

***CITY OF LEBANON, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2006***

***CITY OF LEBANON, OREGON***  
***CITY OFFICIALS***  
***JUNE 30, 2006***

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## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
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(503) 581-7788

### *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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.


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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Oregon as of June 30, 2006, 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.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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  
December 12, 2006

## Management's Discussion and Analysis

Readers of the City of Lebanon's Comprehensive Annual Financial Report (CAFR) are offered this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006 by management. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the financial statements, which follow this section.

### Financial Highlights

- The assets of the City of Lebanon exceeded liabilities at the close of the fiscal year by \$43,982,230 (net assets), an increase of \$1,295,033 from June 30, 2005. Of this amount, \$4,556,556 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets increased for governmental activities by \$527,452, a increase of 2.10% from June 30, 2005, primarily the result of increased restricted balances. Net assets increased for business-type activities by \$767,581, an increase of 4.36% from June 30, 2005, based in large part on increases in capital assets constructed by the City and an increase in unrestricted net assets.
- As of the close of FY 05-06, the City of Lebanon's governmental funds reported combined ending fund balances of \$15,568,374, a increase of \$1,804,625 from the prior year. Approximately 88% of the total amount, \$13,763,749, is available for spending at the City Council's discretion (unreserved fund balance).
- At the end of FY 05-06, unreserved fund balance in the General Fund was \$339,466 or 7% of the total General Fund expenditures. This was an increase of \$29,004 from June 30, 2005, based on slightly better financial performance than expected.
- Total governmental activities debt decreased by \$743,873 or 6.03% during FY 05-06. The decrease was the net result of making all required payments. Total business-type activities debt decreased by \$313,052 or 3.43% as the result of making all required payments.

### Overview of the Financial Statements

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

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

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

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

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 3-4 of the financial statements.

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

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

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

The City of Lebanon maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Intergovernmental, and Capital Projects funds, all of which are considered to be major funds. Data from the other seven 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 5-11 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 9-11 of this report.

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

**Notes to the Basic Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements. The notes to the basic financial statements can be found on pages 12-25 of this report.



**Supplementary Information** Supplementary information includes the combining statements referred to earlier in connection with non-major governmental funds; budgetary comparisons for non-major, and enterprise funds; and other financial schedules. This information can be found on pages 29-53 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 \$43,982,230 at the close of FY 05-06. This represented a \$1,295,033 or 2.9% increase in net assets.

<b>CITY OF LEBANON</b>						
<b>Summary of Net Assets</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006
Current and other assets	\$ 16,819,976	\$ 19,258,424	\$ 4,075,410	\$ 4,642,758	\$ 20,895,386	\$ 23,901,182
Capital assets	22,038,988	20,334,372	22,881,368	23,037,308	44,920,356	43,371,680
Total assets	<u>38,858,964</u>	<u>39,592,796</u>	<u>26,956,778</u>	<u>27,680,066</u>	<u>65,815,742</u>	<u>67,272,862</u>
Current and other liabilities	616,695	1,577,146	245,067	248,131	861,762	1,825,277
Long-term liabilities	13,174,478	12,420,407	9,092,305	9,044,948	22,266,783	21,465,355
Total liabilities	<u>13,791,173</u>	<u>13,997,553</u>	<u>9,337,372</u>	<u>9,293,079</u>	<u>23,128,545</u>	<u>23,290,632</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	9,706,004	8,745,261	14,008,300	14,227,099	23,714,304	22,972,360
Restricted	4,477,117	16,453,314	-	-	4,477,117	16,453,314
Unrestricted	10,884,670	396,668	3,611,106	4,159,888	14,495,776	4,556,556
<b>Total Net Assets</b>	<u>\$ 25,067,791</u>	<u>\$ 25,595,243</u>	<u>\$ 17,619,406</u>	<u>\$ 18,386,987</u>	<u>\$ 42,687,197</u>	<u>\$ 43,982,230</u>

The largest portion of the City's net assets (52%) 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 decreased \$741,944 or 3.2% from June 30, 2005. 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 \$16,453,314 or 37.4% represent resources that are subject to external restrictions on how they may be used. This represents an increase in the dollar value of the City's restricted net assets from June 30, 2005 of \$11,976,197 or 367%. The remaining balance of unrestricted net assets, \$4,556,556, may be used to meet the City's ongoing obligations to citizens and creditors.

Unrestricted net assets for governmental activities totaled \$396,668 or 1.5% of the total net assets for governmental activities. Business-type activities unrestricted net assets totaled \$4,159,888 or 22.6% of the total net assets for business-type activities. At the end of FY 05-06, the City of Lebanon is able to report positive balances in all three categories of net assets.

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

	Governmental Activities		Business-type Activities		Total	
	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006
<b>Revenue:</b>						
Program Revenue:						
Fees, Fines, and Charges for Services	\$ 2,212,701	\$ 2,289,896	\$ 4,719,332	\$ 5,461,760	\$ 6,932,033	\$ 7,751,656
Operating grants and contributions	8,542,101	4,539,689	-	-	8,542,101	4,539,689
Capital grants and contributions	401,946	505,523	-	-	401,946	505,523
General Revenue:						
Property Taxes	4,327,326	4,938,206	-	-	4,327,326	4,938,206
Franchise fees	1,266,408	1,373,934	-	-	1,266,408	1,373,934
Intergovernmental	257,005	281,349	-	-	257,005	281,349
Miscellaneous	460,587	647,294	75,738	111,265	536,325	758,559
<b>Total Revenues</b>	<b>17,468,074</b>	<b>14,575,891</b>	<b>4,795,070</b>	<b>5,573,025</b>	<b>22,263,144</b>	<b>20,148,916</b>
<b>Expenses:</b>						
General Government	699,178	804,384	-	-	699,178	804,384
Community services and development	4,885,029	10,640,200	-	-	4,885,029	10,640,200
Public Safety	2,694,434	3,003,927	-	-	2,694,434	3,003,927
Interest on long-term debt	723,424	680,950	-	-	723,424	680,950
Unallocated depreciation	2,502,713	-	-	-	2,502,713	-
Water	-	-	1,732,755	2,088,883	1,732,755	2,088,883
Wastewater	-	-	1,617,395	1,635,011	1,617,395	1,635,011
Railroad	-	-	140	528	140	528
Loss on disposal of assets	1,314,941	-	280,048	-	1,594,989	-
<b>Total Expenses</b>	<b>12,819,719</b>	<b>15,129,461</b>	<b>3,630,338</b>	<b>3,724,422</b>	<b>16,450,057</b>	<b>18,853,883</b>
Excess of rev. over exp. before transfers	4,648,355	(553,570)	1,164,732	1,848,603	5,813,087	1,295,033
Transfers	1,498,577	1,081,022	(1,498,577)	(1,081,022)	-	-
<b>Increase in Net Assets</b>	<b>6,146,932</b>	<b>527,452</b>	<b>(333,845)</b>	<b>767,581</b>	<b>5,813,087</b>	<b>1,295,033</b>
Net Assets - Beginning	18,920,859	25,067,791	17,953,251	17,619,406	36,874,110	42,687,197
<b>Net Assets - Ending</b>	<b>\$ 25,067,791</b>	<b>\$ 25,595,243</b>	<b>\$ 17,619,406</b>	<b>\$ 18,386,987</b>	<b>\$ 42,687,197</b>	<b>\$ 43,982,230</b>

- Governmental activities increased the City's net assets by \$527,452. This was primarily the result of increased property tax revenue from strong assessed value increases, particularly in the Northwest Lebanon URD.
- Business-type activities increased the City's net assets by \$767,581. There were no rate increases during the year. Program revenue from fees, fines, and charges for Services increased 15.7%.

### 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, 2006, the City's governmental funds reported combined ending fund balances of \$15,568,374, a increase of \$1,804,625 in comparison with the prior year. This entire amount is classified as unreserved fund balance which is available for spending at the City's discretion.

The General Fund is the main operating fund for the City. At the end of FY 05-06, unreserved fund balance of the General Fund was \$339,466. 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 8.5% of the total General Fund operating expenditures.

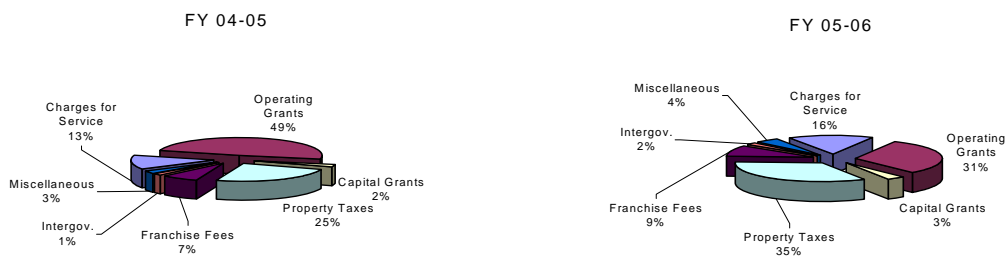
The fund balance of the General Fund increased by \$29,004 during FY 05-06. Revenues increased by 4.8% while operating expenses increased 3.2%. Most of the revenue increase occurred in property taxes and franchise fees while much of the operating expense increase was in Public Safety. There was a large increase in capital outlay spending in Public Safety as the Police department started a project to install mobile data terminals in police patrol vehicles.

In the Intergovernmental Fund, the fund balance increased \$74,174 based on increasing commercial and residential building activity. The building department was able to increase the contingency amount that would be drawn on for operations in the future if building activity slows again.

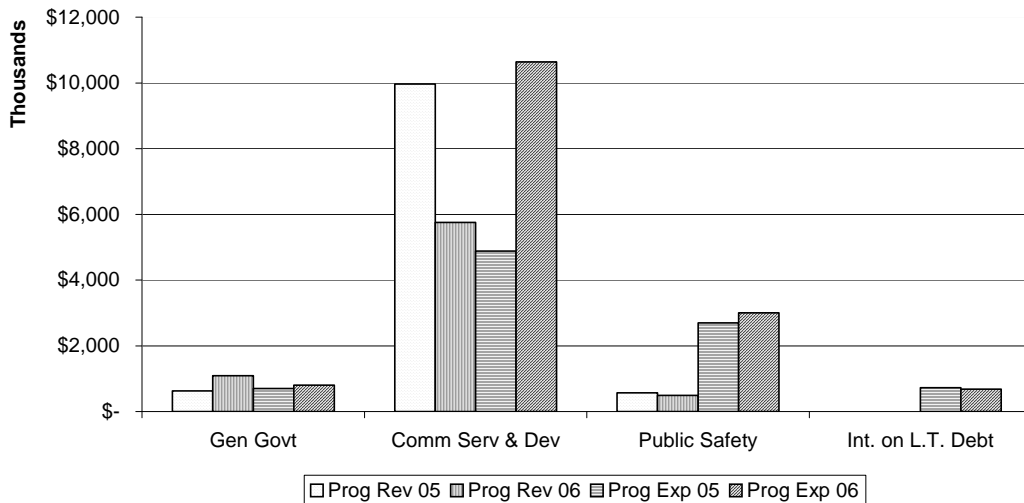
In the Capital Projects Fund, the ending fund balance was \$511,469 lower than the prior year, reflecting expenditure of grant funds received from the State to build a new Grant Street bridge.

The NW Urban Renewal district ended FY 05-06 with a fund balance \$2,034,049 higher than the prior year. This was the result of grants received from the State and County in support of infrastructure development to a Lowes Regional Distribution Center located in the URD. This increased fund balance represents unspent grant proceeds that will be spent in FY 06-07.

**Revenue by Source - Governmental Funds**



**Program Revenue and Expenses - Governmental Funds**

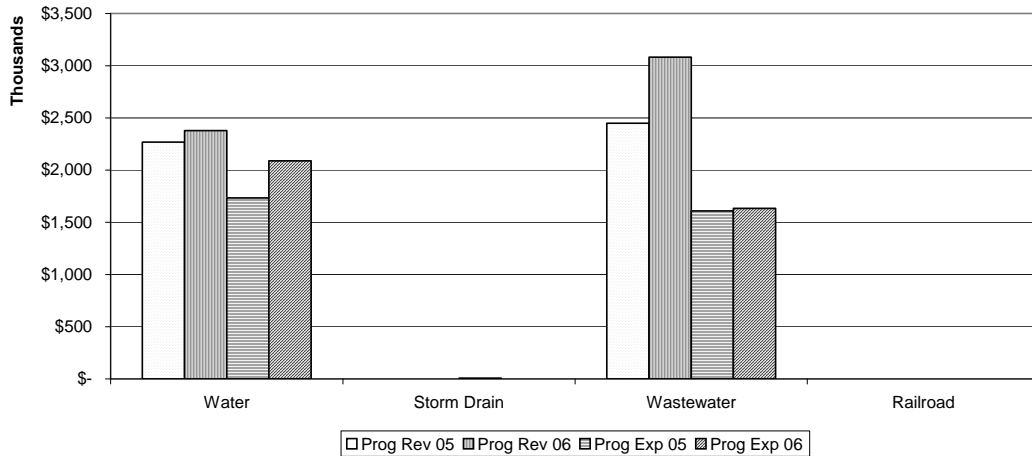


**Proprietary Funds** The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary funds increased the City’s net assets by \$767,581. Key elements of this increase are as follows:

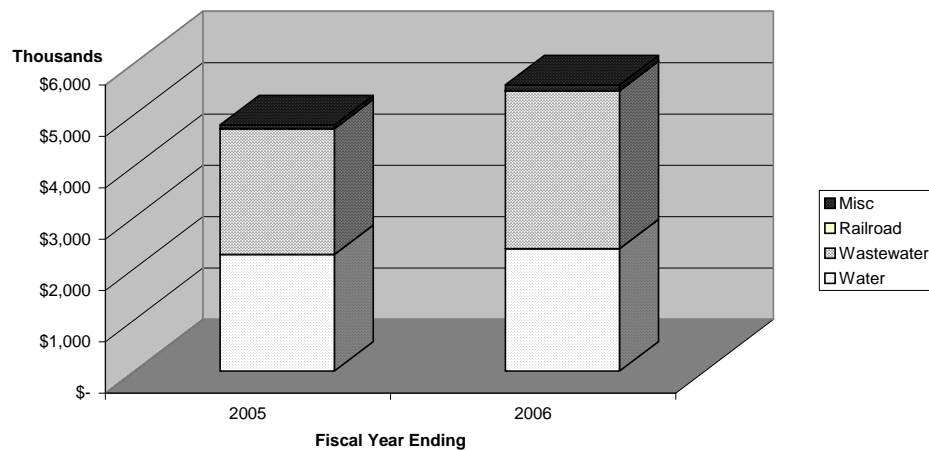
- The Wastewater and Wastewater CIP departments accounted for a significant portion of this increase, which resulted in part from insurance and settlement proceeds in the Georgia Pacific case.

- Water and Wastewater fees were not increased in FY05-06, and have not been increased since July 2001. Charges for service increased 5% for Water and 1% for Wastewater. This is all due to growth in the number of customers served and increased water consumption.

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



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



### General Fund Budgetary Highlights

There were small differences between the original budget and final amended budget during the year. The City Council adopted a small resolution to transfer appropriations from the Administration and Economic Development department to the Human Resources department to pay for unanticipated labor attorney costs. In the financial statements, this does not show since Human Resources is reported as part of Administration.

The Nondepartmental department appeared to under expend its budget by \$253,951. 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, 2006, amounts to \$43,371,680 (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 decrease in the City's investment in capital assets for the current fiscal year was 3.6%. This total includes a 8.4% decrease in governmental activities and a .68% increase in business-type activities.

Major capital asset events during FY 05-06 included the following:

- Mobile Data Terminals and software upgrades in the Police department totaled over \$350,000.
- Improvements to equipment and structures in city parks totaled over \$50,000.
- Infrastructure projects for water, wastewater, municipal buildings, and streets totaled \$724,405.

CITY OF LEBANON CAPITAL ASSETS (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006
Land	\$ 1,665,565	\$ 1,896,285	\$ 425,362	\$ 412,048	\$ 2,090,927	\$ 2,308,333
Buildings	2,026,116	1,863,516	5,017,487	4,904,204	7,043,603	6,767,720
Vehicles	209,558	211,073	204,992	211,575	414,550	422,648
Machinery and Equipment	129,774	476,592	4,476,132	4,319,849	4,605,906	4,796,441
Infrastructure	18,007,975	15,886,906	10,660,502	10,761,611	28,668,477	26,648,517
Construction in Progress		-	2,096,893	2,428,021	2,096,893	2,428,021
Total	\$ 22,038,988	\$ 20,334,372	\$ 22,881,368	\$ 23,037,308	\$ 44,920,356	\$ 43,371,680

**Long-Term Debt** At the end of FY 05-06 the City had total debt outstanding of \$20,399,320. Of this amount \$9,495,000 comprised debt backed by the full faith and credit of the City, \$8,810,000 is revenue supported, backed by the revenue of the Water & Wastewater utility operation, and \$2,046,147 is limited-tax debt supported by operating funds of the City. The City also had total notes outstanding of \$48,173.

CITY OF LEBANON Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006
General obligation bonds	\$ 10,205,000	\$ 9,495,000	\$ -	\$ -	\$ 10,205,000	\$ 9,495,000
Revenue bonds	-	-	9,120,000	8,810,000	9,120,000	8,810,000
Pension obligation bonds	2,058,136	2,046,147	-	-	2,058,136	2,046,147
Total bonded debt	12,263,136	11,541,147	9,120,000	8,810,000	21,383,136	20,351,147
Notes payable	69,848	47,964	3,261	209	73,109	48,173
<b>Total Debt Outstanding</b>	<b>\$ 12,332,984</b>	<b>\$ 11,589,111</b>	<b>\$ 9,123,261</b>	<b>\$ 8,810,209</b>	<b>\$ 21,456,245</b>	<b>\$ 20,399,320</b>

The City's total debt decreased \$1,056,925 or 4.9% during FY 05-06. The decrease was the result of paying scheduled debt payments. The City's outstanding notes decreased \$24,936 (34%) during FY 05-06. The decrease was the result of paying scheduled debt payments.

Additional information on the City of Lebanon's long-term debt can be found on pages 21-22 of this report.

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

- The unemployment rate for Linn County, where Lebanon is the second largest city, was 6.5% in June 2006. This is a decrease from last June's 7.5% seasonally adjusted rate. Linn County, while showing recent improvement, continues to have unemployment rates higher than the State as a whole. The Lowes Regional Distribution Center is projected to employ 400 or more workers when fully operational.

- Property tax revenue was projected to increase 8% in FY 06-07 based on the same rate of increase in the assessed value. At the end of the second week of October, the City was notified that actual assessed value had increased 9.82% which will result in approximately \$78,000 more in property tax revenue to the City, over what is in the adopted budget. This was largely the result of a high level of building activity occurring in the City.
- Utility revenue for the Water and Wastewater funds are projected to increase 3-5% from growth in the number of customers, and consumption. There is no rate increases planned in FY 06-07.
- Residential construction is expected to remain strong, with new homes estimated to add \$27 million or more to the City's assessed value. During FY 06-07 the Lowes Regional Distribution Center is expected to open their operations. The distribution center has been a factor in the amount of information requests being received by City from commercial and residential developers.

All of these factors were considered when preparing the budget for the 2007 fiscal year.

During FY 05-06, unreserved fund balances in the General Fund increased to \$339,466. The City of Lebanon has appropriated \$36,175 of this amount for spending in FY 06-07. This was a slight reduction from the goal of building this amount to approximately 10% of the General Fund total, or about \$550,000.

### **Requests for Information**

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

***BASIC FINANCIAL STATEMENTS***

**CITY OF LEBANON, OREGON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<b>ASSETS</b>			
Cash and investments	\$ 15,618,998	\$ 3,764,018	\$ 19,383,016
Accounts receivable	1,794,775	644,127	2,438,902
Prepaid expenses	1,833	-	1,833
Property taxes receivable	348,028	766	348,794
Special assessments/loans	888,988	-	888,988
Court fines	605,802	-	605,802
Deferred charges	-	233,847	233,847
Capital assets, net	20,334,372	23,037,308	43,371,680
<i>Total Assets</i>	39,592,796	27,680,066	67,272,862
<b>LIABILITIES</b>			
Accounts payable	1,357,845	41,061	1,398,906
Payroll liabilities	106,746	-	106,746
Deposits	-	79,725	79,725
Reserved for claims	112,555	127,345	239,900
Noncurrent liabilities:			
Due within one year:			
Loan payable	23,232	209	23,441
Bonds payable	778,551	345,000	1,123,551
Accrued compensated absences	93,720	26,289	120,009
Due in more than one year:			
Loan payable	24,732	-	24,732
Bonds payable	10,762,596	8,465,000	19,227,596
Accrued compensated absences	737,576	208,450	946,026
<i>Total Liabilities</i>	13,997,553	9,293,079	23,290,632
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	8,745,261	14,227,099	22,972,360
Restricted for special purposes	16,453,314	-	16,453,314
Unrestricted	396,668	4,159,888	4,556,556
<i>Total Net Assets</i>	\$ 25,595,243	\$ 18,386,987	\$ 43,982,230

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



**CITY OF LEBANON, OREGON**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2006**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>FUNCTIONS/PROGRAMS</b>			
<b>Governmental Activities:</b>			
General government	\$ 804,384	\$ 159,268	\$ 423,835
Community services and development	10,640,200	1,704,419	4,052,238
Public safety	3,003,927	426,209	63,616
Interest on long-term debt	680,950	-	-
<i>Total Governmental Activities</i>	15,129,461	2,289,896	4,539,689
<b>Business-type Activities:</b>			
Water	2,088,883	2,380,043	-
Wastewater	1,635,011	3,081,613	-
Railroad	528	104	-
<i>Total Business-type Activities</i>	3,724,422	5,461,760	-
<i>Total Activities</i>	<u>\$ 18,853,883</u>	<u>\$ 7,751,656</u>	<u>\$ 4,539,689</u>

**General Revenues:**

Property taxes  
Franchise fees  
Intergovernmental  
Miscellaneous

*Total General Revenues*

**Transfers**

**Change in Net Assets**

*Net Assets, July 1, 2005*

*Net Assets, June 30, 2006*

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

<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 505,523	\$ 284,242	\$ -	\$ 284,242
-	(4,883,543)	-	(4,883,543)
-	(2,514,102)	-	(2,514,102)
-	(680,950)	-	(680,950)
505,523	(7,794,353)	-	(7,794,353)
-	-	291,160	291,160
-	-	1,446,602	1,446,602
-	-	(424)	(424)
-	-	1,737,338	1,737,338
<u>\$ 505,523</u>	(7,794,353)	1,737,338	(6,057,015)
	4,938,206	-	4,938,206
	1,373,934	-	1,373,934
	281,349	-	281,349
	647,294	111,265	758,559
	7,240,783	111,265	7,352,048
	1,081,022	(1,081,022)	-
	527,452	767,581	1,295,033
	25,067,791	17,619,406	42,687,197
	<u>\$ 25,595,243</u>	<u>\$ 18,386,987</u>	<u>\$ 43,982,230</u>

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

**CITY OF LEBANON, OREGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

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	<u>General</u>	<u>Inter- governmental</u>
<b>ASSETS</b>		
Cash and investments	\$ 248,828	\$ 1,444,336
Accounts receivable	228,748	81,132
Prepaid expenses	-	-
Property taxes receivable	194,659	-
Special assessments/loans	-	868,785
Court fines receivable	474,949	130,853
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 1,147,184</u>	<u>\$ 2,525,106</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable	\$ 41,887	\$ 74,184
Payroll taxes payable	-	-
Compensated absences payable	45,434	30,452
Deferred revenues	680,467	1,007,843
Reserved for claims	39,930	72,625
	<hr/>	<hr/>
<i>Total Liabilities</i>	807,718	1,185,104
 <b>Fund Balances</b>		
Unreserved, reported in:		
General fund	339,466	-
Special revenue funds	-	1,340,002
Capital projects fund	-	-
Debt services funds	-	-
	<hr/>	<hr/>
<i>Total Fund Balances</i>	339,466	1,340,002
	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,147,184</u>	<u>\$ 2,525,106</u>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 10,457,005	\$ 3,468,829	\$ 15,618,998
155,469	1,329,426	1,794,775
-	1,833	1,833
-	153,369	348,028
-	20,203	888,988
-	-	605,802
<u>\$ 10,612,474</u>	<u>\$ 4,973,660</u>	<u>\$ 19,258,424</u>
\$ 691,674	\$ 550,100	\$ 1,357,845
-	106,746	106,746
5,864	11,970	93,720
155,469	175,405	2,019,184
-	-	112,555
<u>853,007</u>	<u>844,221</u>	<u>3,690,050</u>
-	-	339,466
-	3,329,581	4,669,583
9,759,467	-	9,759,467
-	799,858	799,858
<u>9,759,467</u>	<u>4,129,439</u>	<u>15,568,374</u>
<u>\$ 10,612,474</u>	<u>\$ 4,973,660</u>	<u>\$ 19,258,424</u>

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

**CITY OF LEBANON, OREGON**

**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

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**RECONCILIATION TO THE STATEMENT OF NET ASSETS**

<i>Fund Balances</i>	\$ 15,568,374
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.	2,019,184
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	52,205,553
accumulated depreciation	(31,871,181)
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	(47,964)
Bonds payable	(11,541,147)
Accrued compensated absences	(737,576)
	<hr/>
<i>Net assets of governmental activities</i>	<u><u>\$ 25,595,243</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, 2006**

	<u>General</u>	<u>Inter- governmental</u>
<b>REVENUES</b>		
Taxes and assessments	\$ 2,665,275	\$ 22,863
Licenses and permits	1,378,439	698,753
Charges for services	28,077	15,200
Intergovernmental	283,645	1,162,978
Fines and forfeitures	234,116	97,538
Miscellaneous	178,714	162,160
	<hr/>	<hr/>
<i>Total Revenues</i>	4,768,266	2,159,492
<b>EXPENDITURES</b>		
Current operating:		
General government	407,723	-
Community services and development	741,537	3,335,667
Public safety	2,830,610	-
Capital outlay	462,035	410,248
Debt service	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	4,441,905	3,745,915
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	326,361	(1,586,423)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	2,216	1,812,252
Transfers out	(299,573)	(151,655)
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(297,357)	1,660,597
<b>NET CHANGE IN FUND BALANCES</b>	29,004	74,174
<b>FUND BALANCES, Beginning of year</b>	<hr/> 310,462	<hr/> 1,265,828
<b>FUND BALANCES, End of year</b>	<hr/> \$ 339,466	<hr/> \$ 1,340,002

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 496,663	\$ 2,283,400	\$ 5,468,201
-	-	2,077,192
-	-	43,277
-	4,134,576	5,581,199
-	101,783	433,437
500,051	348,037	1,188,962
996,714	6,867,796	14,792,268
133	38,902	446,758
643,852	678,574	5,399,630
3,433	103,033	2,937,076
1,134,772	2,326,721	4,333,776
-	1,424,839	1,424,839
1,782,190	4,572,069	14,542,079
(785,476)	2,295,727	250,189
297,146	26,063	2,137,677
(23,139)	(108,874)	(583,241)
274,007	(82,811)	1,554,436
(511,469)	2,212,916	1,804,625
10,270,936	1,916,523	13,763,749
\$ 9,759,467	\$ 4,129,439	\$ 15,568,374

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, 2006**

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

<i>Net change in fund balances - total governmental funds</i>	\$ 1,804,625
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.	(216,378)
The Statement of Activities reports gains and losses arising from the disposal of existing capital assets, while governmental funds do not report any gains and losses on the disposal of existing capital assets.	(4,800)
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.	(100,052)
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.	(1,699,815)
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.	743,872
<i>Change in net assets of governmental activities.</i>	<u>\$ 527,452</u>

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



**CITY OF LEBANON, OREGON**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND**  
**JUNE 30, 2006**

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**ASSETS**

**Current assets**

Cash and investments	\$ 3,764,018
Accounts receivable	644,127
Property taxes receivable	766

<i>Total Current Assets</i>	4,408,911
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**Noncurrent assets**

Capital assets, net	23,037,308
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<i>Total Assets</i>	27,446,219
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**LIABILITIES**

**Current liabilities**

Accounts payable	41,061
Deposits	79,725
Loan payable - current portion	209
Bonds payable - current portion	345,000
Compensated absences	26,289

<i>Total Current Liabilities</i>	492,284
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**Noncurrent liabilities**

Bonds payable	8,465,000
Bonds discount	(233,847)
Compensated absences payable	208,450
Reserved for claims	127,345

<i>Total Noncurrent Liabilities</i>	8,566,948
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**NET ASSETS**

Investment in capital assets (net of related debt)	14,460,946
Unrestricted	3,926,041

<i>Total Net Assets</i>	\$ 18,386,987
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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, 2006**

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**OPERATING REVENUES**

Charges for services	\$ 4,635,061
Miscellaneous	826,699

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*Total Operating Revenues* 5,461,760

**OPERATING EXPENSES**

Personal services	1,571,282
Materials and services	1,133,403
Depreciation	652,056

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*Total Operating Expenses* 3,356,741

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**OPERATING INCOME**

2,105,019

**NONOPERATING REVENUES (EXPENSES)**

Transfers in	1,691,527
Transfers out	(2,772,549)
Interest income	111,265
Interest expense	(367,681)

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*Total Nonoperating Revenue (Expenses)* (1,337,438)

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**CHANGE IN NET ASSETS**

767,581

**NET ASSETS, Beginning of year**

17,619,406

**NET ASSETS, End of year**\$ 18,386,987

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

**CITY OF LEBANON, OREGON**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2006**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 5,448,910
Cash paid to employees for services	(1,555,780)
Cash paid to suppliers for goods and services	(1,129,309)

*Net Cash Provided by Operating Activities* 2,763,821

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

Transfers in	1,691,527
Transfers out	(2,772,549)

*Net Cash Provided by (Used in) Non-Capital  
Financing Activities* (1,081,022)

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

Acquisition of capital assets	(807,996)
Principal paid on contracts/bonds payable	(313,052)
Interest paid	(351,335)

*Net Cash Used in Capital and Related Financing Activities* (1,472,383)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	111,265
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*Net Change in Cash and Investments* 321,681

**CASH AND INVESTMENTS, Beginning of year** 3,442,337

**CASH AND INVESTMENTS, End of year** \$ 3,764,018

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

Operating income	\$ 2,105,019
Depreciation	652,056
Change in assets and liabilities	
Receivables	(11,820)
Accounts payable and accrued liabilities	316
Compensated absences payable	15,502
Deposits	(1,030)
Reserved for claims	3,778
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 2,763,821</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, 2006.

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

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

*Basic Financial Statements*

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

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

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

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

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

*Basis of Presentation*

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

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

The City reports the following major governmental funds:

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

*Special Revenue Fund*

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

*Capital Projects Fund*

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

The City reports the following nonmajor governmental funds:

*Special Revenue Funds*

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

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

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

*Recorder Fund* - this fund accounts for transactions involving employee benefits.

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

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

*Basis of Presentation (Continued)*

*Debt Service Funds*

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

The City reports one major proprietary fund:

*Enterprise Fund*

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

*Measurement Focus and Basis of Accounting*

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

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

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

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

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

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

*Measurement Focus and Basis of Accounting (Continued)*

Transfers between funds are to facilitate operations.

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

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2006. Actual results may differ from such estimates.

*Cash and Investments*

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

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

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

*Receivables and Deferred Revenues*

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

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

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

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

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



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

*Capital Assets*

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

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

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

As permitted by 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.

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

*Long-Term Debt*

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Assets, and will be paid from the debt service funds. Accrued compensated absences are generally paid by all funds except the debt service funds.

*Accrued Vacation Pay*

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

*Budget and Budgetary Accounting*

A budget is prepared for each fund. Appropriations are adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes. Budgets are adopted at the departments level in the general fund and expenditures type for other funds. The budgets for the enterprise fund are adopted on the same basis as the budgets for the governmental funds, except for revenues, which are budgeted when received. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. During the fiscal year ended June 30, 2006, several appropriation transfers were made and approved by the City Council.

**CASH AND INVESTMENTS**

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

Cash and investments are comprised of the following at June 30, 2006:

	<i>Carrying Value</i>
<b>Cash</b>	
Cash on hand	\$ 1,450
Deposits with financial institutions	2,036,653
<b>Investments</b>	
Local Government Investment Pool	9,891,583
Federal securities	7,453,330
	<hr/>
	\$ 19,383,016
	<hr/> <hr/>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

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**CASH AND INVESTMENTS (Continued)**

*Deposits*

At June 30, 2006, the City's deposits with various financial institutions have a bank value of \$2,027,484. The difference is due to transactions in process. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a custodian, in a collateral pool, securities having a value not less than 25% of the outstanding certificates of participation which are issued by the collateral pool manager. The certificates of participation are issued in the City's name and are held by the City.

*Investments*

As of June 30, 2006, 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	\$ 9,891,583	0.003	\$ 57%
U.S. agency securities	7,453,330	0.444	43%
	\$ 17,344,913		\$ 100%

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

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

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

At June 30, 2006, the City investments are rated as follows:

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

**CASH AND INVESTMENTS (Continued)**

**Rating by Moody's Investors Service**

<i>Investment type</i>	<i>Total</i>	<i>AAA</i>	<i>Not Rated</i>
Local government investment pool	\$ 9,891,583	\$ -	\$ 9,891,583
U.S. agency securities	7,453,330	7,453,330	-
	<u>\$ 17,344,913</u>	<u>\$ 7,453,330</u>	<u>\$ 9,891,583</u>

The City's policy for investing in individual issuers varies depending on the type of investments. U.S. treasury and agency securities do not have restrictions regarding concentration with any one issuer. At June 30, 2006, more than 5% of the City's portfolio is invested in FHLB, FHLMC, FNMA, FFCB, and Freddi Mac securities. These investments are 11.43%, 8.20%, 8.99%, 8.71% and 5.60%, respectively, of the City's total investments.

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2006, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

**RECEIVABLES**

	<i>General</i>	<i>Special Revenue</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Enterprise</i>	<i>Total</i>
Accounts	\$ 228,748	\$ 1,404,627	\$ 155,469	\$ 5,931	\$ 644,127	\$ 2,438,902
Property taxes	194,659	118,222	-	35,147	766	348,794
Special assessments / loans	-	887,313	-	1,675	-	888,988
Court fines	474,949	130,853	-	-	-	605,802
	<u>\$ 898,356</u>	<u>\$ 2,541,015</u>	<u>\$ 155,469</u>	<u>\$ 42,753</u>	<u>\$ 644,893</u>	<u>\$ 4,282,486</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

**RECEIVABLES (Continued)**

*Property Taxes - Collection Procedures*

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

	<b>Balances July 1, 2005</b>	<b>2005-06 Levy</b>	<b>Added to Rolls</b>	<b>Discounts &amp; Adjustments</b>	<b>Collections</b>	<b>Balances June 30, 2006</b>
<i>General and Debt Service Fund</i>						
Current	\$ -	\$ 3,184,051	\$ 4,618	\$ 85,368	\$ 2,983,374	\$ 119,927
Prior	256,675	-	85	19,347	127,534	109,879
	<u>\$ 256,675</u>	<u>\$ 3,184,051</u>	<u>\$ 4,703</u>	<u>\$ 104,715</u>	<u>\$ 3,110,908</u>	<u>\$ 229,806</u>
	<b>Balances July 1, 2005</b>	<b>2005-06 Levy</b>	<b>Added to Rolls</b>	<b>Discounts &amp; Adjustments</b>	<b>Collections</b>	<b>Balances June 30, 2006</b>
<i>Urban Renewal</i>						
Current	\$ -	\$ 1,855,676	\$ 2,691	\$ 49,753	\$ 1,738,721	\$ 69,893
Prior	113,133	-	37	8,552	56,289	48,329
	<u>\$ 113,133</u>	<u>\$ 1,855,676</u>	<u>\$ 2,728</u>	<u>\$ 58,305</u>	<u>\$ 1,795,010</u>	<u>\$ 118,222</u>
	<b>Balances July 1, 2005</b>	<b>2005-06 Levy</b>	<b>Added to Rolls</b>	<b>Discounts &amp; Adjustments</b>	<b>Collections</b>	<b>Balances June 30, 2006</b>
<i>Wastewater</i>						
Current	\$ -	\$ 10,428	\$ 15	\$ 280	\$ 9,771	\$ 392
Prior	874	-	-	66	434	374
	<u>\$ 874</u>	<u>\$ 10,428</u>	<u>\$ 15</u>	<u>\$ 346</u>	<u>\$ 10,205</u>	<u>\$ 766</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

**CAPITAL ASSETS**

The summary of capital assets for the business-type activities for the year ended June 30, 2006 is as follows:

	<u>2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>2006</u>
Water and sewer systems	\$ 29,421,169	\$ 476,868	\$ (47,395)	\$ 29,850,642
Construction in progress	2,096,893	331,128	-	2,428,021
	<u>31,518,062</u>	<u>807,996</u>	<u>(47,395)</u>	<u>32,278,663</u>
Less accumulated depreciation	(8,636,694)	(652,056)	47,395	(9,241,355)
	<u>\$ 22,881,368</u>	<u>\$ 155,940</u>	<u>\$ -</u>	<u>\$ 23,037,308</u>

The changes in the capital assets for governmental activities for the year ended June 30, 2006 are as follows:

	<u>Balances July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances June 30, 2006</u>
Capital assets, cost	\$ 51,327,206	\$ 884,347	\$ (6,000)	\$ 52,205,553
Less accumulated depreciation	(29,288,218)	(2,584,163)	1,200	(31,871,181)
	<u>\$ 22,038,988</u>	<u>\$ (1,699,816)</u>	<u>\$ (4,800)</u>	<u>\$ 20,334,372</u>

Depreciation expense was charged as follows.

General government	\$ 417,925
Community services and development	2,147,089
Public safety	19,149
Total	<u>\$ 2,584,163</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

**LONG-TERM OBLIGATIONS**

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

	<i>Outstanding July 1, 2005</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2006</i>	<i>Due Within One Year</i>
<i>Governmental activities</i>					
1994 GO Urban Renewal	\$ 625,000	\$ -	\$ (55,000)	\$ 570,000	\$ 60,000
1995 GO Refunding	2,000,000	-	(355,000)	1,645,000	375,000
1999 GO Urban Renewal	3,050,000	-	(100,000)	2,950,000	115,000
2000 GO Urban Renewal	4,530,000	-	(200,000)	4,330,000	210,000
2002 GO Pension Pool	2,058,136	-	(11,989)	2,046,147	18,551
Key Bank Note	69,848	-	(21,884)	47,964	23,232
	<u>12,332,984</u>	<u>-</u>	<u>(743,873)</u>	<u>11,589,111</u>	<u>801,783</u>
Accrued vacation	841,491	-	(10,195)	831,296	93,720
	<u>\$ 13,174,475</u>	<u>\$ -</u>	<u>\$ (754,068)</u>	<u>\$ 12,420,407</u>	<u>\$ 895,503</u>
	<i>Outstanding July 1, 2005</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2006</i>	<i>Due Within One Year</i>
<i>Business-type activities</i>					
2000 Wastewater Revenue	\$ 2,860,000	\$ -	\$ (130,000)	\$ 2,730,000	\$ 135,000
DOE Loan	3,261	-	(3,052)	209	209
2003 Wastewater Revenue Refunding	3,350,000	-	(180,000)	3,170,000	185,000
2004 Water Refunding	2,910,000	-	-	2,910,000	25,000
	<u>9,123,261</u>	<u>-</u>	<u>(313,052)</u>	<u>8,810,209</u>	<u>345,209</u>
Accrued vacation	219,237	15,502	-	234,739	26,289
	<u>\$ 9,342,498</u>	<u>\$ 15,502</u>	<u>\$ (313,052)</u>	<u>\$ 9,044,948</u>	<u>\$ 371,498</u>

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

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**LONG-TERM OBLIGATIONS (Continued)**

The future maturities of obligations outstanding as of June 30, 2006:

*Governmental Activities*

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 801,783	\$ 646,485	\$ 1,448,268
2008	855,272	607,452	1,462,724
2009	887,288	565,891	1,453,179
2010	948,468	522,130	1,470,598
2011	537,144	489,661	1,026,805
2011-2015	3,132,716	2,067,676	5,200,392
2016-2020	2,936,440	1,224,296	4,160,736
2021-2025	1,045,000	381,935	1,426,935
2026-2028	445,000	40,757	485,757
	<b>\$ 11,589,111</b>	<b>\$ 6,546,283</b>	<b>\$ 18,135,394</b>

*Business-type Activities*

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 345,209	\$ 357,241	\$ 702,450
2008	485,000	344,846	829,846
2009	495,000	330,189	825,189
2010	520,000	313,808	833,808
2006	540,000	295,464	835,464
2011-2015	3,010,000	1,146,327	4,156,327
2016-2020	3,170,000	422,883	3,592,883
2021-2023	245,000	5,145	250,145
	<b>\$ 8,810,209</b>	<b>\$ 3,215,903</b>	<b>\$ 12,026,112</b>



**PENSION PLANS**

*Plan Description*

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

*Funding Policy*

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

In addition to the 6% "pick-up," the City contributed 8.42% of covered payroll to OPERS from July 2001 through March 2002. This contribution rate was determined as part of the December 31, 1999 actuarial evaluation. On March 15, 2002, the City issued pension bonds to finance an estimated unfunded actuarial liability of \$2,027,147. As a result, the Retirement Board reduced the City's contribution rate to 5.6% of covered payroll beginning April 2003. The City estimated that it will save \$169,831 in interest costs over the next 26 years from this transaction. The City's rate at July 1, 2003 was 8.52%. The City's payroll for employees covered by PERS for the year ended June 30, 2006 was \$4,213,963, the City's total payroll was \$4,563,054.

*Annual Pension Cost*

For fiscal 2005-06, the City's annual pension cost of \$943,385 for PERS was equal to the City's required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. Because all PERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are the equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8.5% per year; (b) projected annual salary increases for inflation and merit of 4.25% per year; (c) projected automatic post-retirement benefit increases of 2.0% per year; and (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of PERS. The unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty year period on an open basis.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

**PENSION PLANS (Continued)**

*Annual Pension Cost (Continued)*

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

<u>June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 590,840	100%	\$ -
2005	595,447	100	-
2006	943,385	100	-

**TRANSFERS**

<u>Transfers In:</u>	<u>Transfers Out:</u>					<u>Total</u>
	<u>General</u>	<u>Inter- governmental</u>	<u>Water</u>	<u>Wastewater</u>	<u>All Other</u>	
General	\$ -	\$ 2,216	\$ -	\$ -	\$ -	\$ 2,216
Intergovernmental	177,499	-	653,856	807,651	173,246	1,812,252
Debt Service	11,614	7,933	3,258	3,258	-	26,063
Capital Projects	110,460	141,506	29,270	-	15,910	297,146
Water	-	-	-	27,271	59,240	86,511
Water CIP	-	-	237,288	-	-	237,288
Small Water Line	-	-	427,769	-	-	427,769
Wastewater	-	-	13,512	-	381,066	394,578
Wastewater CIP	-	-	-	545,381	-	545,381
	<u>\$ 299,573</u>	<u>\$ 151,655</u>	<u>\$ 1,364,953</u>	<u>\$ 1,383,561</u>	<u>\$ 629,462</u>	<u>\$ 3,829,204</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.

**CITY OF LEBANON, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

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**RECONCILIATION OF BUDGETARY TO GAAP BASIS**

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

	<u>General</u>	<u>Inter- governmental</u>
Budgetary revenues	\$ 4,768,266	\$ 2,159,492
<i>Per GAAP Basis</i>	<u>\$ 4,768,266</u>	<u>\$ 2,159,492</u>
Budgetary expenditures	\$ 4,514,522	\$ 3,766,244
Change in accrued compensated absences	(72,617)	(20,329)
Per GAAP Basis	<u>\$ 4,441,905</u>	<u>\$ 3,745,915</u>

**INSURANCE RESERVES**

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

**CONTINGENCIES**

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

***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**JUNE 30, 2006**

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

<b><i>Actuarial Valuation Ending December 31</i></b>	<b><i>Actuarial Value of Assets</i></b>	<b><i>Actuarial Accrued Liability</i></b>	<b><i>Assets in Excess of Actuarial Liability (UAL)</i></b>	<b><i>Funded Percent</i></b>	<b><i>Covered Payroll</i></b>	<b><i>UAL as a Percentage of Covered Payroll</i></b>
1999	23,768,901	23,678,316	90,585	100	3,267,506	3
2001	23,241,602	21,993,059	1,248,543	106	4,082,775	31
2003	24,368,493	26,684,447	(2,315,954)	91	4,020,536	( 58)

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 2,686,000	\$ 2,686,000	\$ 2,665,275	\$ 2,665,275
Licenses and permits	1,305,491	1,305,491	1,378,439	1,378,439
Charges for services	20,700	20,700	28,077	28,077
Intergovernmental	269,416	269,416	283,645	283,645
Fines and forfeitures	221,500	221,500	234,116	234,116
Miscellaneous	120,400	120,400	178,714	178,714
<i>Total Revenues</i>	<u>4,623,507</u>	<u>4,623,507</u>	<u>4,768,266</u>	<u>4,768,266</u>
<b>EXPENDITURES</b>				
Administration	92,264	92,264	67,241	(5,376)
City attorney	44,095	44,095	32,900	32,900
Planning	72,718	72,718	65,329	65,329
Public works	9,194	9,194	7,439	7,439
Parks	461,426	461,426	389,829	389,829
Finance	72,698	72,698	71,887	71,887
Legislative	25,615	25,615	25,580	25,580
Library	279,396	279,396	260,531	260,531
Municipal court	251,874	251,874	251,861	251,861
Police	3,053,893	3,053,893	3,009,539	3,009,539
Senior services	116,859	116,859	113,368	113,368
Nondepartmental	472,969	472,969	219,018	219,018
<i>Total Expenditures</i>	<u>4,953,001</u>	<u>4,953,001</u>	<u>4,514,522</u>	<u>4,441,905</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(329,494)	(329,494)	253,744	326,361
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	360,000	360,000	-	-
Transfers in	4,000	4,000	2,216	2,216
Transfers out	(307,506)	(307,506)	(299,573)	(299,573)
<i>Total Other Financing Sources (Uses)</i>	<u>56,494</u>	<u>56,494</u>	<u>(297,357)</u>	<u>(297,357)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(273,000)	(273,000)	(43,613)	29,004
<b>FUND BALANCE, Beginning of year</b>	<u>273,000</u>	<u>273,000</u>	<u>428,513</u>	<u>310,462</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 384,900</u>	<u>\$ 339,466</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 42,500	\$ 42,500	\$ 22,863	\$ 22,863
Licenses and permits	596,050	596,050	698,753	698,753
Charges for services	27,408	27,408	15,200	15,200
Intergovernmental	1,507,496	1,507,496	1,162,978	1,162,978
Fines and forfeitures	120,000	120,000	97,538	97,538
Miscellaneous	266,476	266,476	162,160	162,160
<i>Total Revenues</i>	<u>2,559,930</u>	<u>2,559,930</u>	<u>2,159,492</u>	<u>2,159,492</u>
<b>EXPENDITURES</b>				
City Hall repairs	20,100	20,100	8,215	8,215
Motel tax	53,000	53,000	28,814	28,814
Santiam travel station	3,197	3,197	3,197	3,197
Building inspections	753,258	753,258	403,873	403,687
Park enterprise	89,376	89,376	17,431	17,421
Park grants	343,664	343,664	186,943	186,943
Operation and environment	1,521,097	1,521,097	1,331,016	1,333,266
GIS	250,398	250,398	219,425	219,018
Information system	380,839	380,839	367,589	370,023
Sidewalk and bikepath	56,190	56,190	6,118	6,118
Engineering development	168,483	168,483	144,917	139,981
Streets	651,377	651,377	564,811	548,959
Storm drains	58,800	58,800	47,509	42,554
911 communications	60,000	60,000	-	-
School resource officer	82,104	82,104	76,151	77,489
Dial-A-Bus	156,296	156,296	127,355	130,353
STP street project	85,959	85,959	132	(243)
Downtown beautification project	10,738	10,738	75	(260)
Parking enforcement	-	-	-	(433)
Homeland security & terrorism grant	267,000	267,000	91,829	91,829
1983-84 rehabilitation	73,083	73,083	169	169
85-86 housing rehabilitation unres.	100	100	-	-
Gills Landing	8,641	8,641	7,026	7,021
93 housing rehabilitation grant	26,000	26,000	-	-
1996 housing rehabilitation grant	26,000	26,000	2,612	2,612
1998 housing rehabilitation grant	26,000	26,000	3,214	3,214
Support services	4,400	4,400	4,147	4,147
Traffic team	193,690	193,690	95,181	93,326
Senior Center OCDBG	50,000	50,000	28,495	28,495
<i>Total Expenditures</i>	<u>5,419,790</u>	<u>5,419,790</u>	<u>3,766,244</u>	<u>3,745,915</u>

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (2,859,860)	\$ (2,859,860)	\$ (1,606,752)	\$ (1,586,423)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,110,363	2,110,363	1,812,252	1,812,252
Transfers out	(460,938)	(460,938)	(151,655)	(151,655)
<i>Total Other Financing Sources (Uses)</i>	<u>1,649,425</u>	<u>1,649,425</u>	<u>1,660,597</u>	<u>1,660,597</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,210,435)	(1,210,435)	53,845	74,174
<b>FUND BALANCE, Beginning of year</b>	<u>1,210,435</u>	<u>1,210,435</u>	<u>1,316,609</u>	<u>1,265,828</u>
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,370,454</u>	<u>\$ 1,340,002</u>



***OTHER SUPPLEMENTARY INFORMATION***

**CITY OF LEBANON, OREGON**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	<b><i>Urban Renewal</i></b>	<b><i>NW Urban Renewal</i></b>	<b><i>Cheadle Lake Urban Renewal</i></b>
<b>ASSETS</b>			
Cash and investments	\$ 535,208	\$ 1,768,552	\$ 107,329
Accounts receivable	5,099	1,313,037	1,157
Property taxes receivable	30,076	81,818	6,328
Special assessments/loans	12,831	5,697	-
Prepaid expenses	-	-	-
<i>Total Assets</i>	<u>\$ 583,214</u>	<u>\$ 3,169,104</u>	<u>\$ 114,814</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 289	\$ 502,541	\$ 312
Payroll taxes payable	-	-	-
Compensated absences payable	304	10,796	870
Deferred revenues	42,907	87,515	6,328
<i>Total Liabilities</i>	43,500	600,852	7,510
<b>Fund Balances</b>			
Unreserved, reported in:			
Special revenue funds	539,714	2,568,252	107,304
Debt services funds	-	-	-
<i>Total Fund Balances</i>	<u>539,714</u>	<u>2,568,252</u>	<u>107,304</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 583,214</u>	<u>\$ 3,169,104</u>	<u>\$ 114,814</u>

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<i><b>Recorder</b></i>	<i><b>Bail Refund</b></i>	<i><b>Debt Service</b></i>	<i><b>Bancroft Bond</b></i>	<i><b>Totals</b></i>
\$ 253,425	\$ 10,388	\$ 770,978	\$ 22,949	\$ 3,468,829
4,202	-	5,931	-	1,329,426
-	-	35,147	-	153,369
-	-	-	1,675	20,203
-	-	-	1,833	1,833
<u>\$ 257,627</u>	<u>\$ 10,388</u>	<u>\$ 812,056</u>	<u>\$ 26,457</u>	<u>\$ 4,973,660</u>
\$ 36,570	\$ 10,388	\$ -	\$ -	\$ 550,100
106,746	-	-	-	106,746
-	-	-	-	11,970
-	-	35,147	3,508	175,405
143,316	10,388	35,147	3,508	844,221
114,311	-	-	-	3,329,581
-	-	776,909	22,949	799,858
114,311	-	776,909	22,949	4,129,439
<u>\$ 257,627</u>	<u>\$ 10,388</u>	<u>\$ 812,056</u>	<u>\$ 26,457</u>	<u>\$ 4,973,660</u>

**CITY OF LEBANON, OREGON****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006**

	<u><i>Urban Renewal</i></u>	<u><i>NW Urban Renewal</i></u>	<u><i>Cheadle Lake Urban Renewal</i></u>
<b>REVENUES</b>			
Taxes and assessments	\$ 410,585	\$ 1,302,760	\$ 96,743
Intergovernmental	-	4,020,758	-
Fines and forfeitures	-	-	-
Miscellaneous	19,910	170,842	3,242
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	430,495	5,494,360	99,985
<b>EXPENDITURES</b>			
Current operating:			
General government	-	-	-
Community services and development	16,534	598,043	63,997
Public safety	-	-	-
Capital outlay	1,000	2,315,920	9,801
Debt service	358,991	463,113	-
	<hr/>	<hr/>	<hr/>
<i>Total Expenditures</i>	376,525	3,377,076	73,798
	<hr/>	<hr/>	<hr/>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	53,970	2,117,284	26,187
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	(12,298)	(83,235)	(13,258)
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(12,298)	(83,235)	(13,258)
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCES</b>	41,672	2,034,049	12,929
<b>FUND BALANCES, Beginning of year</b>	498,042	534,203	94,375
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES, End of year</b>	\$ 539,714	\$ 2,568,252	\$ 107,304
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Recorder</i>	<i>Bail Refund</i>	<i>Debt Service</i>	<i>Bancroft Bond</i>	<i>Totals</i>
\$ -	\$ -	\$ 473,312	\$ -	\$ 2,283,400
-	-	113,818	-	4,134,576
-	101,783	-	-	101,783
129,878	1,250	22,234	681	348,037
129,878	103,033	609,364	681	6,867,796
38,902	-	-	-	38,902
-	-	-	-	678,574
-	103,033	-	-	103,033
-	-	-	-	2,326,721
-	-	602,735	-	1,424,839
38,902	103,033	602,735	-	4,572,069
90,976	-	6,629	681	2,295,727
-	-	26,063	-	26,063
-	-	-	(83)	(108,874)
-	-	26,063	(83)	(82,811)
90,976	-	32,692	598	2,212,916
23,335	-	744,217	22,351	1,916,523
\$ 114,311	\$ -	\$ 776,909	\$ 22,949	\$ 4,129,439

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - URBAN RENEWAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 405,580	\$ 405,580	\$ 410,585	\$ 410,585
Miscellaneous	10,700	10,700	19,910	19,910
<i>Total Revenues</i>	416,280	416,280	430,495	430,495
<b>EXPENDITURES</b>				
Urban renewal	24,202	24,202	21,157	17,534
Urban renewal debt service	359,050	359,050	358,991	358,991
Contingency	366,155	366,155	-	-
<i>Total Expenditures</i>	749,407	749,407	380,148	376,525
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(333,127)	(333,127)	50,347	53,970
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(12,298)	(12,298)	(12,298)	(12,298)
<b>NET CHANGE IN FUND BALANCE</b>	(345,425)	(345,425)	38,049	41,672
<b>FUND BALANCE, Beginning of year</b>	411,097	411,097	501,969	498,042
<b>FUND BALANCE, End of year</b>	\$ 65,672	\$ 65,672	\$ 540,018	\$ 539,714

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - NW URBAN RENEWAL FUND**  
**YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 854,602	\$ 854,602	\$ 1,302,760	\$ 1,302,760
Intergovernmental	7,380,500	7,380,500	4,020,758	4,020,758
Miscellaneous	245,000	245,000	170,842	170,842
<i>Total Revenues</i>	8,480,102	8,480,102	5,494,360	5,494,360
<b>EXPENDITURES</b>				
Personal services	438,049	438,049	432,588	433,203
Materials and services	1,218,320	1,218,320	164,840	164,840
Capital outlay	6,220,024	6,220,024	2,315,920	2,315,920
Debt service	463,150	463,150	463,113	463,113
Contingency	528,431	528,431	-	-
<i>Total Expenditures</i>	8,867,974	8,867,974	3,376,461	3,377,076
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(387,872)	(387,872)	2,117,899	2,117,284
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(83,235)	(83,235)	(83,235)	(83,235)
<b>NET CHANGE IN FUND BALANCE</b>	(471,107)	(471,107)	2,034,664	2,034,049
<b>FUND BALANCE, Beginning of year</b>	471,107	471,107	544,384	534,203
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 2,579,048	\$ 2,568,252

**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, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 102,440	\$ 102,440	\$ 96,743	\$ 96,743
Miscellaneous	-	-	3,242	3,242
<i>Total Revenues</i>	102,440	102,440	99,985	99,985
<b>EXPENDITURES</b>				
Personal services	66,452	66,452	62,564	59,286
Materials and services	11,363	11,363	4,711	4,711
Capital outlay	62,024	62,024	9,801	9,801
Debt service	102,440	102,440	-	-
Contingency	36,243	36,243	-	-
<i>Total Expenditures</i>	278,522	278,522	77,076	73,798
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(176,082)	(176,082)	22,909	26,187
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	99,340	99,340	-	-
Transfers out	(13,258)	(13,258)	(13,258)	(13,258)
<i>Total Other Financing Sources (Uses)</i>	86,082	86,082	(13,258)	(13,258)
<b>NET CHANGE IN FUND BALANCE</b>	(90,000)	(90,000)	9,651	12,929
<b>FUND BALANCE, Beginning of year</b>	90,000	90,000	98,523	94,375
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 108,174	\$ 107,304



**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 457,511	\$ 457,511	\$ 473,312	\$ 473,312
Intergovernmental	127,831	127,831	113,818	113,818
Miscellaneous	10,000	10,000	22,234	22,234
<i>Total Revenues</i>	595,342	595,342	609,364	609,364
<b>EXPENDITURES</b>				
Debt service	602,923	602,923	602,735	602,735
Contingency	363,115	363,115	-	-
<i>Total Expenditures</i>	966,038	966,038	602,735	602,735
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(370,696)	(370,696)	6,629	6,629
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	45,610	45,610	26,063	26,063
<b>NET CHANGE IN FUND BALANCE</b>	(325,086)	(325,086)	32,692	32,692
<b>FUND BALANCE, Beginning of year</b>	760,900	760,900	744,217	744,217
<b>FUND BALANCE, End of year</b>	\$ 435,814	\$ 435,814	\$ 776,909	\$ 776,909

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BANCROFT BOND FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes and assessments	\$ 1,710	\$ 1,710	\$ -	\$ -
Miscellaneous	1,000	1,000	681	681
<i>Total Revenues</i>	2,710	2,710	681	681
<b>EXPENDITURES</b>				
Materials and services	22,400	22,400	-	-
<b>REVENUES OVER (UNDER) EXPENDITURES</b>				
	(19,690)	(19,690)	681	681
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,430)	(2,430)	(83)	(83)
<b>NET CHANGE IN FUND BALANCE</b>				
	(22,120)	(22,120)	598	598
<b>FUND BALANCE, Beginning of year</b>				
	22,120	22,120	22,351	22,351
<b>FUND BALANCE, End of year</b>				
	\$ -	\$ -	\$ 22,949	\$ 22,949

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - RECORDER FUND**  
**YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 129,878	\$ 129,878
<b>EXPENDITURES</b>				
Materials and services	-	-	38,902	38,902
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	-	-	90,976	90,976
<b>FUND BALANCE, Beginning of year</b>	-	-	23,335	23,335
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 114,311	\$ 114,311

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BAIL REFUND FUND**  
**YEAR ENDED JUNE 30, 2006**

	<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>				
Fines and forfeitures	\$ 151,000	\$ 151,000	\$ 101,783	\$ 101,783
Miscellaneous	9,000	9,000	1,250	1,250
<i>Total Revenues</i>	160,000	160,000	103,033	103,033
<b>EXPENDITURES</b>				
Materials and services	160,000	160,000	103,033	103,033
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>				
	-	-	-	-
<b>FUND BALANCE, Beginning of year</b>	-	-	-	-
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS**  
**YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Taxes and assessments	\$ 474,800	\$ 474,800	\$ 496,663	\$ 496,663
Intergovernmental	11,944	11,944	-	-
Miscellaneous	597,040	597,040	500,051	500,051
<i>Total Revenues</i>	1,083,784	1,083,784	996,714	996,714
<b>EXPENDITURES</b>				
Equipment acquisition	1,538,127	1,538,127	231,169	231,169
Historic resources	105	105	-	-
Grant street bridge	6,959,352	6,959,352	1,249,006	1,250,800
Pioneer Cemetery	400	400	62	62
Local law enforce block grant	10,000	10,000	2,768	2,768
Police	8,000	8,000	4,033	4,033
Library	106,644	106,644	13,770	13,770
Library building	56,320	56,320	2,003	2,003
Senior center building	56,000	56,000	-	-
Senior services	20,180	20,180	3,632	3,632
Snedaker trust	4,000	4,000	418	418
Streets	7,562	7,562	7,774	7,774
Streets capital projects	681,710	681,710	10,231	8,574
Infrastructure deferral	271,000	271,000	-	-
SDC drainage improvement	129,781	129,781	22,321	20,368
SDC park improvement	217,331	217,331	119,853	117,966
SDC wastewater improvement	126,655	126,655	21,507	19,618
SDC wastewater reimbursement	21,800	21,800	-	-
SDC streets improvement	557,777	557,777	46,670	42,797
SDC water improvement	395,133	395,133	57,990	56,438
SDC water reimbursement	19,925	19,925	-	-
<i>Total Expenditures</i>	11,187,802	11,187,802	1,793,207	1,782,190

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (10,104,018)	\$ (10,104,018)	\$ (796,493)	\$ (785,476)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	430,627	430,627	297,146	297,146
Transfers out	(25,599)	(25,599)	(23,139)	(23,139)
<i>Total Other Financing Sources (Uses)</i>	<u>405,028</u>	<u>405,028</u>	<u>274,007</u>	<u>274,007</u>
<b>NET CHANGE IN FUND BALANCE</b>	(9,698,990)	(9,698,990)	(522,486)	(511,469)
<b>FUND BALANCE, Beginning of year</b>	<u>9,698,990</u>	<u>9,698,990</u>	<u>10,287,817</u>	<u>10,270,936</u>
<b>FUND BALANCE, End of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,765,331</u></u>	<u><u>\$ 9,759,467</u></u>

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

JUNE 30, 2006

	<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	\$ 524,078	\$ 676,973	\$ 82,210
Accounts receivable	367,448	-	-
Property taxes receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Current Assets</i>	891,526	676,973	82,210
<b>Noncurrent assets</b>			
Capital assets, net	4,270,063	915,691	54,987
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	5,161,589	1,592,664	137,197
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	17,093	-	4,360
Deposits	79,725	-	-
Loan payable - current portion	-	-	-
Bonds payable - current portion	-	25,000	-
	<hr/>	<hr/>	<hr/>
<i>Total Current Liabilities</i>	96,818	25,000	4,360
<b>Noncurrent liabilities</b>			
Bonds payable	-	2,885,000	-
Bonds discount	-	(75,240)	-
Compensated absences payable	113,624	-	15,304
Reserved for claims	72,527	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Noncurrent Liabilities</i>	186,151	2,809,760	15,304
<b>NET ASSETS</b>			
Investment in capital assets (net of related debt)	4,270,063	(1,919,069)	54,987
Unrestricted	608,557	676,973	62,546
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 4,878,620</u>	<u>\$ (1,242,096)</u>	<u>\$ 117,533</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ 36,467	\$ 687,010	\$ 1,757,172	\$ 108	\$ 3,764,018
-	276,679	-	-	644,127
-	766	-	-	766
36,467	964,455	1,757,172	108	4,408,911
-	16,284,237	1,512,330	-	23,037,308
36,467	17,248,692	3,269,502	108	27,446,219
332	8,124	11,152	-	41,061
-	-	-	-	79,725
-	209	-	-	209
-	-	320,000	-	345,000
332	8,333	331,152	-	465,995
-	-	5,580,000	-	8,465,000
-	-	(158,607)	-	(233,847)
-	100,591	5,220	-	234,739
-	54,818	-	-	127,345
-	155,409	5,426,613	-	8,593,237
-	16,284,028	(4,229,063)	-	14,460,946
36,135	800,922	1,740,800	108	3,926,041
\$ 36,135	\$ 17,084,950	\$ (2,488,263)	\$ 108	\$ 18,386,987



**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**ALL PROPRIETARY FUND DEPARTMENTS**  
**YEAR ENDED JUNE 30, 2006**

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,269,309	\$ -	\$ -
Miscellaneous	110,734	-	-
<i>Total Operating Revenues</i>	2,380,043	-	-
<b>OPERATING EXPENSES</b>			
Personnel services	834,884	-	255,345
Materials and services	528,196	5,016	162,714
Capital outlay/depreciation	183,028	-	20,331
<i>Total Operating Expenses</i>	1,546,108	5,016	438,390
<b>OPERATING INCOME (LOSS)</b>	833,935	(5,016)	(438,390)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers in	86,511	237,288	427,769
Transfers out	(1,364,953)	-	(24,035)
Interest income	18,685	18,266	3,133
Interest expense	-	(99,369)	-
<i>Total Nonoperating Revenue (Expenses)</i>	(1,259,757)	156,185	406,867
<b>CHANGE IN NET ASSETS</b>	(425,822)	151,169	(31,523)
<b>NET ASSETS, Beginning of year</b>	5,304,442	(1,393,265)	149,056
<b>NET ASSETS, End of year</b>	<u>\$ 4,878,620</u>	<u>\$ (1,242,096)</u>	<u>\$ 117,533</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ 2,365,752	\$ -	\$ -	\$ 4,635,061
-	561,961	153,900	104	826,699
-	2,927,713	153,900	104	5,461,760
-	481,053	-	-	1,571,282
-	425,619	11,330	528	1,133,403
-	448,697	-	-	652,056
-	1,355,369	11,330	528	3,356,741
-	1,572,344	142,570	(424)	2,105,019
-	394,578	545,381	-	1,691,527
-	(1,383,561)	-	-	(2,772,549)
2,363	15,354	53,458	6	111,265
-	(165)	(268,147)	-	(367,681)
2,363	(973,794)	330,692	6	(1,337,438)
2,363	598,550	473,262	(418)	767,581
33,772	16,486,400	(2,961,525)	526	17,619,406
<u>\$ 36,135</u>	<u>\$ 17,084,950</u>	<u>\$ (2,488,263)</u>	<u>\$ 108</u>	<u>\$ 18,386,987</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -**  
**BUDGET AND ACTUAL - WATER DEPARTMENT**  
**YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 2,340,000	\$ 2,340,000	\$ 2,269,309	\$ 2,269,309
Miscellaneous	131,000	131,000	129,419	129,419
<i>Total Revenues</i>	<u>2,471,000</u>	<u>2,471,000</u>	<u>2,398,728</u>	<u>2,398,728</u>
<b>EXPENSES</b>				
Personal services	852,788	852,788	834,884	834,884
Materials and services	604,783	604,783	528,196	528,196
Capital outlay/depreciation	127,694	127,694	183,028	183,028
Contingency	120,782	120,782	-	-
<i>Total Expenses</i>	<u>1,706,047</u>	<u>1,706,047</u>	<u>1,546,108</u>	<u>1,546,108</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	764,953	764,953	852,620	852,620
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	86,511	86,511
Transfers out	(1,364,953)	(1,364,953)	(1,364,953)	(1,364,953)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,364,953)</u>	<u>(1,364,953)</u>	<u>(1,278,442)</u>	<u>(1,278,442)</u>
<b>NET CHANGE IN NET ASSETS</b>	(600,000)	(600,000)	(425,822)	(425,822)
<b>NET ASSETS, Beginning of year</b>	<u>600,000</u>	<u>600,000</u>	<u>763,589</u>	<u>5,304,442</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,767</u>	<u>\$ 4,878,620</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - WATER CAPITAL IMPROVEMENT DEPARTMENT  
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 10,200	\$ 10,200	\$ 18,266	\$ 18,266
<b>EXPENSES</b>				
Materials and services	-	-	5,016	5,016
Capital outlay/depreciation	715,000	715,000	-	-
Debt service	101,600	101,600	99,369	99,369
<i>Total Expenses</i>	<u>816,600</u>	<u>816,600</u>	<u>104,385</u>	<u>104,385</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(806,400)	(806,400)	(86,119)	(86,119)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	250,800	250,800	237,288	237,288
Transfers out	(15,000)	(15,000)	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>235,800</u>	<u>235,800</u>	<u>237,288</u>	<u>237,288</u>
<b>NET CHANGE IN NET ASSETS</b>	(570,600)	(570,600)	151,169	151,169
<b>NET ASSETS, Beginning of year</b>	<u>570,600</u>	<u>570,600</u>	<u>587,702</u>	<u>(1,393,265)</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,871</u>	<u>\$ (1,242,096)</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - SMALL WATER LINE DEPARTMENT  
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 2,000	\$ 2,000	\$ 3,133	\$ 3,133
<b>EXPENSES</b>				
Personal services	281,891	281,891	255,345	255,345
Materials and services	163,249	163,249	162,714	162,714
Capital outlay/depreciation	10,795	10,795	20,331	20,331
Contingency	799	799	-	-
<i>Total Expenses</i>	<u>456,734</u>	<u>456,734</u>	<u>438,390</u>	<u>438,390</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(454,734)	(454,734)	(435,257)	(435,257)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	427,769	427,769	427,769	427,769
Transfers out	(24,035)	(24,035)	(24,035)	(24,035)
<i>Total Other Financing Sources (Uses)</i>	<u>403,734</u>	<u>403,734</u>	<u>403,734</u>	<u>403,734</u>
<b>NET CHANGE IN NET ASSETS</b>	(51,000)	(51,000)	(31,523)	(31,523)
<b>NET ASSETS, Beginning of year</b>	<u>51,000</u>	<u>51,000</u>	<u>84,020</u>	<u>149,056</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,497</u>	<u>\$ 117,533</u>

**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - STORM DRAIN UTILITY DEPARTMENT  
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 700	\$ 700	\$ 2,363	\$ 2,363
<b>EXPENSES</b>				
Materials and services	32,200	32,200	-	-
Capital outlay/depreciation	5,000	5,000	-	-
<i>Total Expenses</i>	<u>37,200</u>	<u>37,200</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	(36,500)	(36,500)	2,363	2,363
<b>NET ASSETS, Beginning of year</b>	<u>36,500</u>	<u>36,500</u>	<u>36,724</u>	<u>33,772</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,087</u>	<u>\$ 36,135</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -**  
**BUDGET AND ACTUAL - WASTEWATER DEPARTMENT**  
**YEAR ENDED JUNE 30, 2006**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
Charges for services	\$ 2,402,000	\$ 2,402,000	\$ 2,365,752	\$ 2,365,752
Miscellaneous	701,750	701,750	577,315	577,315
<i>Total Revenues</i>	<u>3,103,750</u>	<u>3,103,750</u>	<u>2,943,067</u>	<u>2,943,067</u>
<b>EXPENSES</b>				
Personal services	511,988	511,988	481,053	481,053
Materials and services	472,909	472,909	425,619	425,619
Capital outlay/depreciation	12,814	12,814	448,697	448,697
Debt service	5,716	5,716	165	165
Contingency	654,862	654,862	-	-
<i>Total Expenses</i>	<u>1,658,289</u>	<u>1,658,289</u>	<u>1,355,534</u>	<u>1,355,534</u>
<b>REVENUES OVER (UNDER) EXPENSES</b>	1,445,461	1,445,461	1,587,533	1,587,533
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	394,578	394,578
Transfers out	(1,514,461)	(1,514,461)	(1,383,561)	(1,383,561)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,514,461)</u>	<u>(1,514,461)</u>	<u>(988,983)</u>	<u>(988,983)</u>
<b>NET CHANGE IN NET ASSETS</b>	(69,000)	(69,000)	598,550	598,550
<b>NET ASSETS, Beginning of year</b>	<u>69,000</u>	<u>69,000</u>	<u>(11,999)</u>	<u>16,486,400</u>
<b>NET ASSETS, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,551</u>	<u>\$ 17,084,950</u>

**CITY OF LEBANON, OREGON****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -  
BUDGET AND ACTUAL - WASTEWATER CAPITAL IMPROVEMENT DEPARTMENT  
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 500,000	\$ 500,000	\$ -	\$ -
Miscellaneous	312,000	312,000	207,358	207,358
<i>Total Revenues</i>	812,000	812,000	207,358	207,358
<b>EXPENSES</b>				
Personal services	64,952	64,952	-	-
Materials and services	250,108	250,108	11,330	11,330
Capital outlay/depreciation	7,958,257	7,958,257	-	-
Debt service	1,218,150	1,218,150	268,147	268,147
Contingency	13,575	13,575	-	-
<i>Total Expenses</i>	9,505,042	9,505,042	279,477	279,477
<b>REVENUES OVER (UNDER) EXPENSES</b>	(8,693,042)	(8,693,042)	(72,119)	(72,119)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	572,652	572,652	545,381	545,381
Transfers out	(18,108)	(18,108)	-	-
Loan proceeds	6,400,000	6,400,000	-	-
<i>Total Other Financing Sources (Uses)</i>	6,954,544	6,954,544	545,381	545,381
<b>NET CHANGE IN NET ASSETS</b>	(1,738,498)	(1,738,498)	473,262	473,262
<b>NET ASSETS, Beginning of year</b>	1,738,498	1,738,498	1,834,620	(2,961,525)
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 2,307,882	\$ (2,488,263)



**CITY OF LEBANON, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -**

**BUDGET AND ACTUAL - RAILROAD DEPARTMENT**

**YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 10	\$ 10	\$ 110	\$ 110
<b>EXPENSES</b>				
Materials and services	571	571	528	528
<b>REVENUES OVER (UNDER) EXPENSES</b>	(561)	(561)	(418)	(418)
<b>NET ASSETS, Beginning of year</b>	561	561	526	526
<b>NET ASSETS, End of year</b>	\$ -	\$ -	\$ 108	\$ 108

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2006**

<b><i>Tax Year</i></b>	<b><i>2005-2006 Levy</i></b>	<b><i>Uncollected Balance July 1, 2005</i></b>	<b><i>Added To Rolls</i></b>	<b><i>Discounts &amp; Adjustments</i></b>	<b><i>Turnovers</i></b>	<b><i>Uncollected Balance June 30, 2006</i></b>
2005-2006	\$ 5,050,155	\$ -	\$ 7,325	\$ 135,401	\$ 4,731,866	\$ 190,213
2004-2005	-	200,728	36	20,330	97,026	83,408
2003-2004	-	88,491	32	5,788	38,542	44,193
2002-2003	-	51,313	31	726	30,572	20,046
2001-2002	-	20,172	23	583	15,402	4,210
2000-2001	-	3,756	-	405	1,340	2,011
1999-2000	-	1,760	-	155	694	911
Prior Years	-	4,460	-	26	632	3,802
<b>Total</b>	<b>\$ 5,050,155</b>	<b>\$ 370,680</b>	<b>\$ 7,447</b>	<b>\$ 163,414</b>	<b>\$ 4,916,074</b>	<b>\$ 348,794</b>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2006**

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
<b>PRINCIPAL TRANSACTIONS</b>			
Governmental Activities			
1994 GO Urban Renewal	3.0-6.0%	1994	2013-14
1995 GO Refunding	3.75-5.35%	1995	2009-10
1999 GO Urban Renewal	4.5-5.625%	1999	2018-19
2000 GO Urban Renewal	4.75-6.0%	2000	2019-20
2002 GO Pension Pool	2.0-7.3605	2002	2027-28
Key Bank Note	5.95%	1998	2007-08
Business-type Activities			
DOE Loan	8.5%	1987	2007-08
2000 Wastewater Revenue	4.7-5.7%	2000	2019-20
2003 Wastewater Revenue Refunding	2.0-4.125%	2003	2019-20
2004 Water Refunding	2.0-4.2%	2004	2020-21
			<b>Unmatured Interest Outstanding July 1, 2005</b>
<b>BOND INTEREST TRANSACTIONS</b>			
Governmental Activities			
1994 GO Urban Renewal	3.0-6.0%	1994	\$ 196,205
1995 GO Refunding	3.75-5.35%	1995	274,836
1999 GO Urban Renewal	4.5-5.625%	1999	1,535,831
2000 GO Urban Renewal	4.75-6.0%	2000	2,416,368
2002 GO Pension Pool	2.0-7.3605	2002	2,797,138
Key Bank Note	5.95%	1998	6,873
Business-type Activities			
DOE Loan	8.5%	1987	241
2000 Wastewater Revenue	4.7-5.7%	2000	1,426,117
2003 Wastewater Revenue Refunding	2.0-4.125%	2003	1,062,430
2004 Water Refunding	2.0-4.2%	2004	1,094,795
			\$ 10,810,834

<i>Outstanding July 1, 2005</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2006</i>
\$ 625,000	\$ -	\$ 55,000	\$ 570,000
2,000,000	-	355,000	1,645,000
3,050,000	-	100,000	2,950,000
4,530,000	-	200,000	4,330,000
2,058,136	-	11,989	2,046,147
69,848	-	21,884	47,964
3,261	-	3,052	209
2,860,000	-	130,000	2,730,000
3,350,000	-	180,000	3,170,000
2,910,000	-	-	2,910,000
<u>\$ 21,456,245</u>	<u>\$ -</u>	<u>\$ 1,056,925</u>	<u>\$ 20,399,320</u>

<i>New Issues</i>	<i>Interest/ Coupons Paid</i>	<i>Unmatured Interest June 30, 2006</i>
\$ -	\$ 36,403	\$ 159,802
-	94,573	180,263
-	167,589	1,368,242
-	263,113	2,153,255
-	115,605	2,681,533
-	3,685	3,188
-	165	76
-	155,643	1,270,474
-	112,504	949,926
-	99,368	995,427
<u>\$ -</u>	<u>\$ 1,048,648</u>	<u>\$ 9,762,186</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS**  
**JUNE 30, 2006**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>1994 GO Urban Renewal</i>			<i>1995 GO Refunding</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 60,000	\$ 33,488	\$ 93,488	\$ 375,000	\$ 76,500	\$ 451,500
2008	60,000	29,963	89,963	400,000	56,625	456,625
2009	65,000	26,438	91,438	420,000	35,100	455,100
2010	70,000	22,619	92,619	450,000	12,038	462,038
2011	75,000	18,506	93,506	-	-	-
2012	75,000	14,100	89,100	-	-	-
2013	80,000	9,694	89,694	-	-	-
2014	85,000	4,994	89,994	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 570,000</u>	<u>\$ 159,802</u>	<u>\$ 729,802</u>	<u>\$ 1,645,000</u>	<u>\$ 180,263</u>	<u>\$ 1,825,263</u>

<i>1999 GO Urban Renewal</i>			<i>2000 GO Urban Renewal</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 115,000	\$ 162,689	\$ 277,689	\$ 210,000	\$ 252,313	\$ 462,313
130,000	156,939	286,939	220,000	240,762	460,762
145,000	150,309	295,309	235,000	228,552	463,552
160,000	142,769	302,769	245,000	215,392	460,392
175,000	133,969	308,969	260,000	201,550	461,550
195,000	124,344	319,344	275,000	186,600	461,600
215,000	113,619	328,619	290,000	170,787	460,787
240,000	101,794	341,794	310,000	154,112	464,112
260,000	88,593	348,593	325,000	136,287	461,287
285,000	73,969	358,969	345,000	117,600	462,600
315,000	57,937	372,937	370,000	96,900	466,900
340,000	40,218	380,218	390,000	74,700	464,700
375,000	21,093	396,093	415,000	51,300	466,300
-	-	-	440,000	26,400	466,400
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,950,000</u>	<u>\$ 1,368,242</u>	<u>\$ 4,318,242</u>	<u>\$ 4,330,000</u>	<u>\$ 2,153,255</u>	<u>\$ 6,483,255</u>

**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)**  
**JUNE 30, 2006**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2002 GO Pension Pool</i>			<i>Key Bank Note</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 18,551	\$ 119,230	\$ 137,781	\$ 23,232	\$ 2,265	\$ 25,497
2008	20,540	122,240	142,780	24,732	923	25,655
2009	22,288	125,492	147,780	-	-	-
2010	23,468	129,312	152,780	-	-	-
2011	27,144	135,636	162,780	-	-	-
2012	27,634	140,146	167,780	-	-	-
2013	30,292	147,487	177,779	-	-	-
2014	30,290	152,490	182,780	-	-	-
2015	31,704	161,076	192,780	-	-	-
2016	32,796	169,984	202,780	-	-	-
2017	33,687	179,093	212,780	-	-	-
2018	32,872	184,908	217,780	-	-	-
2019	33,233	194,547	227,780	-	-	-
2020	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	-	-	-
	<u>\$ 2,046,147</u>	<u>\$ 2,681,533</u>	<u>\$ 4,727,680</u>	<u>\$ 47,964</u>	<u>\$ 3,188</u>	<u>\$ 51,152</u>

<i>DOE Loan</i>			<i>2003 Wastewater Revenue Refunding</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 209	\$ 76	\$ 285	\$ 185,000	\$ 108,904	\$ 293,904
-	-	-	185,000	105,204	290,204
-	-	-	190,000	101,041	291,041
-	-	-	200,000	95,816	295,816
-	-	-	210,000	89,816	299,816
-	-	-	210,000	83,329	293,329
-	-	-	220,000	76,294	296,294
-	-	-	225,000	68,319	293,319
-	-	-	235,000	60,163	295,163
-	-	-	245,000	51,627	296,627
-	-	-	255,000	42,563	297,563
-	-	-	260,000	32,850	292,850
-	-	-	270,000	22,450	292,450
-	-	-	280,000	11,550	291,550
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 209</u>	<u>\$ 76</u>	<u>\$ 285</u>	<u>\$ 3,170,000</u>	<u>\$ 949,926</u>	<u>\$ 4,119,926</u>



**CITY OF LEBANON, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENT (Continued)**  
**JUNE 30, 2006**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2004 Water Refunding</i>			<i>2000 Wastewater Revenue</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2007	\$ 25,000	\$ 99,118	\$ 124,118	\$ 135,000	\$ 149,143	\$ 284,143
2008	155,000	97,317	252,317	145,000	142,325	287,325
2009	155,000	94,218	249,218	150,000	134,930	284,930
2010	160,000	90,787	250,787	160,000	127,205	287,205
2011	165,000	86,763	251,763	165,000	118,885	283,885
2012	165,000	82,266	247,266	175,000	110,223	285,223
2013	175,000	77,203	252,203	185,000	100,948	285,948
2014	180,000	71,565	251,565	195,000	91,050	286,050
2015	185,000	65,310	250,310	205,000	80,520	285,520
2016	195,000	58,470	253,470	215,000	69,040	284,040
2017	205,000	50,860	255,860	230,000	57,000	287,000
2018	210,000	42,560	252,560	245,000	43,890	288,890
2019	225,000	33,860	258,860	255,000	29,925	284,925
2020	230,000	24,760	254,760	270,000	15,390	285,390
2021	235,000	15,225	250,225	-	-	-
2022	245,000	5,145	250,145	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 2,910,000</u>	<u>\$ 995,427</u>	<u>\$ 3,905,427</u>	<u>\$ 2,730,000</u>	<u>\$ 1,270,474</u>	<u>\$ 4,000,474</u>

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<i>Totals</i>		
<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
\$ 1,146,992	\$ 1,003,726	\$ 2,150,718
1,340,272	952,298	2,292,570
1,382,288	896,080	2,278,368
1,468,468	835,938	2,304,406
1,077,144	785,125	1,862,269
1,122,634	741,008	1,863,642
1,195,292	696,032	1,891,324
1,265,290	644,324	1,909,614
1,241,704	591,949	1,833,653
1,317,796	540,690	1,858,486
1,408,687	484,353	1,893,040
1,477,872	419,126	1,896,998
1,573,233	353,175	1,926,408
1,271,648	264,232	1,535,880
375,000	126,293	501,293
405,000	106,623	511,623
185,000	90,518	275,518
205,000	77,845	282,845
235,000	63,802	298,802
260,000	48,292	308,292
295,000	30,482	325,482
150,000	10,275	160,275
<u>\$ 20,399,320</u>	<u>\$ 9,762,186</u>	<u>\$ 30,161,506</u>

***COMPLIANCE SECTION***

**CITY OF LEBANON, OREGON**

**COMMENTS OF THE INDEPENDENT AUDITOR REQUIRED BY STATE OF OREGON MINIMUM  
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS  
YEAR ENDED JUNE 30, 2006**

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**STATE OF OREGON COMPLIANCE SECTION**

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

*Significant Accounting Policies*

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

*Organization and Fund Structure*

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

*Internal Accounting Control*

We have audited the basic financial statements of the City of Lebanon as of and for the year ended June 30, 2006, and have issued our report thereon dated December 12, 2006. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the City taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

*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, 2006.

*Adequacy of Collateral Securing Depository Balances*

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2006.

**CITY OF LEBANON, OREGON**

**AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

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*Budget Compliance*

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the fiscal years ending June 30, 2006 and 2007, except no budget was adopted for the Recorder Fund. A description of the budgeting process is in the notes to the basic financial statements.

*Insurance and Fidelity Bonds*

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2006. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering City-owned property at June 30, 2006.

*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, 2006.

*Public Contracting and Purchasing*

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

*Schedule of Accountability of Independently Elected Officials*

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

*Use Of State Highway Funds*

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

*Programs Funded from Outside Sources*

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

*Financial Reporting Requirements*

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


**CITY OF LEBANON, OREGON**

**AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)**  
**YEAR ENDED JUNE 30, 2006**

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

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

By:   
\_\_\_\_\_  
Charles A. Swank, A Shareholder

December 12, 2006