825)</u>
<b>EXPENDITURES</b>				
Administration	159,165	159,165	126,794	32,371
City attorney	33,444	33,444	32,544	900
Planning	93,149	93,149	90,605	2,544
Public works	11,541	11,541	8,610	2,931
Parks	706,676	706,676	754,185	(47,509)
Finance	107,558	107,558	107,559	(1)
Legislative	55,248	55,248	38,580	16,668
Library	353,000	355,500	347,979	7,521
Municipal court	265,388	265,388	262,769	2,619
Police	3,430,625	3,430,625	3,328,899	101,726
Senior services	139,561	139,561	136,427	3,134
Nondepartmental	266,812	264,312	237,977	26,335
Contingency	521,251	521,251	-	521,251
<i>Total Expenditures</i>	<u>6,143,418</u>	<u>6,143,418</u>	<u>5,472,928</u>	<u>670,490</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(564,118)	(564,118)	8,547	572,665
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	178,322	178,322
Transfers in	289,900	289,900	279,138	(10,762)
Transfers out	(662,782)	(662,782)	(662,782)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(372,882)</u>	<u>(372,882)</u>	<u>(205,322)</u>	<u>167,560</u>
<b>NET CHANGE IN FUND BALANCE</b>	(937,000)	(937,000)	(196,775)	740,225
<b>FUND BALANCE, Beginning of year</b>	937,000	937,000	1,046,316	109,316
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 849,541</u>	<u>\$ 849,541</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 50,000	\$ 50,000	\$ 39,897	\$ (10,103)
Licenses and permits	901,800	901,800	863,707	(38,093)
Charges for services	17,500	17,500	4,142	(13,358)
Intergovernmental	5,225,401	5,225,401	1,521,805	(3,703,596)
Fines and forfeitures	160,000	160,000	131,710	(28,290)
Miscellaneous	315,800	315,800	181,131	(134,669)
<i>Total Revenues</i>	6,670,501	6,670,501	2,742,392	(3,928,109)
<b>EXPENDITURES</b>				
City Hall repairs	100,600	100,600	10,923	89,677
Motel tax	48,500	48,500	46,735	1,765
Building inspections	622,265	622,265	495,302	126,963
Park enterprise	67,538	67,538	38,667	28,871
Park grants	3,299,000	3,299,000	34,483	3,264,517
Operation and environment	1,488,437	1,488,437	1,258,641	229,796
GIS	247,844	247,844	149,875	97,969
Information system	485,263	485,263	500,367	(15,104)
Sidewalk and bikepath	70,794	70,794	15,000	55,794
Engineering development	203,442	203,442	111,720	91,722
Streets	703,134	703,134	652,273	50,861
Storm drains	60,147	60,147	61,160	(1,013)
911 communications	75,000	75,000	-	75,000
School resource officer	96,897	96,897	90,985	5,912
Dial-A-Bus	284,720	284,720	234,106	50,614
STP street project	95,041	95,041	10,286	84,755
Homeland security & terrorism grant	299,000	299,000	170,506	128,494
1983-84 rehabilitation	25,000	25,000	-	25,000
Gills Landing	5,513	5,513	3,718	1,795
93 housing rehabilitation grant	26,000	26,000	-	26,000
1996 housing rehabilitation grant	26,000	26,000	-	26,000
1998 housing rehabilitation grant	26,000	26,000	-	26,000
2001 housing rehabilitation grant	250,000	250,000	172,737	77,263
Traffic team	225,501	225,501	183,229	42,272
Federal community policing	500,000	500,000	6,226	493,774
Maintenance services	88,733	88,733	83,578	5,155
Contingency	813,888	813,888	-	813,888
<i>Total Expenditures</i>	10,234,257	10,234,257	4,330,517	5,903,740



	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (3,563,756)	\$ (3,563,756)	\$ (1,588,125)	\$ 1,975,631
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,578,113	2,578,113	2,234,872	(343,241)
Transfers out	(521,057)	(521,057)	(180,362)	340,695
<i>Total Other Financing Sources (Uses)</i>	2,057,056	2,057,056	2,054,510	(2,546)
<b>NET CHANGE IN FUND BALANCE</b>	(1,506,700)	(1,506,700)	466,385	1,973,085
<b>FUND BALANCE, Beginning of year</b>	1,506,700	1,506,700	1,549,350	42,650
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 2,015,735	\$ 2,015,735

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - NW URBAN RENEWAL FUND  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 1,661,435	\$ 1,661,435	\$ 1,839,840	\$ 178,405
Intergovernmental	2,918,558	2,918,558	1,703,320	(1,215,238)
Miscellaneous	67,075	67,075	36,096	(30,979)
<i>Total Revenues</i>	4,647,068	4,647,068	3,579,256	(1,067,812)
<b>EXPENDITURES</b>				
Personal services	243,261	243,261	288,638	(45,377)
Materials and services	1,617,337	1,617,337	509,893	1,107,444
Capital outlay	3,037,133	3,037,133	2,199,744	837,389
Debt service				
Principal	325,586	325,586	325,586	-
Interest	380,818	380,818	380,818	-
Contingency	526,901	526,901	-	526,901
<i>Total Expenditures</i>	6,131,036	6,131,036	3,704,679	2,426,357
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(1,483,968)	(1,483,968)	(125,423)	1,358,545
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	310,000	310,000	-	(310,000)
Transfers out	(342,032)	(342,032)	(32,032)	310,000
<i>Total Other Financing Sources (Uses)</i>	(32,032)	(32,032)	(32,032)	-
<b>NET CHANGE IN FUND BALANCE</b>	(1,516,000)	(1,516,000)	(157,455)	1,358,545
<b>FUND BALANCE, Beginning of year</b>	1,555,000	1,555,000	1,597,859	42,859
<b>FUND BALANCE, End of year</b>	\$ 39,000	\$ 39,000	\$ 1,440,404	\$ 1,401,404

***OTHER SUPPLEMENTARY INFORMATION***

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 757,350	\$ 757,350	\$ 499,345	\$ (258,005)
Intergovernmental	-	-	50,000	50,000
Miscellaneous	1,228,105	1,228,105	956,841	(271,264)
<i>Total Revenues</i>	1,985,455	1,985,455	1,506,186	(479,269)
<b>EXPENDITURES</b>				
Equipment acquisition	970,109	970,109	571,847	398,262
Historic resources	85	85	-	85
Grant street bridge	619,374	619,374	601,334	18,040
Pioneer Cemetery	3,300	3,300	-	3,300
D.A.R.E.	11,200	11,200	1,750	9,450
Police	16,500	16,500	5,963	10,537
Library	249,122	249,122	38,154	210,968
Library building	650,500	650,500	321,581	328,919
Senior center building	31,500	31,500	10,000	21,500
Library/senior center building	14,693,200	14,693,200	14,819,230	(126,030)
Senior services	79,200	79,200	56,330	22,870
Snedaker trust	75,500	75,500	2,666	72,834
Streets	15,029	15,029	8,298	6,731
Streets capital projects	709,164	709,164	100,291	608,873
Infrastructure deferral	54,975	54,975	-	54,975
Airport improvements	-	-	69,424	(69,424)
SDC drainage	57,265	57,265	-	57,265
SDC drainage improvement	141,368	141,368	12,182	129,186
SDC park improvement	299,632	299,632	49,939	249,693
SDC wastewater improvement	870,908	870,908	120,339	750,569
SDC wastewater reimbursement	130,425	130,425	-	130,425
SDC streets improvement	970,816	970,816	127,948	842,868
SDC water improvement	748,171	748,171	32,338	715,833
SDC water reimbursement	51,625	51,625	-	51,625
Contingency	1,668,731	1,668,731	-	1,668,731
<i>Total Expenditures</i>	23,117,699	23,117,699	16,949,614	6,168,085

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (21,132,244)	\$ (21,132,244)	\$ (15,443,428)	\$ 5,688,816
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	69,424	69,424
Transfers in	484,840	484,840	482,260	(2,580)
Transfers out	(305,496)	(305,496)	(302,916)	2,580
Proceeds from sale of capital assets	-	-	27,000	(27,000)
<i>Total Other Financing Sources (Uses)</i>	179,344	179,344	275,768	42,424
<b>NET CHANGE IN FUND BALANCE</b>	(20,952,900)	(20,952,900)	(15,167,660)	5,785,240
<b>FUND BALANCE, Beginning of year</b>	20,957,987	20,957,987	21,077,721	119,734
<b>FUND BALANCE, End of year</b>	\$ 5,087	\$ 5,087	\$ 5,910,061	\$ 5,904,974

**CITY OF LEBANON, OREGON**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

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	<b><i>Cheadle Lake Urban Renewal</i></b>	<b><i>Recorder</i></b>	<b><i>Bail Refund</i></b>	<b><i>Debt Service</i></b>
<b><i>ASSETS</i></b>				
Cash and investments	\$ 49,751	\$ 158,114	\$ 9,047	\$ 9,366
Accounts receivable	-	49,283	-	-
Property taxes receivable	13,583	-	-	85,467
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<b>\$ 63,334</b>	<b>\$ 207,397</b>	<b>\$ 9,047</b>	<b>\$ 94,833</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><i>LIABILITIES AND FUND BALANCES</i></b>				
<b><i>Liabilities</i></b>				
Accounts payable	\$ 537	\$ 95,550	\$ 9,047	\$ -
Payroll taxes payable	-	111,847	-	-
Deferred revenues	13,583	-	-	85,467
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	14,120	207,397	9,047	85,467
<b><i>Fund Balances</i></b>				
Unreserved, reported in:				
Special revenue funds	49,214	-	-	-
Debt service funds	-	-	-	9,366
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	49,214	-	-	9,366
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities and Fund Balances</i>	<b>\$ 63,334</b>	<b>\$ 207,397</b>	<b>\$ 9,047</b>	<b>\$ 94,833</b>

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<u><i>Bancroft</i></u> <u><i>Bond</i></u>	<u><i>Totals</i></u>
\$ 25,940	\$ 252,218
3,400	52,683
-	99,050
<u>          </u>	<u>          </u>
\$ 29,340	\$ 403,951
<u>          </u>	<u>          </u>
\$ -	\$ 105,134
-	111,847
3,400	102,450
<u>          </u>	<u>          </u>
3,400	319,431
-	49,214
25,940	35,306
<u>          </u>	<u>          </u>
25,940	84,520
<u>          </u>	<u>          </u>
\$ 29,340	\$ 403,951
<u>          </u>	<u>          </u>

**CITY OF LEBANON, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009**

	<b><i>Cheadle Lake Urban Renewal</i></b>	<b><i>Bail Refund</i></b>	<b><i>Debt Service</i></b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Taxes and assessments	\$ 185,589	\$ -	\$ 1,234,743
Intergovernmental	40,000	-	81,653
Fines and forfeitures	-	149,239	-
Miscellaneous	1,103	6,757	12,281
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Revenues</i>	226,692	155,996	1,328,677
<b>EXPENDITURES</b>			
Current operating:			
Community services and development	150,055	-	-
Public safety	-	155,996	-
Capital outlay	142,088	-	-
Debt service			
Principal	-	-	752,288
Interest	-	-	1,000,778
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Expenditures</i>	292,143	155,996	1,753,066
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(65,451)	-	(424,389)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	344,803
Transfers out	(19,200)	-	(67,246)
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Other Financing Sources (Uses)</i>	(19,200)	-	277,557
	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CHANGE IN FUND BALANCES</b>	(84,651)	-	(146,832)
<b>FUND BALANCES, Beginning of year</b>	133,865	-	156,198
	<u>          </u>	<u>          </u>	<u>          </u>
<b>FUND BALANCES, End of year</b>	\$ 49,214	\$ -	\$ 9,366
	<u>          </u>	<u>          </u>	<u>          </u>



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<i><b>Bancroft Bond</b></i>	<i><b>Totals</b></i>
\$ -	\$ 1,420,332
-	121,653
-	149,239
684	20,825
<hr/>	
684	1,712,049
-	150,055
-	155,996
-	142,088
-	752,288
-	1,000,778
<hr/>	
-	2,201,205
<hr/>	
684	(489,156)
-	344,803
-	(86,446)
<hr/>	
-	258,357
<hr/>	
684	(230,799)
25,256	315,319
<hr/>	
<u>\$ 25,940</u>	<u>\$ 84,520</u>

**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, 2009**

	<b>Budgeted Amounts</b>		<b>Budget Basis</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes and assessments	\$ 142,460	\$ 142,460	\$ 185,589	\$ 43,129
Intergovernmental	-	-	40,000	40,000
Miscellaneous	-	-	1,103	1,103
<i>Total Revenues</i>	142,460	142,460	226,692	84,232
<b>EXPENDITURES</b>				
Personal services	125,281	125,281	125,639	(358)
Materials and services	33,790	33,790	24,416	9,374
Capital outlay	112,675	112,675	142,088	(29,413)
Debt service				
Principal	128,745	128,745	-	128,745
Interest	2,255	2,255	-	2,255
Contingency	36,258	36,258	-	36,258
<i>Total Expenditures</i>	439,004	439,004	292,143	146,861
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(296,544)	(296,544)	(65,451)	231,093
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	128,745	128,745	-	(128,745)
Transfers out	(19,201)	(19,201)	(19,200)	1
<i>Total Other Financing Sources (Uses)</i>	109,544	109,544	(19,200)	(128,744)
<b>NET CHANGE IN FUND BALANCE</b>	(187,000)	(187,000)	(84,651)	102,349
<b>FUND BALANCE, Beginning of year</b>	187,000	187,000	133,865	(53,135)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 49,214	\$ 49,214

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 1,250,843	\$ 1,250,843	\$ 1,234,743	\$ (16,100)
Intergovernmental	83,000	83,000	81,653	(1,347)
Miscellaneous	14,000	14,000	12,281	(1,719)
<i>Total Revenues</i>	1,347,843	1,347,843	1,328,677	(19,166)
<b>EXPENDITURES</b>				
Debt service				
Principal	752,288	752,288	752,288	-
Interest	1,000,893	1,000,893	1,000,778	115
<i>Total Expenditures</i>	1,753,181	1,753,181	1,753,066	115
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(405,338)	(405,338)	(424,389)	(19,051)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	345,557	345,557	344,803	(754)
Transfers out	(68,000)	(68,000)	(67,246)	754
<i>Total Other Financing Sources (Uses)</i>	277,557	277,557	277,557	-
<b>NET CHANGE IN FUND BALANCE</b>	(127,781)	(127,781)	(146,832)	(19,051)
<b>FUND BALANCE, Beginning of year</b>	152,000	152,000	156,198	4,198
<b>FUND BALANCE, End of year</b>	\$ 24,219	\$ 24,219	\$ 9,366	\$ (14,853)

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BANCROFT BOND FUND  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
<b>REVENUES</b>				
Taxes and assessments	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Miscellaneous	1,100	1,100	684	(416)
<i>Total Revenues</i>	3,100	3,100	684	(2,416)
<b>EXPENDITURES</b>				
Materials and services	26,000	26,000	-	26,000
Contingency	1,000	1,000	-	1,000
<i>Total Expenditures</i>	27,000	27,000	-	27,000
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(23,900)	(23,900)	684	24,584
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,100)	(2,100)	-	2,100
<b>NET CHANGE IN FUND BALANCE</b>	(26,000)	(26,000)	684	26,684
<b>FUND BALANCE, Beginning of year</b>	26,000	26,000	25,256	(744)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 25,940	\$ 25,940

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BAIL REFUND FUND  
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures	\$ 156,000	\$ 156,000	\$ 149,239	\$ (6,761)
Miscellaneous	17,000	17,000	6,757	(10,243)
<i>Total Revenues</i>	173,000	173,000	155,996	(17,004)
<b>EXPENDITURES</b>				
Materials and services	173,000	173,000	155,996	17,004
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	-	-	-	-
<b>FUND BALANCE, Beginning of year</b>				
	-	-	-	-
<b>FUND BALANCE, End of year</b>				
	\$ -	\$ -	\$ -	\$ -

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

JUNE 30, 2009

	<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	\$ 193,064	\$ 340,880	\$ 30,588
Accounts receivable	369,126	-	-
Property taxes receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Current Assets</i>	562,190	340,880	30,588
<b>Noncurrent assets</b>			
Deferred charges	-	60,192	-
Nondepreciable capital assets	-	-	-
Other capital assets, net of depreciation	5,611,533	-	60,253
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	6,173,723	401,072	90,841
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	51,376	59,013	30,612
Deposits	97,692	-	-
Loan payable - current portion	-	-	-
Bonds payable - current portion	-	160,000	-
Compensated absences payable - current portion	12,705	1,292	6,223
	<hr/>	<hr/>	<hr/>
<i>Total Current Liabilities</i>	161,773	220,305	36,835
<b>Noncurrent liabilities</b>			
Loans payable	-	-	-
Bonds payable	-	2,415,000	-
Compensated absences payable	75,059	4,676	27,162
	<hr/>	<hr/>	<hr/>
<i>Total Noncurrent Liabilities</i>	75,059	2,419,676	27,162
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	5,611,533	(2,575,000)	60,253
Unrestricted	325,358	336,091	(33,409)
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 5,936,891</u>	<u>\$ (2,238,909)</u>	<u>\$ 26,844</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ 381,582	\$ 654,666	\$ 261	\$ 1,601,041
-	431,203	-	-	800,329
-	921	-	-	921
-	813,706	654,666	261	2,402,291
-	-	124,617	-	184,809
-	-	1,922,922	-	1,922,922
-	22,539,253	-	-	28,211,039
-	23,352,959	2,702,205	261	32,721,061
-	66,269	108,811	-	316,081
-	-	-	-	97,692
-	-	244,255	-	244,255
-	-	360,000	-	520,000
-	8,657	2,217	-	31,094
-	74,926	715,283	-	1,209,122
-	-	3,918,443	-	3,918,443
-	-	5,450,000	-	7,865,000
-	51,508	3,964	-	162,369
-	51,508	9,372,407	-	11,945,812
-	22,539,253	(8,049,776)	-	17,586,263
-	687,272	664,291	261	1,979,864
\$ -	\$ 23,226,525	\$ (7,385,485)	\$ 261	\$ 19,566,127

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**ALL PROPRIETARY FUND DEPARTMENTS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,624,923	\$ -	\$ -
Miscellaneous	138,011	2	-
<i>Total Operating Revenues</i>	2,762,934	2	-
<b>OPERATING EXPENSES</b>			
Personal services	801,546	84,497	279,442
Materials and services	(37,616)	273,064	240,848
Capital outlay/depreciation	180,700	-	5,316
<i>Total Operating Expenses</i>	944,630	357,561	525,606
<b>OPERATING INCOME (LOSS)</b>	1,818,304	(357,559)	(525,606)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers in	975,073	249,000	474,798
Transfers out	(1,628,238)	(993,538)	(28,868)
Interest income	7,286	13,721	2,020
Interest expense	-	(94,218)	-
<i>Total Nonoperating Revenue (Expenses)</i>	(645,879)	(825,035)	447,950
<b>CHANGE IN NET ASSETS</b>	1,172,425	(1,182,594)	(77,656)
<b>NET ASSETS (DEFICIT), Beginning of year</b>	4,764,466	(1,056,315)	104,500
<b>NET ASSETS (DEFICIT), End of year</b>	\$ 5,936,891	\$ (2,238,909)	\$ 26,844



<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ 3,070,512	\$ -	\$ -	\$ 5,695,435
-	69,873	6,553	101	214,540
-	3,140,385	6,553	101	5,909,975
-	694,111	96,630	-	1,956,226
-	120,372	-	33	596,701
-	640,341	-	-	826,357
-	1,454,824	96,630	33	3,379,284
-	1,685,561	(90,077)	68	2,530,691
-	4,465,419	1,228,000	-	7,392,290
(39,366)	(2,284,973)	(4,493,842)	-	(9,468,825)
-	12,287	33,863	7	69,184
-	-	(503,050)	-	(597,268)
(39,366)	2,192,733	(3,735,029)	7	(2,604,619)
(39,366)	3,878,294	(3,825,106)	75	(73,928)
39,366	19,348,231	(3,560,379)	186	19,640,055
\$ -	\$ 23,226,525	\$ (7,385,485)	\$ 261	\$ 19,566,127

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WATER DEPARTMENT  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 2,637,000	\$ 2,637,000	\$ 2,566,167	\$ 2,624,923
Miscellaneous	201,350	201,350	150,179	145,297
<i>Total Revenues</i>	<u>2,838,350</u>	<u>2,838,350</u>	<u>2,716,346</u>	<u>2,770,220</u>
<b>EXPENSES</b>				
Personal services	859,323	859,323	818,159	801,546
Materials and services	341,713	341,713	363,580	(37,616)
Capital outlay/depreciation	16,620	16,620	6,896	180,700
Contingency	119,723	119,723	-	-
<i>Total Expenses</i>	<u>1,337,379</u>	<u>1,337,379</u>	<u>1,188,635</u>	<u>944,630</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	<u>1,500,971</u>	<u>1,500,971</u>	<u>1,527,711</u>	<u>1,825,590</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	975,073
Transfers out	(1,696,971)	(1,696,971)	(1,628,238)	(1,628,238)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,696,971)</u>	<u>(1,696,971)</u>	<u>(1,628,238)</u>	<u>(653,165)</u>
<b>NET CHANGE IN NET ASSETS</b>	<u>(196,000)</u>	<u>(196,000)</u>	<u>(100,527)</u>	<u>1,172,425</u>
<b>NET ASSETS, Beginning of year</b>	<u>196,000</u>	<u>196,000</u>	<u>243,181</u>	<u>4,764,466</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,654</u>	<u>\$ 5,936,891</u>

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WATER CAPITAL IMPROVEMENT DEPARTMENT  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 21,000	\$ 21,000	\$ 13,723	\$ 13,723
<b>EXPENSES</b>				
Personal services	84,805	84,805	79,812	84,497
Materials and services	6,821	6,821	10,744	273,064
Capital outlay/depreciation	540,650	540,650	257,305	-
Debt service				
Principal	155,000	155,000	155,000	-
Interest	94,218	94,218	94,218	94,218
Contingency	7,259	7,259	-	-
<i>Total Expenses</i>	<u>888,753</u>	<u>888,753</u>	<u>597,079</u>	<u>451,779</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	(867,753)	(867,753)	(583,356)	(438,056)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	249,000	249,000	249,000	249,000
Transfers out	(18,465)	(18,465)	(18,465)	(993,538)
<i>Total Other Financing Sources (Uses)</i>	<u>230,535</u>	<u>230,535</u>	<u>230,535</u>	<u>(744,538)</u>
<b>NET CHANGE IN NET ASSETS</b>	(637,218)	(637,218)	(352,821)	(1,182,594)
<b>NET ASSETS, Beginning of year</b>	<u>642,500</u>	<u>642,500</u>	<u>634,688</u>	<u>(1,056,315)</u>
<b>NET ASSETS, End of year</b>	<u>\$ 5,282</u>	<u>\$ 5,282</u>	<u>\$ 281,867</u>	<u>\$ (2,238,909)</u>

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
SMALL WATER LINE DEPARTMENT  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 2,500	\$ 2,500	\$ 2,020	\$ 2,020
<b>EXPENSES</b>				
Personal services	326,174	326,174	275,481	279,442
Materials and services	231,263	231,263	236,933	240,848
Capital outlay/depreciation	8,800	8,800	3,915	5,316
Contingency	5,035	5,035	-	-
<i>Total Expenses</i>	<u>571,272</u>	<u>571,272</u>	<u>516,329</u>	<u>525,606</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(568,772)	(568,772)	(514,309)	(523,586)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	537,640	537,640	474,798	474,798
Transfers out	(28,868)	(28,868)	(28,868)	(28,868)
<i>Total Other Financing Sources (Uses)</i>	<u>508,772</u>	<u>508,772</u>	<u>445,930</u>	<u>445,930</u>
<b>NET CHANGE IN NET ASSETS</b>	(60,000)	(60,000)	(68,379)	(77,656)
<b>NET ASSETS, Beginning of year</b>	<u>60,000</u>	<u>60,000</u>	<u>68,356</u>	<u>104,500</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23)</u>	<u>\$ 26,844</u>

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
STORM DRAIN UTILITY DEPARTMENT  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 1,000	\$ 1,000	\$ -	\$ -
<b>EXPENSES</b>	-	-	-	-
<b>REVENUES OVER (UNDER) EXPENSES</b>	1,000	1,000	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(41,000)	(41,000)	(39,366)	(39,366)
<b>NET CHANGE IN NET ASSETS</b>	(40,000)	(40,000)	(39,366)	(39,366)
<b>NET ASSETS, Beginning of year</b>	40,000	40,000	39,366	39,366
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WASTEWATER DEPARTMENT  
YEAR ENDED JUNE 30, 2009**

	<b>Budgeted Amounts</b>		<b>Budget Basis</b>	<b>GAAP Basis</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 3,113,600	\$ 3,113,600	\$ 2,998,835	\$ 3,070,512
Miscellaneous	110,000	110,000	82,160	82,160
<i>Total Revenues</i>	3,223,600	3,223,600	3,080,995	3,152,672
<b>EXPENSES</b>				
Personal services	748,121	748,121	740,337	694,111
Materials and services	274,929	274,929	223,244	120,372
Capital outlay/depreciation	76,080	76,080	60,546	640,341
Contingency	257,815	257,815	-	-
<i>Total Expenses</i>	1,356,945	1,356,945	1,024,127	1,454,824
<b>REVENUES OVER (UNDER) EXPENSES</b>	1,866,655	1,866,655	2,056,868	1,697,848
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	4,465,419
Transfers out	(2,288,655)	(2,288,655)	(2,284,973)	(2,284,973)
<i>Total Other Financing Sources (Uses)</i>	(2,288,655)	(2,288,655)	(2,284,973)	2,180,446
<b>NET CHANGE IN NET ASSETS</b>	(422,000)	(422,000)	(228,105)	3,878,294
<b>NET ASSETS, Beginning of year</b>	422,000	422,000	545,293	19,348,231
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 317,188	\$ 23,226,525

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
WASTEWATER CAPITAL IMPROVEMENT DEPARTMENT  
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Miscellaneous	\$ 33,000	\$ 33,000	\$ 40,416	\$ 40,416
<b>EXPENSES</b>				
Personal services	101,030	101,030	96,913	96,630
Materials and services	120,093	120,093	120,994	-
Capital outlay/depreciation	6,128,100	6,128,100	3,562,976	-
Debt service				
Principal	653,186	653,186	488,859	-
Interest	338,743	338,743	503,050	503,050
Contingency	14,225	14,225	-	-
<i>Total Expenses</i>	<u>7,355,377</u>	<u>7,355,377</u>	<u>4,772,792</u>	<u>599,680</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(7,322,377)	(7,322,377)	(4,732,376)	(559,264)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,228,000	1,228,000	1,228,000	1,228,000
Transfers out	(28,423)	(28,423)	(28,423)	(4,493,842)
Loan Proceeds	1,200,000	1,200,000	900,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>2,399,577</u>	<u>2,399,577</u>	<u>2,099,577</u>	<u>(3,265,842)</u>
<b>NET CHANGE IN NET ASSETS</b>	(4,922,800)	(4,922,800)	(2,632,799)	(3,825,106)
<b>NET ASSETS, Beginning of year</b>	<u>4,922,800</u>	<u>4,922,800</u>	<u>3,178,654</u>	<u>(3,560,379)</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,855</u>	<u>\$ (7,385,485)</u>

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL -  
RAILROAD DEPARTMENT  
YEAR ENDED JUNE 30, 2009**

	<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	\$ 110	\$ 110	\$ 108	\$ 108
<b>EXPENSES</b>				
Materials and services	220	220	33	33
Contingency	11	11	-	-
<i>Total Expenses</i>	<u>231</u>	<u>231</u>	<u>33</u>	<u>33</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	(121)	(121)	75	75
<b>NET ASSETS, Beginning of year</b>	<u>121</u>	<u>121</u>	<u>186</u>	<u>186</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ 261</u>



***OTHER SCHEDULES***

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2009**

<b><i>Tax Year</i></b>	<b><i>Uncollected Balances July 1, 2008</i></b>	<b><i>2008-2009 Levy</i></b>	<b><i>Added To Rolls</i></b>	<b><i>Interest, Discounts &amp; Adjustments</i></b>	<b><i>Turnovers</i></b>	<b><i>Uncollected Balances June 30, 2009</i></b>
2008-09	\$ -	\$ 6,943,479	\$ 2,960	\$ (202,730)	\$ (6,415,423)	\$ 328,286
2007-08	249,814	-	278	(3,207)	(124,656)	122,229
2006-07	79,200	-	106	(282)	(32,061)	46,963
2005-06	39,748	-	-	(113)	(21,476)	18,159
2004-05	15,852	-	-	(102)	(11,193)	4,557
2003-04	2,588	-	-	(74)	(792)	1,722
2002-03	1,353	-	-	(206)	(326)	821
Prior Years	5,047	-	-	(152)	(460)	4,435
<b>Total</b>	<b>\$ 393,602</b>	<b>\$ 6,943,479</b>	<b>\$ 3,344</b>	<b>\$ (206,866)</b>	<b>\$ (6,606,387)</b>	<b>\$ 527,172</b>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2009**

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
<b>PRINCIPAL TRANSACTIONS</b>			
Governmental Activities			
1995 GO Refunding	3.75-5.350%	1995	2009-10
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
National Mortgage Loan	7.5%	2009	2010-11
Business-type Activities			
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
2007 Cannibal Project Financing	2.10-4.22%	2007	2021-22
2009 Wastewater CIP SRF Loan	2.93%	2009	2028-29
			<i>Unmatured Interest Outstanding</i>
	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>July 1, 2008</u>
<b>BOND INTEREST TRANSACTIONS</b>			
Governmental Activities			
1995 GO Refunding	3.75-5.350%	1995	-
2000 GO Urban Renewal	4.75-6.000%	2000	1,660,180
2002 GO Pension Pool	2.00-7.360%	2002	2,440,063
2007 GO Refunding	4.00-5.000%	2007	10,949,912
NWURD SPWF	4.00-4.375%	2007	2,238,249
General Fund SPWF	3.77%	2007	88,511
National Mortgage Loan	7.5%	2009	-
Business-type Activities			
2000 Wastewater Revenue	4.70-5.700%	2000	979,006
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	735,818
2004 Water Refunding	2.00-4.200%	2004	798,992
2007 Cannibal Project Financing	2.10-4.22%	2007	1,544,219
2009 Wastewater CIP SRF Loan	2.93%	2009	-
			\$ 21,434,950

<i>Outstanding July 1, 2008</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2009</i>
\$ -	\$ -	\$ -	\$ -
3,900,000	-	(235,000)	3,665,000
2,007,057	-	(22,288)	1,984,769
19,675,000	-	(730,000)	18,945,000
3,611,222	-	(90,586)	3,520,636
1,710,409	69,424	-	1,779,833
-	178,322	(1,314)	177,008
2,450,000	-	(150,000)	2,300,000
2,800,000	-	(190,000)	2,610,000
2,730,000	-	(155,000)	2,575,000
4,311,575	-	(148,877)	4,162,698
-	900,000	-	900,000
<u>\$ 43,195,263</u>	<u>\$ 1,147,746</u>	<u>\$ (1,723,065)</u>	<u>\$ 42,619,944</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Other Adjustments</i>	<i>Unmatured Interest June 30, 2009</i>
\$ -	\$ -	\$ -	\$ -
-	(228,553)	-	1,431,628
-	(125,492)	-	2,314,571
-	(875,400)	-	10,074,512
-	(152,265)	-	2,085,984
857,434	-	-	945,945
24,001	-	-	24,001
-	(134,930)	-	844,076
-	(101,041)	-	634,777
-	(94,218)	-	704,775
-	(267,079)	-	1,277,140
315,218	-	-	315,218
<u>\$ 1,196,653</u>	<u>\$ (1,978,977)</u>	<u>\$ -</u>	<u>\$ 20,652,626</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS**  
**JUNE 30, 2009**

<i>Fiscal Year</i>	<i>2000 GO Urban Renewal</i>			<i>2002 GO Pension Pool</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
<i>Ending June 30,</i>						
2010	\$ 245,000	\$ 215,392	\$ 460,392	\$ 23,468	\$ 129,312	\$ 152,780
2011	260,000	201,550	461,550	27,144	135,636	162,780
2012	275,000	186,600	461,600	27,634	140,146	167,780
2013	290,000	170,787	460,787	30,293	147,487	177,780
2014	310,000	154,112	464,112	30,290	152,490	182,780
2015	325,000	136,287	461,287	31,704	161,076	192,780
2016	345,000	117,600	462,600	32,796	169,984	202,780
2017	370,000	96,900	466,900	33,687	179,093	212,780
2018	390,000	74,700	464,700	32,872	184,908	217,780
2019	415,000	51,300	466,300	33,233	194,547	227,780
2020	440,000	26,400	466,400	51,648	186,132	237,780
2021	-	-	-	140,000	111,068	251,068
2022	-	-	-	160,000	101,478	261,478
2023	-	-	-	185,000	90,518	275,518
2024	-	-	-	205,000	77,845	282,845
2025	-	-	-	235,000	63,802	298,802
2026	-	-	-	260,000	48,292	308,292
2027	-	-	-	295,000	30,482	325,482
2028	-	-	-	150,000	10,275	160,275
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 3,665,000</u>	<u>\$ 1,431,628</u>	<u>\$ 5,096,628</u>	<u>\$ 1,984,769</u>	<u>\$ 2,314,571</u>	<u>\$ 4,299,340</u>

<i>2007 GO Refunding</i>			<i>NWURD SPWF</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 460,000	\$ 846,200	\$ 1,306,200	\$ 96,210	\$ 148,642	\$ 244,852
555,000	827,800	1,382,800	96,858	144,793	241,651
650,000	805,600	1,455,600	102,533	140,919	243,452
725,000	779,600	1,504,600	108,234	136,818	245,052
620,000	750,600	1,370,600	108,963	132,488	241,451
690,000	725,800	1,415,800	114,722	128,130	242,852
760,000	698,200	1,458,200	120,511	123,541	244,052
830,000	667,800	1,497,800	126,331	118,720	245,051
905,000	631,600	1,536,600	132,184	113,667	245,851
1,000,000	595,400	1,595,400	133,072	108,380	241,452
1,080,000	555,400	1,635,400	138,994	103,057	242,051
1,175,000	506,800	1,681,800	144,984	97,323	242,307
1,280,000	450,988	1,730,988	151,034	91,234	242,268
1,390,000	390,187	1,780,187	157,140	84,815	241,955
1,510,000	324,162	1,834,162	168,293	78,137	246,430
1,635,000	252,437	1,887,437	174,510	70,900	245,410
1,775,000	170,688	1,945,688	180,801	63,265	244,066
1,905,000	95,250	2,000,250	187,149	55,355	242,504
-	-	-	198,555	47,167	245,722
-	-	-	205,023	38,481	243,504
-	-	-	216,556	29,511	246,067
-	-	-	223,155	20,367	243,522
-	-	-	234,824	10,274	245,098
<b>\$ 18,945,000</b>	<b>\$ 10,074,512</b>	<b>\$ 29,019,512</b>	<b>\$ 3,520,636</b>	<b>\$ 2,085,984</b>	<b>\$ 5,606,620</b>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)**  
**JUNE 30, 2009**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>General Fund SPWF</i>			<i>National Mortgage Loan Payable</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 60,740	\$ 41,929	\$ 102,669	\$ 2,781	\$ 13,181	\$ 15,962
2011	61,062	75,396	136,458	174,227	10,820	185,047
2012	61,394	73,565	134,959	-	-	-
2013	66,735	71,723	138,458	-	-	-
2014	67,146	69,387	136,533	-	-	-
2015	72,571	67,037	139,608	-	-	-
2016	73,074	64,134	137,208	-	-	-
2017	78,597	61,211	139,808	-	-	-
2018	79,141	58,067	137,208	-	-	-
2019	84,707	54,902	139,609	-	-	-
2020	85,332	51,302	136,634	-	-	-
2021	91,022	47,462	138,484	-	-	-
2022	91,663	43,821	135,484	-	-	-
2023	97,496	39,237	136,733	-	-	-
2024	103,371	34,363	137,734	-	-	-
2025	109,105	30,228	139,333	-	-	-
2026	115,061	24,773	139,834	-	-	-
2027	121,114	18,732	139,846	-	-	-
2028	127,169	12,676	139,845	-	-	-
2029	133,333	6,000	139,333	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 1,779,833</u>	<u>\$ 945,945</u>	<u>\$ 2,725,778</u>	<u>\$ 177,008</u>	<u>\$ 24,001</u>	<u>\$ 201,009</u>





**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)**  
**JUNE 30, 2009**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2000 Wastewater Revenue</i>			<i>2007 Cannibal Project Financing</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 160,000	\$ 127,205	\$ 287,205	\$ 244,255	\$ 171,701	\$ 415,956
2011	165,000	118,885	283,885	254,671	161,285	415,956
2012	175,000	110,223	285,223	265,531	150,425	415,956
2013	185,000	100,948	285,948	276,853	139,103	415,956
2014	195,000	91,050	286,050	288,659	127,297	415,956
2015	205,000	80,520	285,520	300,968	114,988	415,956
2016	215,000	69,040	284,040	313,802	102,154	415,956
2017	230,000	57,000	287,000	327,184	88,772	415,956
2018	245,000	43,890	288,890	341,136	74,820	415,956
2019	255,000	29,925	284,925	355,683	60,273	415,956
2020	270,000	15,390	285,390	370,850	45,106	415,956
2021	-	-	-	386,664	28,412	415,076
2022	-	-	-	436,442	12,804	449,246
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 2,300,000</u>	<u>\$ 844,076</u>	<u>\$ 3,144,076</u>	<u>\$ 4,162,698</u>	<u>\$ 1,277,140</u>	<u>\$ 5,439,838</u>

<i>2009 Water CIP SRF Loan</i>			<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 17,273	\$ 40,546	\$ 57,819	\$ 1,669,727	\$ 1,920,711	\$ 3,590,438
35,309	25,607	60,916	2,004,271	1,878,351	3,882,622
36,351	24,565	60,916	1,968,443	1,797,638	3,766,081
37,424	23,492	60,916	2,114,539	1,723,455	3,837,994
38,528	22,388	60,916	2,063,586	1,639,696	3,703,282
39,666	21,250	60,916	2,199,631	1,560,561	3,760,192
40,837	20,079	60,916	2,341,020	1,474,829	3,815,849
42,042	18,874	60,916	2,497,841	1,381,793	3,879,634
43,283	17,633	60,916	2,638,616	1,274,695	3,913,311
44,560	16,356	60,916	2,816,255	1,167,393	3,983,648
45,875	15,041	60,916	2,992,699	1,034,138	4,026,837
47,229	13,687	60,916	2,219,899	819,977	3,039,876
48,623	12,293	60,916	2,412,762	717,763	3,130,525
50,058	10,858	60,916	1,879,694	615,615	2,495,309
51,535	9,381	60,916	2,038,199	523,888	2,562,087
53,056	7,860	60,916	2,206,671	425,227	2,631,898
54,623	6,293	60,916	2,385,485	313,311	2,698,796
56,235	4,681	60,916	2,564,498	204,500	2,768,998
57,895	3,021	60,916	533,619	73,139	606,758
59,598	1,313	60,911	397,954	45,794	443,748
-	-	-	216,556	29,511	246,067
-	-	-	223,155	20,367	243,522
-	-	-	234,824	10,274	245,098
<b>\$ 900,000</b>	<b>\$ 315,218</b>	<b>\$ 1,215,218</b>	<b>\$ 42,619,944</b>	<b>\$ 20,652,626</b>	<b>\$ 63,272,570</b>

***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, 2009**

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**STATE OF OREGON COMPLIANCE SECTION**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in 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 audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are as follows.

We have audited in accordance with auditing standards generally accepted in the United States of America the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lebanon (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 12, 2010.

*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 Control Over Financial Reporting*

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We did issue a separate letter on significant deficiencies.

**CITY OF LEBANON, OREGON**

**COMMENTS OF THE INDEPENDENT AUDITOR REQUIRED BY STATE OF OREGON MINIMUM  
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)  
YEAR ENDED JUNE 30, 2009**

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*Adequacy of Accounting Records*

The City's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

The City uses an equity account in some funds as a reserve for claims. Some disbursements are charged directly to this account, and some receipts are credited directly to this account. As the account is an equity account, the transactions are not being recorded as revenues or expenditures. This practice is not in compliance with generally accepted accounting principles.

*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, 2009.

*Adequacy of Collateral Securing Depository Balances*

The City has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

*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 year ended June 30, 2009, and the preparation and adoption of its budget for the year ending June 30, 2010, except as noted in the notes to the financial statements.

A description of the budgeting process is in the notes to the basic financial statements. The City exceeded appropriations as indicated in the notes to the financial statements.

*Insurance and Fidelity Bonds*

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage.

*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, 2009.

*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.

**CITY OF LEBANON, OREGON**

**COMMENTS OF THE INDEPENDENT AUDITOR REQUIRED BY STATE OF OREGON MINIMUM  
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)  
YEAR ENDED JUNE 30, 2009**

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*Use Of State Highway Funds*

The City complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining 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.

*Schedule of Accountability of Independently Elected Officials*

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

*Other Matters*


The urban renewal districts do not issue separate financial statements, and are not audited separately as required by ORS 297.425.

The City makes appropriations in the enterprise fund by department. The accompanying schedules show budgetary comparisons for each department, but there is no budgetary comparison for the enterprise fund as a whole.

The City's June 30, 2009 annual financial report was not timely filed.

This report is intended for the information of the City of Lebanon and the State of Oregon, and is not intended to be and should not be used by anyone other than these specified parties.

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

By:   
Charles A. Swank, A Shareholder

July 12, 2010