

***CITY OF LEBANON, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2008***

CITY OF LEBANON, OREGON
CITY OFFICIALS
JUNE 30, 2008

MAYOR

Ken Toombs
1299 Franklin Street
Lebanon, Oregon 97355

COUNCIL MEMBERS

Rebecca Grizzle
333 East Ash Street
Lebanon, Oregon 97355

Tim Fox
673 West D Street
Lebanon, Oregon 97355

Floyd Fisher
532 South Main
Lebanon, Oregon 97355

Ray Weldon
1610 South 4th Street
Lebanon, Oregon 97355

Don Thoma
298 W. Cedar Drive
Lebanon, Oregon 97355

Bob Elliott
795 Binshadler
Lebanon, Oregon 97355

CITY ADMINISTRATOR

John Hitt
925 S. Main
Lebanon, Oregon 97355

CITY OF LEBANON, OREGON
TABLE OF CONTENTS

	<u>Page</u>
<i>Financial Section</i>	
<i>INDEPENDENT AUDITOR'S REPORT</i>	1-2
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	3-12
<i>BASIC FINANCIAL STATEMENTS</i>	
Government-wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	18
Statement of Fund Net Assets - Proprietary Fund	19
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	20
Statement of Cash Flows - Proprietary Funds	21
Notes to Basic Financial Statements	22-37
<i>REQUIRED SUPPLEMENTARY INFORMATION</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
General Fund	38
Intergovernmental Fund	39
NW Urban Renewal Fund	40
<i>OTHER SUPPLEMENTARY INFORMATION</i>	
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Capital Projects Fund	41
Nonmajor Governmental Funds	
Combining Balance Sheet	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Cheadle Lake Urban Renewal Fund	44
Debt Service Fund	45
Bancroft Bond Fund	46
Bail Refund Fund	47
Proprietary Fund	
Schedule of Fund Net Assets - All Proprietary Fund Departments	48
Schedule of Revenues, Expenses and Changes in Net Assets, - All Proprietary Fund Departments	49

CITY OF LEBANON, OREGON
TABLE OF CONTENTS (Continued)

	<u>Page</u>
<i>OTHER SUPPLEMENTARY INFORMATION (Continued)</i>	
Proprietary Funds (Continued)	
Schedules of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual	
Water Department 50	
Water Capital Improvement Department	51
Small Water Line Department	52
Storm Drain Utility Department	53
Wastewater Department	54
Wastewater Capital Improvement Department	55
Railroad Department	56
Schedule of Property Tax Transactions	57
Schedule of Long-Term Debt Transactions	58
Schedule of Future Debt Requirements	59-61
 <i>Compliance Section</i> 	
Comments of the Independent Auditor Required by State of Oregon Minimum Standards for Audits of Oregon Municipal Corporations	62-64



GROVE, MUELLER & SWANK, P.C.

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

INDEPENDENT AUDITOR'S REPORT

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

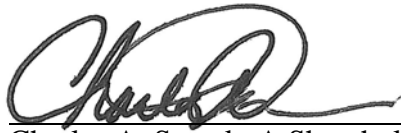
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Oregon as of June 30, 2008, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements, but is 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 opinions on the financial statements that collectively comprise the City of Lebanon's basic financial statements. The schedules of revenues, expenditures and changes in fund balance - budget and actual for the General Fund, Intergovernmental Fund, Capital Projects Fund, and NW Urban Renewal Fund and the other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

By: 

Charles A. Swank, A Shareholder
May 11, 2009

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, 2008 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 \$45,072,759 (net assets), a decrease of \$1,529,065 from June 30, 2007. Of this amount, \$6,886,481 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets decreased for governmental activities by \$1,558,397, a decrease of 6% from June 30, 2007. Net assets increased for business-type activities by \$29,332, an increase of .1% from June 30, 2007.
- As of the close of FY 07-08, the City of Lebanon's governmental funds reported combined ending fund balances of \$25,586,565, a decrease of \$2,224,420 from the prior year.
- At the end of FY 07-08, unreserved fund balance in the General Fund was \$1,046,316 or 22% of the total General Fund expenditures. This was an increase of \$385,747 from June 30, 2007, based on better financial performance than expected.
- Total governmental activities debt decreased by \$615,462 or 2% during FY 07-08. Total business-type activities debt increased by \$3,826,015 or 44% as the result of making all required debt service payments. The increase was the net result of issuing \$4,311,575 for the Cannibal Project Financing, and making all required debt service payments.

Overview of the Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (called governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (called business-type activities). The governmental activities of the City include police, library, senior services, parks, general administration, public works, and community development. The business-type activities of the City include water and wastewater. The government-wide financial statements can be found on pages 13-14 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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Intergovernmental, Capital Projects, and NW Urban Renewal funds, all of which are considered to be major funds. Data from the other four funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 15-18 of this report.

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund departmental financial statements provide information for the Water, Wastewater, Water CIP, Wastewater CIP, Small Waterline, and Railroad activities.

The basic proprietary fund financial statements can be found on pages 19-21 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 22-37 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 38-61 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$45,072,759 at the close of FY 07-08. This represented a \$1,529,065 or 3% decrease in net assets.

Net Assets						
As of June 30, 2008 and 2007						
	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 30,076,026	\$ 30,753,632	\$ 6,565,455	\$ 4,645,268	\$ 36,641,481	\$ 35,398,900
Capital assets	27,899,632	27,627,574	26,693,527	23,845,276	54,593,159	51,472,850
Total assets	57,975,658	58,381,206	33,258,982	28,490,544	91,234,640	86,871,750
Current and other liabilities	1,987,727	1,216,055	1,773,810	300,927	3,761,537	1,516,982
Long-term debt	30,555,227	32,332,410	11,845,117	8,713,503	42,400,344	41,045,913
Total liabilities	32,542,954	33,548,465	13,618,927	9,014,430	46,161,881	42,562,895
Net assets						
Investment in capital assets, net of debt	14,548,489	14,360,902	14,200,797	15,597,777	28,749,286	29,958,679
Fund net assets						
Restricted	9,436,992	9,222,913	-	-	9,436,992	9,222,913
Unrestricted	1,447,223	1,248,926	5,439,258	3,878,337	6,886,481	5,127,263
Total net assets	\$ 25,432,704	\$ 24,832,741	\$ 19,640,055	\$19,476,114	45,072,759	\$ 44,308,855

The second largest portion of the City’s net assets (32%) 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 \$1,209,393 or 4% from June 30, 2007. The City’s major capital assets are investments in infrastructure – the water, and wastewater systems of treatment plants and collection/distribution facilities, and the street and sidewalk system. The City uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets totaling \$9,436,992 or 20% 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, 2007 of \$214,079 or 2%. The remaining balance of unrestricted net assets, \$6,886,481, may be used to meet the City's ongoing obligations to citizens and creditors.

Unrestricted net assets for governmental activities totaled \$1,447,223 or 6% of the total net assets for governmental activities. Business-type activities unrestricted net assets totaled \$5,429,258 or 28% of the total net assets for business-type activities. At the end of FY 07-08, for the government as a whole, the City of Lebanon is able to report positive balances in all three categories of net assets.

Changes in Net Assets
For the years ended June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
<i>Receipts</i>						
<i>Program receipts</i>						
Fines, fees, charges for services	\$ 1,763,620	\$ 2,105,689	\$ 5,204,675	\$ 5,140,779	\$ 6,968,295	\$ 7,246,468
Operating grants and contributions	695,082	1,886,790	-	-	695,082	1,886,790
Capital grants and contributions	1,060,046	940,609	-	-	1,060,046	940,609
<i>General receipts</i>						
Property tax	6,185,385	5,298,768	-	-	6,185,385	5,298,768
Franchise fees	1,592,117	1,487,309	-	-	1,592,117	1,487,309
Intergovernmental	313,737	285,056	-	-	313,737	285,056
Miscellaneous	1,267,618	834,640	185,270	207,865	1,452,888	1,042,505
Total receipts	12,877,605	12,838,861	5,389,945	5,348,644	18,267,550	18,187,505
<i>Disbursements</i>						
General government	1,055,040	2,838,491	-	-	1,055,040	2,838,491
Community services and development	10,372,254	5,864,430	-	-	10,372,254	5,864,430
Public safety	3,352,992	3,067,563	-	-	3,352,992	3,067,563
Interest on long-term debt	1,231,177	646,261	-	-	1,231,177	646,261
Water	-	-	2,018,243	2,044,341	2,018,243	2,044,341
Wastewater	-	-	1,766,765	1,724,192	1,766,765	1,724,192
Storm drain utility	-	-	106	-	106	-
Railroad	-	-	38	275	38	275
Total disbursements	16,011,463	12,416,745	3,785,152	3,768,808	19,796,615	16,185,553
<i>Change in fund net assets before transfers</i>	(3,133,858)	422,116	1,604,793	1,579,836	(1,529,065)	2,001,952
<i>Transfers</i>	1,575,461	490,709	(1,575,461)	(490,709)	-	-
<i>Beginning fund net assets</i>	26,991,101	23,919,916	19,610,723	18,386,987	46,601,824	42,306,903
Ending fund net assets	\$ 25,432,704	\$ 24,832,741	\$ 19,640,055	\$ 19,476,114	\$ 45,072,759	\$ 44,308,855

- Governmental activities decreased the City's net assets by \$1,558,397. This was primarily the result of an increase in expenditures of 29%.

- Business-type activities increased the City's net assets by \$29,332. There was one rate increase during the year. Transfers increased 221%.

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, 2008, the City's governmental funds reported combined ending fund balances of \$25,586,565, a decrease of \$2,224,420 in comparison with the prior year. This entire amount is classified as unreserved fund balance.

The General Fund is the main operating fund for the City. At the end of FY 07-08, unreserved fund balance of the General Fund was \$1,046,316. 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 22% of the total General Fund operating expenditures.

The fund balance of the General Fund increased by \$385,747 during FY 07-08. Revenues increased by 9% while operating expenses increased 5%. Most of the revenue increase occurred in property taxes and franchise fees while much of the operating expense increase was in Public Safety. There was a large decrease in capital outlay spending in Public Safety as the Police department completed a project to install mobile data terminals in police patrol vehicles.

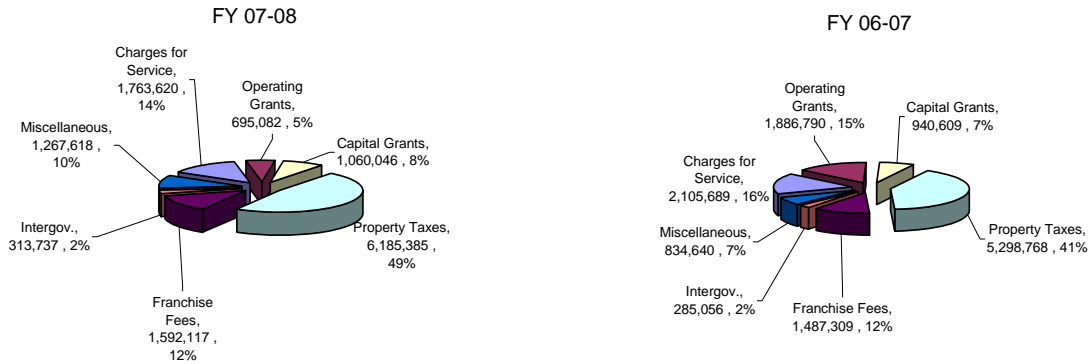
In the Intergovernmental Fund, the fund balance decreased \$271,693 during FY07-08. The building department saw a decrease in revenue of over 52% as commercial building activity slowed.

The NW Urban Renewal Fund fund balance decreased \$1,081,889 from the prior year. Capital outlay accounted for the majority of expenditures.

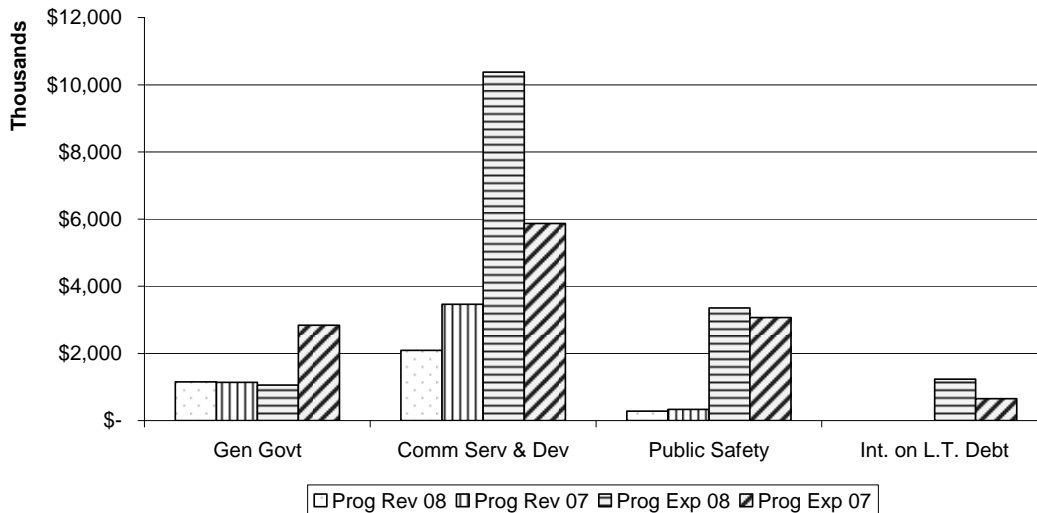
In the Capital Projects Fund, the ending fund balance was \$732,913 lower than the prior year. Spending for the construction of a justice center and library got underway totaling \$1,770,395.

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

Revenue by Source - Governmental Funds



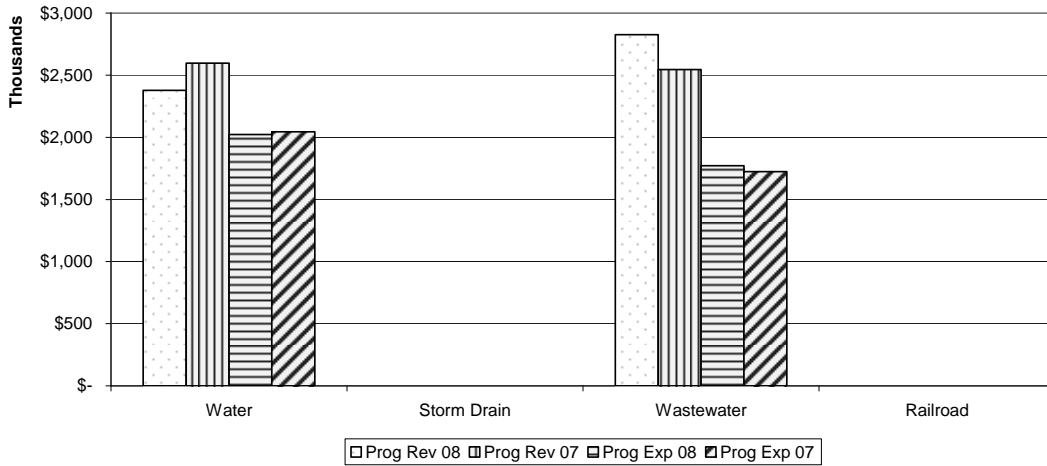
Program Revenue and Expenses - Governmental Funds



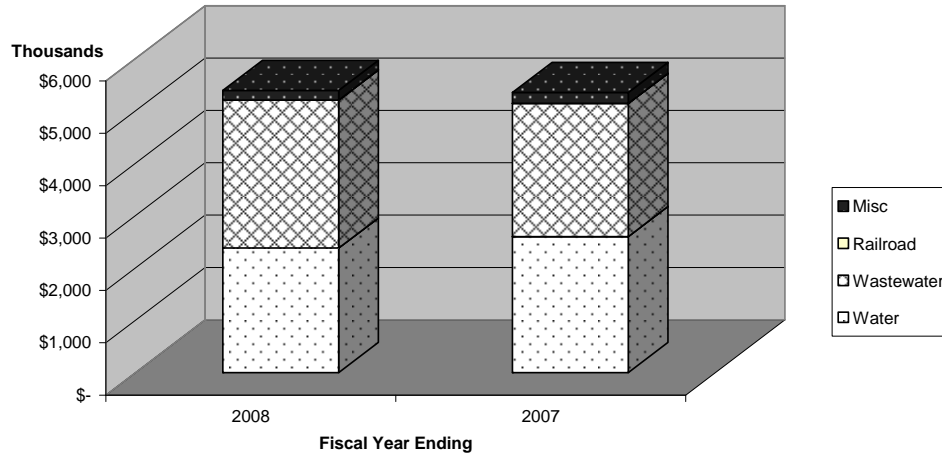
Proprietary Funds The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Activities in the proprietary fund increased the City's net assets by \$29,332. Key elements of this increase are as follows:

- The Wastewater and Wastewater CIP departments accounted for an increase of \$305,126, although in FY 06-07 the increase from these two departments was \$828,094.
- Water fees were not increased in FY07-08, and have not been increased since July 2001. Wastewater fees were increased 10% July 1, 2007. Charges for service decreased 8% for Water and increased 11% for Wastewater. Water consumption decreased for the year causing the decrease in water charges for service.

Program Revenue and Expenses - Business-type Activities



Revenues by Source - Business-type Activities



Budgetary Highlights

There were small differences between the original budget and final amended budgets during the year. The City Council adopted a resolution to transfer \$45,000 in appropriations from Administrative and Economic Development (\$35,000) and Parks (\$10,000) to the Human Resources Department (\$12,000) for unanticipated labor attorney costs and to non-departmental (\$33,000) for repair of damage to the SCIP rail trestle. This transfer of appropriation occurred in the General Fund resulting in a net \$0 increase in the General Fund budget.

The Nondepartmental department appeared to under expend its budget by \$355,001. 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, 2008, amounts to \$54,593,159 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, machinery and equipment, office equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 6%. This total includes a 1% increase in governmental activities and a 12% increase in business-type activities.

Major capital asset events during FY 07-08 included the following:

- Purchase of property for the Shop Site expansion for \$108,240.
- Improvements to equipment and structures in city parks, and a new vehicle totaled \$105,462.
- Rail trestle rebuilding for \$32,410.
- Continued work on the new Grant Street bridge added over \$733,655.
- Infrastructure projects for water, wastewater, municipal buildings, and streets totaled \$4,805,394.

Capital Assets
As of June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,098,150	\$ 2,786,429	\$ 830,113	\$ 564,554	\$ 2,928,263	\$ 3,350,983
Buildings	2,927,888	2,842,087	8,089,431	7,643,253	11,017,319	10,485,340
Vehicles	1,366,406	1,201,942	968,504	936,165	2,334,910	2,138,107
Machinery & equipment	2,008,623	1,888,802	4,684,987	7,912,552	6,693,610	9,801,354
Infrastructure	57,016,595	53,615,131	19,155,003	13,982,020	76,171,598	67,597,151
Construction in process	-	-	3,668,132	2,730,262	3,668,132	2,730,262
Accumulated depreciation	(37,518,030)	(34,706,817)	(10,702,643)	(9,923,530)	(48,220,673)	(44,630,347)
<i>Net capital assets</i>	<u>27,899,632</u>	<u>27,627,574</u>	<u>26,693,527</u>	<u>23,845,276</u>	<u>54,593,159</u>	<u>51,472,850</u>

Additional information on capital assets can be found on page 31 in the notes to the financial statements.

Long-Term Debt At the end of FY 07-08 the City had total debt outstanding of \$43,195,263. Of this amount \$28,896,631 comprised debt backed by the full faith and credit of the government, \$12,291,575 is revenue supported, backed by the revenue of the Water & Wastewater utility operation, and \$2,007,057 is limited-tax debt supported by operating funds of the City.

Outstanding Debt
As of June 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 23,575,000	\$ 24,490,000	\$ -	\$ -	\$ 23,575,000	\$ 24,490,000
Revenue bonds	-	-	12,291,575	8,465,000	12,291,575	8,465,000
Pension obligation bonds	2,007,057	2,027,597	-	-	2,007,057	2,027,597
General fund SPWF	1,710,409	1,259,476	-	-	1,710,409	1,259,476
NWURD SPWF	3,611,222	3,677,462	-	-	3,611,222	3,677,462
<i>Total bonded debt</i>	<u>30,903,688</u>	<u>31,454,535</u>	<u>12,291,575</u>	<u>8,465,000</u>	<u>43,195,263</u>	<u>39,919,535</u>
Notes payable	-	24,734	-	-	-	24,734
<i>Total debt outstanding</i>	<u>\$ 30,903,688</u>	<u>\$ 31,479,269</u>	<u>\$ 12,291,575</u>	<u>\$ 8,465,000</u>	<u>\$ 43,195,263</u>	<u>\$ 39,944,269</u>

The City's total debt increased \$3,250,994 or 8% during FY 07-08. The increase was the result of new wastewater fund debt issued to construct the "Cannibal Project" at the wastewater treatment plant. SPWF funds totaling \$3,611,222 to complete infrastructure projects in the NW Urban Renewal area and \$1,710,409 to construct infrastructure in the Airport Industrial area in support of commercial development. The City's outstanding notes decreased \$24,734 (100%) during FY 07-08. 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 32-34 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 2008. This is an increase from last June's 6.2% seasonally adjusted rate. Linn County continues to have unemployment rates higher than the State as a whole.
- Property tax revenue was projected to increase 7% in FY 08-09 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 6.88% which will result in approximately \$21,702 less 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 Water and Wastewater are projected to increase 12% and 16% respectively from growth in the number of customers, rate increases, and consumption. There is a 13.5% wastewater rate increase planned for FY 08-09 in support of the wastewater CIP program and projects, and a 10% water rate increase needed since the water rate has not been updated since 2001.

All of these factors were considered when preparing the budget for the 2009 fiscal year.

During FY 07-08, unreserved fund balances in the General Fund increased to \$1,046,316. The City of Lebanon has appropriated \$463,787 of this amount for spending in FY 08-09. This left the contingency in FY 08-09 at \$582,529, or 9.6% of the General Fund total. The budgeted contingency as a percent of the General Fund total in FY 07-08 was 6.8%. The City Council has established a goal of building this amount to approximately 10% of the General Fund total, or \$680,000.

Requests for Information

This financial report is designed to provide a general overview of the City of Lebanon's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Lebanon, 925 Main Street, Lebanon, Oregon 97355.

BASIC FINANCIAL STATEMENTS

CITY OF LEBANON, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 26,015,243	\$ 5,688,742	\$ 31,703,985
Accounts receivable	561,595	674,863	1,236,458
Prepaid expenses	1,833	-	1,833
Property taxes receivable	392,696	695	393,391
Special assessments/loans	756,087	-	756,087
Court fines	341,515	-	341,515
Prepaid pension asset	2,007,057	-	2,007,057
Deferred charges	-	201,155	201,155
Nondepreciable assets	1,988,748	7,049,373	9,038,121
Depreciable assets, net	25,910,884	19,644,154	45,555,038
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	57,975,658	33,258,982	91,234,640
LIABILITIES			
Accounts payable	712,132	986,600	1,698,732
Payroll liabilities	113,876	-	113,876
Deposits	-	92,810	92,810
Noncurrent liabilities:			
Due within one year:			
Loan payable	90,586	182,167	272,753
Bonds payable	987,288	495,000	1,482,288
Accrued compensated absences	83,845	17,233	101,078
Due in more than one year:			
Loan payable	5,231,045	4,129,408	9,360,453
Bonds payable	24,594,770	7,485,000	32,079,770
Accrued compensated absences	729,412	230,709	960,121
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	32,542,954	13,618,927	46,161,881
NET ASSETS			
Investment in capital assets (net of related debt)	14,548,489	14,200,797	28,749,286
Restricted for special purposes	9,436,992	-	9,436,992
Unrestricted	1,447,223	5,439,258	6,886,481
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 25,432,704</u>	<u>\$ 19,640,055</u>	<u>\$ 45,072,759</u>

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

CITY OF LEBANON, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	\$ 1,055,040	\$ 58,885	\$ 33,498
Community services and development	10,372,254	1,500,867	589,076
Public safety	3,352,992	203,868	72,508
Interest on long-term debt	1,231,177	-	-
<i>Total Governmental Activities</i>	16,011,463	1,763,620	695,082
Business-type Activities:			
Water	2,018,243	2,377,461	-
Storm drain utility	106	-	-
Wastewater	1,766,765	2,827,112	-
Railroad	38	102	-
<i>Total Business-type Activities</i>	3,785,152	5,204,675	-
<i>Total Activities</i>	<u>\$ 19,796,615</u>	<u>\$ 6,968,295</u>	<u>\$ 695,082</u>

General Revenues:

Property taxes
Franchise fees
Intergovernmental
Miscellaneous

Total General Revenues

Transfers

Change in Net Assets

Net Assets, July 1, 2007

Net Assets, June 30, 2008

<i>Net (Expenses) Revenues and Changes in Net Assets</i>			
<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ 1,060,046	\$ 97,389	\$ -	\$ 97,389
-	(8,282,311)	-	(8,282,311)
-	(3,076,616)	-	(3,076,616)
-	(1,231,177)	-	(1,231,177)
1,060,046	(12,492,715)	-	(12,492,715)
-	-	359,218	359,218
-	-	(106)	(106)
-	-	1,060,347	1,060,347
-	-	64	64
-	-	1,419,523	1,419,523
<u>\$ 1,060,046</u>	(12,492,715)	1,419,523	(11,073,192)
	6,185,385	-	6,185,385
	1,592,117	-	1,592,117
	313,737	-	313,737
	1,267,618	185,270	1,452,888
	9,358,857	185,270	9,544,127
	1,575,461	(1,575,461)	-
	(1,558,397)	29,332	(1,529,065)
	26,991,101	19,610,723	46,601,824
	<u>\$ 25,432,704</u>	<u>\$ 19,640,055</u>	<u>\$ 45,072,759</u>

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

CITY OF LEBANON, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Inter- governmental</u>	<u>NW Urban Renewal</u>
ASSETS			
Cash and investments	\$ 901,142	\$ 1,544,894	\$ 1,586,357
Accounts receivable	248,558	124,662	24,798
Prepaid expenses	-	-	-
Property taxes receivable	229,842	-	105,248
Special assessments/loans	-	749,942	4,578
Court fines receivable	234,450	107,065	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 1,613,992</u>	<u>\$ 2,526,563</u>	<u>\$ 1,720,981</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 89,702	\$ 102,606	\$ 13,296
Payroll taxes payable	-	-	-
Deferred revenues	477,974	874,607	109,826
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	567,676	977,213	123,122
Fund Balances			
Unreserved, reported in:			
General fund	1,046,316	-	-
Special revenue funds	-	1,549,350	1,597,859
Capital projects fund	-	-	-
Debt services funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>1,046,316</u>	<u>1,549,350</u>	<u>1,597,859</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,613,992</u>	<u>\$ 2,526,563</u>	<u>\$ 1,720,981</u>

<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 21,420,227	\$ 562,623	\$ 26,015,243
143,529	20,048	561,595
-	1,833	1,833
-	57,606	392,696
-	1,567	756,087
-	-	341,515
<u>\$ 21,563,756</u>	<u>\$ 643,677</u>	<u>\$ 28,068,969</u>
\$ 353,053	\$ 153,476	\$ 712,133
-	113,876	113,876
132,982	61,006	1,656,395
486,035	328,358	2,482,404
-	-	1,046,316
-	133,865	3,281,074
21,077,721	-	21,077,721
-	181,454	181,454
21,077,721	315,319	25,586,565
<u>\$ 21,563,756</u>	<u>\$ 643,677</u>	<u>\$ 28,068,969</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, 2008**

<i>Fund Balances</i>	\$ 25,586,565
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	1,656,395
The prepaid pension asset is not available to pay for current period expenditures and is therefore not a financial resource.	2,007,057
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	65,417,663
Accumulated depreciation	(37,518,030)
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	
Loans payable	(5,321,631)
Bonds payable	(25,582,058)
Accrued compensated absences	(813,257)
	<hr/>
<i>Net assets of governmental activities</i>	<u><u>\$ 25,432,704</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, 2008**

	<u>General</u>	<u>Inter- governmental</u>
REVENUES		
Taxes and assessments	\$ 3,199,321	\$ 37,795
Licenses and permits	1,599,469	489,335
Charges for services	25,875	13,723
Intergovernmental	313,737	1,075,677
Fines and forfeitures	225,669	172,117
Miscellaneous	215,624	214,215
	<hr/>	<hr/>
<i>Total Revenues</i>	5,579,695	2,002,862
EXPENDITURES		
Current operating:		
General government	563,142	-
Community services and development	849,515	3,721,735
Public safety	3,148,786	-
Capital outlay	195,735	386,629
Debt service	-	-
	<hr/>	<hr/>
<i>Total Expenditures</i>	4,757,178	4,108,364
REVENUES OVER (UNDER) EXPENDITURES	822,517	(2,105,502)
OTHER FINANCING SOURCES (USES)		
Bond and loan proceeds	-	-
Transfers in	43,599	2,001,968
Transfers out	(480,369)	(168,159)
	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(436,770)	1,833,809
NET CHANGE IN FUND BALANCES	385,747	(271,693)
FUND BALANCES, Beginning of year	<hr/>	<hr/>
	660,569	1,821,043
FUND BALANCES, End of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 1,046,316	\$ 1,549,350

<i>NW Urban Renewal</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 1,598,921	\$ 1,075,999	\$ 1,289,099	\$ 7,201,135
-	-	-	2,088,804
-	-	-	39,598
194,371	-	-	1,583,785
-	-	153,414	551,200
98,358	1,032,332	41,755	1,602,284
1,891,650	2,108,331	1,484,268	13,066,806
-	582	-	563,724
1,026,451	2,234,280	114,717	7,946,698
-	3,202	160,536	3,312,524
1,282,196	1,265,801	3,346	3,133,707
630,279	-	1,730,688	2,360,967
2,938,926	3,503,865	2,009,287	17,317,620
(1,047,276)	(1,395,534)	(525,019)	(4,250,814)
-	450,933	-	450,933
-	389,595	18,191	2,453,353
(34,613)	(177,907)	(16,844)	(877,892)
(34,613)	662,621	1,347	2,026,394
(1,081,889)	(732,913)	(523,672)	(2,224,420)
2,679,748	21,810,634	838,991	27,810,985
\$ 1,597,859	\$ 21,077,721	\$ 315,319	\$ 25,586,565

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, 2008**

Net change in fund balances - total governmental funds \$ (2,224,420)

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. (189,201)

The amortization of the prepaid pension asset does not require the outlay of current financial resources and is not recorded as an expenditure in the governmental funds (20,540)

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. (29,984)

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. 28,125

Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.

Capital outlay 3,133,707
Depreciation (2,831,665)

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.

Proceeds from issuance of debt (450,933)
Debt principal paid 1,026,514

Change in net assets of governmental activities. \$ (1,558,397)

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

CITY OF LEBANON, OREGON
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
JUNE 30, 2008

ASSETS

Current assets

Cash and investments	\$ 5,688,742
Accounts receivable	674,863
Property taxes receivable	695

Total Current Assets 6,364,300

Noncurrent assets

Deferred charges	201,155
Capital assets, net	26,693,527

Total Assets 33,258,982

LIABILITIES

Current liabilities

Accounts payable	986,600
Deposits	92,810
Loan payable - current portion	182,167
Bonds payable - current portion	495,000

Total Current Liabilities 1,756,577

Noncurrent liabilities

Loans payable	4,129,408
Bonds payable	7,485,000
Compensated absences	247,942

Total Noncurrent Liabilities 11,862,350

Total Liabilities 13,618,927

NET ASSETS

Investment in capital assets (net of related debt)	14,200,797
Unrestricted	5,439,258

Total Net Assets \$ 19,640,055

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, 2008

OPERATING REVENUES

Charges for services	\$ 4,996,010
Miscellaneous	208,665

Total Operating Revenues 5,204,675

OPERATING EXPENSES

Personnel services	1,614,938
Materials and services	1,046,255
Depreciation	779,112

Total Operating Expenses 3,440,305

OPERATING INCOME 1,764,370

NONOPERATING REVENUES (EXPENSES)

Transfers in	4,226,713
Transfers out	(5,802,174)
Interest income	185,270
Interest expense	(344,847)

Total Nonoperating Revenue (Expenses) (1,735,038)

CHANGE IN NET ASSETS 29,332

NET ASSETS, Beginning of year 19,610,723

NET ASSETS, End of year \$ 19,640,055

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

CITY OF LEBANON, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 5,227,851
Cash paid to employees for services	(1,615,499)
Cash paid to suppliers for goods and services	(140,162)

<i>Net Cash Provided by Operating Activities</i>	3,472,190
--------------------------------------------------	-----------

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

Transfers in	4,226,713
Transfers out	(5,802,174)

<i>Net Cash Used in Non-Capital Financing Activities</i>	(1,575,461)
----------------------------------------------------------	-------------

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

Acquisition of capital assets	(3,627,364)
Principal paid on contracts/bonds payable	(485,000)
Proceeds from debt	4,311,575
Interest paid	(328,501)

<i>Net Cash Used in Capital and Related Financing Activities</i>	(129,290)
------------------------------------------------------------------	-----------

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	185,270
-------------------------	---------

<i>Net Change in Cash and Investments</i>	1,952,709
-------------------------------------------	-----------

CASH AND INVESTMENTS, Beginning of year	3,736,033
------------------------------------------------	-----------

CASH AND INVESTMENTS, End of year	\$ 5,688,742
------------------------------------------	---------------------

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

Operating income	\$	1,764,370
Depreciation		779,112
<i>Change in assets and liabilities</i>		
Receivables		16,176
Accounts payable and accrued liabilities		906,093
Compensated absences payable		(561)
Deposits		7,000
		<hr/>
<i>Net Cash Provided by Operating Activities</i>	\$	<u><u>3,472,190</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, 2008.

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

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

Basic Financial Statements

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

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

The City reports the following major governmental funds:

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

Special Revenue Fund

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

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

Capital Projects Fund

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

The City reports the following nonmajor governmental funds:

Special Revenue Funds

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

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

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

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 principal and interest on general obligation bonds.

The City reports one major proprietary fund:

Enterprise Fund

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

Measurement Focus and Basis of Accounting

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

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

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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, 2008. Actual results may differ from such estimates.

Cash and Investments

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

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

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

Receivables and Deferred Revenues

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

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

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

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

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

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 Vacation Pay

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

Budget and Budgetary Accounting

A budget is prepared for each fund. Appropriations are adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, debt service, and capital projects. The City complies with the budgetary process requirements established by the appropriate sections of the Oregon Revised Statutes. Budgets are adopted at the department level in the general fund and expenditure type for other funds. The budgets for the enterprise fund are adopted on the same basis as the budgets for the governmental funds, except for revenues, which are budgeted when received. Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each fiscal year. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the City Council. After budget approval, the City Council may approve supplemental appropriations if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend the budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. During the fiscal year ended June 30, 2008, several appropriation transfers were made and approved by the City Council.

Use of Restricted Assets

When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the City deems restricted assets to be spent first.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

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, 2008:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Cash on hand	\$ 1,450	\$ 1,450
Deposits with financial institutions	1,748,592	1,748,592
Investments		
Local Government Investment Pool	14,302,122	14,302,122
Federal securities	15,651,821	15,728,662
	<u>\$ 31,703,985</u>	<u>\$ 31,780,826</u>

Deposits

At June 30, 2008, the City's deposits with various financial institutions had a bank value of \$32,178,518. 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, 2008, the City held the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Average Maturity (years)</u>	<u>Percent of Investment Portfolio</u>
Local government investment pool	\$ 14,302,122	< one year	48%
U.S. agency securities	15,651,821	< one year	52%
	<u>\$ 29,953,943</u>		<u>100%</u>

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

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

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

CASH AND INVESTMENTS (Continued)

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, 2008, the City's investments are rated as follows:

Rating by Moody's Investors Service

<i>Investment type</i>	<i>Total</i>	<i>AAA</i>	<i>Not Rated</i>
Local government investment pool	\$ 14,302,122	\$ -	\$ 14,302,122
U.S. agency securities	15,651,821	15,651,821	-
	<u>\$ 29,953,943</u>	<u>\$ 15,651,821</u>	<u>\$ 14,302,122</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, 2008, more than 5% of the City's portfolio is invested in FHLB, FNMA, and Freddie Mac securities. These investments are 7.97%, 7.94%, and 27.68%, 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, 2008, 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.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

RECEIVABLES

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ 248,558	\$ 155,474	\$ 143,529	\$ 14,124	\$ 674,863	\$ 1,236,548
Property taxes	229,842	113,625	-	49,229	695	393,391
Special assessments / loans	-	754,520	-	1,567	-	756,087
Court fines	234,450	107,065	-	-	-	341,515
	<u>\$ 712,850</u>	<u>\$ 1,130,684</u>	<u>\$ 143,529</u>	<u>\$ 64,920</u>	<u>\$ 675,558</u>	<u>\$ 2,727,541</u>

Property Taxes - Collection Procedures

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

	<u>Balances July 1, 2007</u>	<u>2007-2008 Levy</u>	<u>Added to Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2008</u>
<i>General and Debt Service Fund</i>						
Current	\$ -	\$ 4,528,519	\$ 1,313	\$ (131,392)	\$ (4,219,582)	\$ 178,858
Prior	228,683	-	2	(8,092)	(120,380)	100,213
	<u>\$ 228,683</u>	<u>\$ 4,528,519</u>	<u>\$ 1,315</u>	<u>\$ (139,484)</u>	<u>\$ (4,339,962)</u>	<u>\$ 279,071</u>

	<u>Balances July 1, 2007</u>	<u>2007-2008 Levy</u>	<u>Added to Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2008</u>
<i>Urban Renewal</i>						
Current	\$ -	\$ 1,787,504	\$ 519	\$ (51,863)	\$ (1,665,559)	\$ 70,601
Prior	97,525	-	1	(3,554)	(50,948)	43,024
	<u>\$ 97,525</u>	<u>\$ 1,787,504</u>	<u>\$ 520</u>	<u>\$ (55,417)</u>	<u>\$ (1,716,507)</u>	<u>\$ 113,625</u>

	<u>Balances July 1, 2007</u>	<u>2007-2008 Levy</u>	<u>Added to Rolls</u>	<u>Interest, Discounts & Adjustments</u>	<u>Collections</u>	<u>Balances June 30, 2008</u>
<i>Wastewater</i>						
Current	\$ -	\$ 9,051	\$ 3	\$ (263)	\$ (8,434)	\$ 357
Prior	780	-	-	(27)	(415)	338
	<u>\$ 780</u>	<u>\$ 9,051</u>	<u>\$ 3</u>	<u>\$ (290)</u>	<u>\$ (8,849)</u>	<u>\$ 695</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

CAPITAL ASSETS

The summary of capital assets for the business-type activities for the year ended June 30, 2008 is as follows:

	<i>Balances July 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2008</i>
Land and improvements	\$ 3,381,241	\$ -	\$ -	\$ 3,381,241
Construction in progress	2,730,262	3,502,451	(2,564,581)	3,668,132
<i>Total nondepreciable assets</i>	6,111,503	3,502,451	(2,564,581)	7,049,373
Water and sewer systems	27,658,785	2,696,311	(8,299)	30,346,797
Less accumulated depreciation	(9,925,012)	(779,112)	1,481	(10,702,643)
<i>Total depreciable assets, net</i>	17,733,773	1,917,199	(6,818)	19,644,154
<i>Total capital assets, net</i>	<u>\$ 23,845,276</u>	<u>\$ 5,419,650</u>	<u>\$ (2,571,399)</u>	<u>\$ 26,693,527</u>

The changes in the capital assets for governmental activities for the year ended June 30, 2008 are as follows:

	<i>Balances July 1, 2007</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balances June 30, 2008</i>
Land and improvements	\$ 1,988,748	\$ -	\$ -	\$ 1,988,748
Capital assets, cost	60,345,643	3,133,707	(50,436)	63,428,914
Less accumulated depreciation	(34,706,817)	(2,831,665)	20,452	(37,518,030)
<i>Total depreciable assets, net</i>	25,638,826	302,042	(29,984)	25,910,884
<i>Total capital assets, net</i>	<u>\$ 27,627,574</u>	<u>\$ 302,042</u>	<u>\$ (29,984)</u>	<u>\$ 27,899,632</u>

Depreciation expense was charged as follows:

General government	\$ 453,066
Community services and development	2,350,282
Public safety	28,317
	<u> </u>
Total	<u>\$ 2,831,665</u>

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

LONG-TERM OBLIGATIONS

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

	<u>Outstanding July 1, 2007</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2008</u>	<u>Due Within One Year</u>
<i>Governmental activities</i>					
1995 GO Refunding	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -
2000 GO Urban Renewal	4,120,000	-	(220,000)	3,900,000	235,000
2002 GO Pension Pool	2,027,597	-	(20,540)	2,007,057	22,288
2007 GO Refunding	19,970,000	-	(295,000)	19,675,000	730,000
NWURD SPWF	3,677,462	-	(66,240)	3,611,222	90,586
General Fund SPWF	1,259,476	450,933	-	1,710,409	-
Key Bank Note	24,734	-	(24,734)	-	-
	<u>31,479,269</u>	<u>450,933</u>	<u>(1,026,514)</u>	<u>30,903,688</u>	<u>1,077,874</u>
Accrued compensated absences	853,137	(39,881)	-	813,256	83,845
	<u>\$ 32,332,406</u>	<u>\$ 411,052</u>	<u>\$ (1,026,514)</u>	<u>\$ 31,716,944</u>	<u>\$ 1,161,719</u>
	<u>Outstanding July 1, 2007</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2008</u>	<u>Due Within One Year</u>
<i>Business-type activities</i>					
2000 Wastewater Revenue	\$ 2,595,000	\$ -	\$ (145,000)	\$ 2,450,000	\$ 150,000
2003 Wastewater Revenue Refunding	2,985,000	-	(185,000)	2,800,000	190,000
2004 Water Refunding	2,885,000	-	(155,000)	2,730,000	155,000
2007 Cannibal Project Financing	-	4,311,575	-	4,311,575	182,167
	<u>8,465,000</u>	<u>4,311,575</u>	<u>(485,000)</u>	<u>12,291,575</u>	<u>677,167</u>
Accrued compensated absences	248,502	(560)	-	247,942	17,233
	<u>\$ 8,713,502</u>	<u>\$ 4,311,015</u>	<u>\$ (485,000)</u>	<u>\$ 12,539,517</u>	<u>\$ 694,400</u>

The 1995 general obligation refunding bonds were issued to prepay revenue-supported water bonds. The original amount of the debt was \$4,380,000. All outstanding bonds were called on July 13, 2007.

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

CITY OF LEBANON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

LONG-TERM OBLIGATIONS (Continued)

The future maturities of obligations outstanding as of June 30, 2008:

Governmental Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,077,874	\$ 1,460,314	\$ 2,538,188
2010	2,909,678	1,349,452	4,259,130
2011	939,002	1,309,779	2,248,781
2012	1,055,167	1,273,265	2,328,432
2013	1,153,527	1,234,692	2,388,219
2014-2018	6,309,060	5,517,696	11,826,756
2019-2023	8,075,105	3,745,027	11,820,132
2024-2028	8,879,308	1,388,057	10,267,365
2029-2032	879,558	98,633	978,191
	\$ 31,278,279	\$ 17,376,915	\$ 48,655,194

The above schedule includes \$2,085,000 for the General Fund SPWF loan. Only \$1,710,409 of loan proceeds had been disbursed as of June 30, 2008.

Business-type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 677,167	\$ 563,978	\$ 1,241,145
2010	764,255	485,509	1,249,764
2011	794,671	456,749	1,251,420
2012	815,531	426,243	1,241,774
2013	856,853	393,548	1,250,401
2014-2018	4,856,749	1,393,818	6,250,567
2019-2022	3,526,349	304,900	3,831,249
	\$ 12,291,575	\$ 4,024,745	\$ 16,316,320

CITY OF LEBANON, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

PENSION PLANS

Plan Description

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

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

Funding Status

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

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

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

Annual Pension Cost

The City’s contributions to PERS for the fiscal years ending June 30, 2006, 2007, and 2008 were \$943,385, \$859,410, and \$855,135, respectively, which equaled the required contribution for the year.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

TRANSFERS

<i>Transfers In:</i>	<i>Transfers Out:</i>									
	<i>General</i>	<i>Inter-governmental</i>	<i>NW Urban Renewal</i>	<i>Capital Projects</i>	<i>Water</i>	<i>Water CIP</i>	<i>Wastewater</i>	<i>Wastewater CIP</i>	<i>All Other</i>	<i>Total</i>
General	\$ -	\$ 43,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,599
Intergovernmental	302,639	-	33,203	26,936	734,343	59,140	835,465	7,514	2,728	2,001,968
Debt Service	-	12,515	-	-	2,838	-	2,838	-	-	18,191
Capital Projects	177,730	112,045	1,410	-	34,790	-	49,300	140	14,180	389,595
Water CIP	-	-	-	-	257,118	-	-	-	-	257,118
Small Water Line	-	-	-	150,971	361,671	-	-	-	30,271	542,913
Wastewater	-	-	-	-	-	-	-	2,497,787	-	2,497,787
Wastewater CIP	-	-	-	-	-	-	928,895	-	-	928,895
	<u>\$ 480,369</u>	<u>\$ 168,159</u>	<u>\$ 34,613</u>	<u>\$ 177,907</u>	<u>\$ 1,390,760</u>	<u>\$ 59,140</u>	<u>\$ 1,816,498</u>	<u>\$ 2,505,441</u>	<u>\$ 47,179</u>	<u>\$ 6,680,066</u>

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

RESTATEMENT OF BEGINNING FUND BALANCES

During the current year, the City discovered two errors in prior years' reports. First, designations of fund balance were erroneously reported as liabilities (reserved for claims). Secondly, the City discovered that the portion of accrued compensated absences being reported as fund liability was being calculated incorrectly. The beginning fund balances in the following funds have been restated as shown below.

	<i>General</i>	<i>Inter-governmental</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Bancroft Bond</i>	<i>Cheadle Lake Urban Renewal</i>
Fund balances, as previously reported	\$ 560,717	\$ 1,713,993	\$ 21,807,162	\$ 677,696	\$ 24,288	\$ 136,401
Reserved for claims	42,232	76,768	-	-	-	-
Accrued compensated absences	57,620	30,282	3,472	-	-	606
Fund balances, as restated	<u>\$ 660,569</u>	<u>\$ 1,821,043</u>	<u>\$ 21,810,634</u>	<u>\$ 677,696</u>	<u>\$ 24,288</u>	<u>\$ 137,007</u>

Additionally, the beginning balance of governmental activities in the statement of activities has been restated by \$2,027,597 to reflect the prepaid pension asset that was previously not recorded.

The beginning fund balance of the Enterprise Fund was restated by \$76,768 to correctly report amounts reserved for claims.

CITY OF LEBANON, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2008

INSURANCE RESERVES

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

CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2008

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 3,125,500	\$ 3,125,500	\$ 3,199,321	\$ 73,821
Licenses and permits	1,518,600	1,518,600	1,599,469	80,869
Charges for services	15,700	15,700	25,875	10,175
Intergovernmental	307,000	307,000	313,737	6,737
Fines and forfeitures	224,000	224,000	225,669	1,669
Miscellaneous	162,900	162,900	215,624	52,724
<i>Total Revenues</i>	<u>5,353,700</u>	<u>5,353,700</u>	<u>5,579,695</u>	<u>225,995</u>
EXPENDITURES				
Administration	113,082	90,082	79,221	10,861
City attorney	34,095	34,095	32,934	1,161
Planning	91,031	91,031	79,853	11,178
Public works	12,826	12,826	8,646	4,180
Parks	655,710	645,710	492,856	152,854
Finance	103,291	103,291	100,085	3,206
Legislative	41,174	41,174	34,822	6,352
Library	313,737	313,737	305,352	8,385
Municipal court	260,954	260,954	256,389	4,565
Police	3,064,842	3,064,842	2,955,136	109,706
Senior services	131,464	131,464	123,733	7,731
Nondepartmental	610,152	643,152	288,151	355,001
<i>Total Expenditures</i>	<u>5,432,358</u>	<u>5,432,358</u>	<u>4,757,178</u>	<u>675,180</u>
REVENUES OVER (UNDER) EXPENDITURES	(78,658)	(78,658)	822,517	901,175
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	45,000	43,599	(1,401)
Transfers out	(492,812)	(492,812)	(480,369)	12,443
<i>Total Other Financing Sources (Uses)</i>	<u>(447,812)</u>	<u>(447,812)</u>	<u>(436,770)</u>	<u>11,042</u>
NET CHANGE IN FUND BALANCE	(526,470)	(526,470)	385,747	912,217
FUND BALANCE, Beginning of year	<u>526,470</u>	<u>526,470</u>	<u>660,568</u>	<u>134,098</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046,315</u>	<u>\$ 1,046,315</u>

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - INTERGOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
REVENUES				
Taxes and assessments	\$ 50,700	\$ 50,700	\$ 37,795	\$ (12,905)
Licenses and permits	639,300	639,300	489,335	(149,965)
Charges for services	25,000	25,000	13,723	(11,277)
Intergovernmental	2,979,282	2,979,282	1,075,677	(1,903,605)
Fines and forfeitures	84,000	84,000	172,117	88,117
Miscellaneous	257,455	257,455	214,215	(43,240)
<i>Total Revenues</i>	<u>4,035,737</u>	<u>4,035,737</u>	<u>2,002,862</u>	<u>(2,032,875)</u>
EXPENDITURES				
City Hall repairs	41,000	41,000	29,123	11,877
Motel tax	49,500	49,500	33,136	16,364
OTSC Grant	385	385	380	5
Building inspections	783,049	783,049	466,735	316,314
Park enterprise	66,717	66,717	30,038	36,679
Park grants	157,881	157,881	62,891	94,990
Operation and environment	1,468,156	1,468,156	1,275,810	192,346
GIS	231,517	231,517	149,372	82,145
Information system	477,290	477,290	439,984	37,306
Sidewalk and bikepath	83,705	83,705	22,687	61,018
Engineering development	341,194	341,194	242,996	98,198
Streets	690,765	690,765	594,007	96,758
Storm drains	58,558	58,558	53,960	4,598
911 communications	75,000	75,000	-	75,000
School resource officer	88,005	88,005	87,144	861
Dial-A-Bus	265,680	265,680	183,482	82,198
STP street project	691,611	691,611	1	691,610
Downtown beautification project	19,600	19,600	-	19,600
ODOT grant/transportation	160	160	160	-
Homeland security & terrorism grant	259,027	259,027	6,087	252,940
1983-84 rehabilitation	77,884	77,884	-	77,884
Gills Landing	5,874	5,874	3,822	2,052
93 housing rehabilitation grant	26,000	26,000	-	26,000
1996 housing rehabilitation grant	26,000	26,000	-	26,000
1998 housing rehabilitation grant	26,000	26,000	-	26,000
2001 housing rehabilitation grant	400,000	400,000	177,263	222,737
Support services	13,300	13,300	7,933	5,367
Traffic team	189,000	189,000	176,431	12,569
Federal community policing	500,000	500,000	-	500,000
Maintenance services	74,145	74,145	64,922	9,223
<i>Total Expenditures</i>	<u>7,187,003</u>	<u>7,187,003</u>	<u>4,108,364</u>	<u>3,078,639</u>

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES OVER (UNDER)				
EXPENDITURES	\$ (3,151,266)	\$ (3,151,266)	\$ (2,105,502)	\$ 1,045,764
OTHER FINANCING SOURCES (USES)				
Transfers in	2,322,640	2,322,640	2,001,968	(320,672)
Transfers out	(480,289)	(480,289)	(168,159)	312,130
<i>Total Other Financing Sources (Uses)</i>	<u>1,842,351</u>	<u>1,842,351</u>	<u>1,833,809</u>	<u>(8,542)</u>
NET CHANGE IN FUND BALANCE	(1,308,915)	(1,308,915)	(271,693)	1,037,222
FUND BALANCE, Beginning of year	<u>1,308,915</u>	<u>1,308,915</u>	<u>1,821,041</u>	<u>512,126</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,549,348</u>	<u>\$ 1,549,348</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NW URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Budget Basis	Variance
	Original	Final		
REVENUES				
Taxes and assessments	\$ 1,764,515	\$ 1,764,515	\$ 1,598,921	\$ (165,594)
Intergovernmental	-	-	194,371	194,371
Miscellaneous	70,075	70,075	98,358	28,283
<i>Total Revenues</i>	1,834,590	1,834,590	1,891,650	57,060
EXPENDITURES				
Personnel services	233,496	233,496	221,243	12,253
Materials and services	1,828,330	1,828,330	805,208	1,023,122
Capital outlay	2,401,345	2,401,345	1,282,196	1,119,149
Debt service	652,617	652,617	630,279	22,338
Contingency	937,659	937,659	-	937,659
<i>Total Expenditures</i>	6,053,447	6,053,447	2,938,926	3,114,521
REVENUES OVER (UNDER) EXPENDITURES	(4,218,857)	(4,218,857)	(1,047,276)	3,171,581
OTHER FINANCING SOURCES (USES)				
Transfers in	450,000	450,000	-	(450,000)
Transfers out	(484,613)	(484,613)	(34,613)	450,000
<i>Total Other Financing Sources (Uses)</i>	(34,613)	(34,613)	(34,613)	-
NET CHANGE IN FUND BALANCE	(4,253,470)	(4,253,470)	(1,081,889)	3,171,581
FUND BALANCE, Beginning of year	4,253,470	4,253,470	2,679,747	(1,573,723)
FUND BALANCE, End of year	\$ -	\$ -	\$ 1,597,858	\$ 1,597,858

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2008

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
REVENUES				
Taxes and assessments	\$ 709,484	\$ 709,484	\$ 1,075,999	\$ 366,515
Intergovernmental	2,010	2,010	-	(2,010)
Miscellaneous	833,520	833,520	1,032,332	198,812
<i>Total Revenues</i>	1,545,014	1,545,014	2,108,331	563,317
EXPENDITURES				
Equipment acquisition	1,451,350	1,451,350	401,016	1,050,334
Historic resources	78	78	-	78
Grant street bridge	1,694,149	1,694,149	266,129	1,428,020
Pioneer Cemetery	5,313	5,313	446	4,867
Police	8,000	8,000	6,381	1,619
Library	184,010	184,010	13,620	170,390
Library building	110,000	110,000	5,390	104,610
Senior center building	23,300	23,300	108	23,192
Library/senior center building	16,500,000	16,500,000	1,770,395	14,729,605
Senior services	230,625	230,625	6,340	224,285
Snedaker trust	70,000	70,000	1,088	68,912
Streets	6,933	6,933	6,644	289
Streets capital projects	765,524	765,524	53,745	711,779
Infrastructure deferral	51,000	51,000	-	51,000
Airport improvements	585,000	585,000	436,545	148,455
SDC drainage	41,915	41,915	-	41,915
SDC drainage improvement	266,184	266,184	(3,257)	269,441
SDC park improvement	374,676	374,676	131,034	243,642
SDC wastewater improvement	442,486	442,486	120,707	321,779
SDC wastewater reimbursement	141,425	141,425	-	141,425
SDC streets improvement	883,082	883,082	238,146	644,936
SDC water improvement	508,709	508,709	49,388	459,321
SDC water reimbursement	52,625	52,625	-	52,625
<i>Total Expenditures</i>	24,396,384	24,396,384	3,503,865	20,892,519

	<i>Budgeted Amounts</i>		<i>Budget</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>	<i>Basis</i>	
REVENUES OVER (UNDER)				
EXPENDITURES	\$ (22,851,370)	\$ (22,851,370)	\$ (1,395,534)	\$ 21,455,836
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	450,933	450,933
Transfers in	378,350	378,350	389,595	11,245
Transfers out	(29,366)	(29,366)	(177,907)	(148,541)
<i>Total Other Financing Sources (Uses)</i>	<u>348,984</u>	<u>348,984</u>	<u>662,621</u>	<u>313,637</u>
NET CHANGE IN FUND BALANCE	(22,502,386)	(22,502,386)	(732,913)	21,769,473
FUND BALANCE, Beginning of year	<u>22,507,473</u>	<u>22,507,473</u>	<u>21,810,633</u>	<u>(696,840)</u>
FUND BALANCE, End of year	<u>\$ 5,087</u>	<u>\$ 5,087</u>	<u>\$ 21,077,720</u>	<u>\$ 21,072,633</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF LEBANON, OREGON
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	<i>Cheadle Lake Urban Renewal</i>	<i>Recorder</i>	<i>Bail Refund</i>
ASSETS			
Cash and investments	\$ 132,358	\$ 249,133	\$ 13,802
Accounts receivable	1,725	4,199	-
Property taxes receivable	8,377	-	-
Special assessments/loans	-	-	-
Prepaid expenses	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 142,460</u>	<u>\$ 253,332</u>	<u>\$ 13,802</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities</i>			
Accounts payable	\$ 218	\$ 139,456	\$ 13,802
Payroll taxes payable	-	113,876	-
Deferred revenues	8,377	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	8,595	253,332	13,802
<i>Fund Balances</i>			
Unreserved, reported in:			
Special revenue funds	133,865	-	-
Debt service funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	133,865	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 142,460</u>	<u>\$ 253,332</u>	<u>\$ 13,802</u>

<i>Debt Service</i>	<i>Bancroft Bond</i>	<i>Totals</i>
\$ 142,074	\$ 25,256	\$ 562,623
14,124	-	20,048
49,229	-	57,606
-	1,567	1,567
-	1,833	1,833
<u>\$ 205,427</u>	<u>\$ 28,656</u>	<u>\$ 643,677</u>
\$ -	\$ -	\$ 153,476
-	-	113,876
49,229	3,400	61,006
<u>49,229</u>	<u>3,400</u>	<u>328,358</u>
-	-	133,865
156,198	25,256	181,454
<u>156,198</u>	<u>25,256</u>	<u>315,319</u>
<u>\$ 205,427</u>	<u>\$ 28,656</u>	<u>\$ 643,677</u>

CITY OF LEBANON, OREGON**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	<i>Cheadle Lake Urban Renewal</i>	<i>Bail Refund</i>	<i>Debt Service</i>
REVENUES			
Taxes and assessments	\$ 125,892	\$ -	\$ 1,163,207
Fines and forfeitures	-	153,414	-
Miscellaneous	5,842	7,122	27,792
<i>Total Revenues</i>	131,734	160,536	1,190,999
EXPENDITURES			
Current operating:			
Community services and development	114,717	-	-
Public safety	-	160,536	-
Capital outlay	3,346	-	-
Debt service	-	-	1,730,688
<i>Total Expenditures</i>	118,063	160,536	1,730,688
REVENUES OVER (UNDER) EXPENDITURES	13,671	-	(539,689)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	18,191
Transfers out	(16,813)	-	-
<i>Total Other Financing Sources (Uses)</i>	(16,813)	-	18,191
NET CHANGE IN FUND BALANCES	(3,142)	-	(521,498)
FUND BALANCES, Beginning of year	137,007	-	677,696
FUND BALANCES, End of year	\$ 133,865	\$ -	\$ 156,198

<i>Bancroft Bond</i>	<i>Totals</i>
\$ -	\$ 1,289,099
-	153,414
999	41,755
999	1,484,268
-	114,717
-	160,536
-	3,346
-	1,730,688
-	2,009,287
999	(525,019)
-	18,191
(31)	(16,844)
(31)	1,347
968	(523,672)
24,288	838,991
<u>\$ 25,256</u>	<u>\$ 315,319</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CHEADLE LAKE URBAN RENEWAL FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ 128,000	\$ 128,000	\$ 125,892	\$ (2,108)
Miscellaneous	4,000	4,000	5,842	1,842
<i>Total Revenues</i>	<u>132,000</u>	<u>132,000</u>	<u>131,734</u>	<u>(266)</u>
EXPENDITURES				
Personnel services	86,957	86,957	100,143	(13,186)
Materials and services	23,747	23,747	14,574	9,173
Capital outlay	112,045	112,045	3,346	108,699
Debt service	128,000	128,000	-	128,000
Contingency	8,343	8,343	-	8,343
<i>Total Expenditures</i>	<u>359,092</u>	<u>359,092</u>	<u>118,063</u>	<u>241,029</u>
REVENUES OVER (UNDER) EXPENDITURES	(227,092)	(227,092)	13,671	240,763
OTHER FINANCING SOURCES (USES)				
Loan proceeds	121,905	121,905	-	(121,905)
Transfers out	(16,813)	(16,813)	(16,813)	-
<i>Total Other Financing Sources (Uses)</i>	<u>105,092</u>	<u>105,092</u>	<u>(16,813)</u>	<u>(121,905)</u>
NET CHANGE IN FUND BALANCE	(122,000)	(122,000)	(3,142)	118,858
FUND BALANCE, Beginning of year	<u>122,000</u>	<u>122,000</u>	<u>137,007</u>	<u>15,007</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,865</u>	<u>\$ 133,865</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
REVENUES				
Taxes and assessments	\$ 1,157,627	\$ 1,157,627	\$ 1,163,207	\$ 5,580
Miscellaneous	32,250	32,250	27,792	(4,458)
<i>Total Revenues</i>	<u>1,189,877</u>	<u>1,189,877</u>	<u>1,190,999</u>	<u>1,122</u>
EXPENDITURES				
Debt service	1,731,477	1,731,477	1,730,688	789
Contingency	138,930	138,930	-	138,930
<i>Total Expenditures</i>	<u>1,870,407</u>	<u>1,870,407</u>	<u>1,730,688</u>	<u>139,719</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(680,530)	(680,530)	(539,689)	140,841
OTHER FINANCING SOURCES (USES)				
Transfers in	37,145	37,145	18,191	(18,954)
NET CHANGE IN FUND BALANCE	<u>(643,385)</u>	<u>(643,385)</u>	<u>(521,498)</u>	<u>121,887</u>
FUND BALANCE, Beginning of year	<u>675,700</u>	<u>675,700</u>	<u>677,696</u>	<u>1,996</u>
FUND BALANCE, End of year	<u>\$ 32,315</u>	<u>\$ 32,315</u>	<u>\$ 156,198</u>	<u>\$ 123,883</u>

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BANCROFT BOND FUND
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ 1,710	\$ 1,710	\$ -	\$ (1,710)
Miscellaneous	1,300	1,300	999	(301)
<i>Total Revenues</i>	<u>3,010</u>	<u>3,010</u>	<u>999</u>	<u>(2,011)</u>
EXPENDITURES				
Materials and services	23,500	23,500	-	23,500
Contingency	1,200	1,200	-	1,200
<i>Total Expenditures</i>	<u>24,700</u>	<u>24,700</u>	<u>-</u>	<u>24,700</u>
REVENUES OVER (UNDER) EXPENDITURES	(21,690)	(21,690)	999	22,689
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,310)	(2,310)	(31)	2,279
NET CHANGE IN FUND BALANCE	(24,000)	(24,000)	968	24,968
FUND BALANCE, Beginning of year	<u>24,000</u>	<u>24,000</u>	<u>24,288</u>	<u>288</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,256</u>	<u>\$ 25,256</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BAIL REFUND FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	
REVENUES				
Fines and forfeitures	\$ 151,000	\$ 151,000	\$ 153,414	\$ 2,414
Miscellaneous	14,000	14,000	7,122	(6,878)
<i>Total Revenues</i>	165,000	165,000	160,536	(4,464)
EXPENDITURES				
Materials and services	165,000	165,000	160,536	4,464
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	-	-
FUND BALANCE, Beginning of year				
	-	-	-	-
FUND BALANCE, End of year				
	\$ -	\$ -	\$ -	\$ -

CITY OF LEBANON, OREGON
SCHEDULE OF FUND NET ASSETS - ALL PROPRIETARY FUND DEPARTMENTS
JUNE 30, 2008

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
ASSETS			
Current assets			
Cash and investments	\$ 251,341	\$ 634,688	\$ 100,433
Accounts receivable	313,211	-	480
Property taxes receivable	-	-	-
<i>Total Current Assets</i>	<u>564,552</u>	<u>634,688</u>	<u>100,913</u>
Noncurrent assets			
Capital assets, net	<u>4,409,069</u>	<u>975,073</u>	<u>65,569</u>
<i>Total Assets</i>	<u>4,973,621</u>	<u>1,609,761</u>	<u>166,482</u>
LIABILITIES			
Current liabilities			
Accounts payable	11,968	-	32,557
Deposits	92,810	-	-
Loan payable - current portion	-	-	-
Bonds payable - current portion	-	155,000	-
<i>Total Current Liabilities</i>	<u>104,778</u>	<u>155,000</u>	<u>32,557</u>
Noncurrent liabilities			
Loans payable	-	-	-
Bonds payable	-	2,575,000	-
Bonds discount	-	(65,208)	-
Compensated absences payable	104,377	1,284	29,425
<i>Total Noncurrent Liabilities</i>	<u>104,377</u>	<u>2,511,076</u>	<u>29,425</u>
NET ASSETS			
Investment in capital assets (net of related debt)	4,409,069	(1,689,719)	65,569
Unrestricted (deficit)	355,397	633,404	38,931
<i>Total Net Assets</i>	<u>\$ 4,764,466</u>	<u>\$ (1,056,315)</u>	<u>\$ 104,500</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ 39,393	\$ 560,962	\$ 4,101,739	\$ 186	\$ 5,688,742
-	361,172	-	-	674,863
-	695	-	-	695
39,393	922,829	4,101,739	186	6,364,300
-	18,550,757	2,693,059	-	26,693,527
39,393	19,473,586	6,794,798	186	33,057,827
27	18,964	923,084	-	986,600
-	-	-	-	92,810
-	-	182,167	-	182,167
-	-	340,000	-	495,000
27	18,964	1,445,251	-	1,756,577
-	-	4,129,408	-	4,129,408
-	-	4,910,000	-	7,485,000
-	-	(135,947)	-	(201,155)
-	106,391	6,465	-	247,942
-	106,391	8,909,926	-	11,661,195
-	18,550,757	(6,732,569)	-	14,603,107
39,366	797,474	3,172,190	186	5,036,948
\$ 39,366	\$ 19,348,231	\$ (3,560,379)	\$ 186	\$ 19,640,055

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
ALL PROPRIETARY FUND DEPARTMENTS
YEAR ENDED JUNE 30, 2008

	<u>Water Dept.</u>	<u>Water CIP Dept.</u>	<u>Small Water Line Dept.</u>
OPERATING REVENUES			
Charges for services	\$ 2,265,575	\$ -	\$ -
Miscellaneous	111,406	-	480
<i>Total Operating Revenues</i>	2,376,981	-	480
OPERATING EXPENSES			
Personnel services	760,437	-	301,216
Materials and services	436,656	5,015	208,764
Capital outlay/depreciation	202,645	-	6,192
<i>Total Operating Expenses</i>	1,399,738	5,015	516,172
OPERATING INCOME (LOSS)	977,243	(5,015)	(515,692)
NONOPERATING REVENUES (EXPENSES)			
Transfers in	-	257,118	542,913
Transfers out	(1,390,760)	(59,140)	(30,335)
Interest income	13,327	27,732	2,611
Interest expense	-	(97,318)	-
<i>Total Nonoperating Revenue (Expenses)</i>	(1,377,433)	128,392	515,189
CHANGE IN NET ASSETS	(400,190)	123,377	(503)
NET ASSETS (DEFICIT), Beginning of year	5,164,656	(1,179,692)	105,003
NET ASSETS (DEFICIT), End of year	<u>\$ 4,764,466</u>	<u>\$ (1,056,315)</u>	<u>\$ 104,500</u>

<i>Storm Drain Utility Dept.</i>	<i>Wastewater Dept.</i>	<i>Wastewater CIP Dept.</i>	<i>Railroad Dept.</i>	<i>Totals</i>
\$ -	\$ 2,730,435	\$ -	\$ -	\$ 4,996,010
-	96,377	300	102	208,665
-	2,826,812	300	102	5,204,675
5	553,280	-	-	1,614,938
101	384,350	11,331	38	1,046,255
-	570,275	-	-	779,112
106	1,507,905	11,331	38	3,440,305
(106)	1,318,907	(11,031)	64	1,764,370
-	2,497,787	928,895	-	4,226,713
-	(1,816,498)	(2,505,441)	-	(5,802,174)
1,556	18,285	121,751	8	185,270
-	-	(247,529)	-	(344,847)
1,556	699,574	(1,702,324)	8	(1,735,038)
1,450	2,018,481	(1,713,355)	72	29,332
37,916	17,329,750	(1,847,024)	114	19,610,723
\$ 39,366	\$ 19,348,231	\$ (3,560,379)	\$ 186	\$ 19,640,055

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER DEPARTMENT
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Charges for services	\$ 2,542,000	\$ 2,542,000	\$ 2,342,604	\$ 2,265,575
Miscellaneous	190,200	190,200	177,267	124,733
<i>Total Revenues</i>	2,732,200	2,732,200	2,519,871	2,390,308
EXPENSES				
Personnel services	839,315	839,315	762,269	760,437
Materials and services	517,124	517,124	487,689	436,656
Capital outlay/depreciation	100,355	100,355	5,098	202,645
Contingency	115,654	115,654	-	-
<i>Total Expenses</i>	1,572,448	1,572,448	1,255,056	1,399,738
REVENUES OVER (UNDER) EXPENSES	1,159,752	1,159,752	1,264,815	990,570
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,572,252)	(1,572,252)	(1,572,002)	(1,390,760)
NET CHANGE IN NET ASSETS	(412,500)	(412,500)	(307,187)	(400,190)
NET ASSETS, Beginning of year	412,500	412,500	550,368	5,164,656
NET ASSETS, End of year	\$ -	\$ -	\$ 243,181	\$ 4,764,466

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WATER CAPITAL IMPROVEMENT DEPARTMENT
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 21,000	\$ 21,000	\$ 27,732	\$ 27,732
EXPENSES				
Personnel services	30,673	30,673	20,873	-
Materials and services	6,800	6,800	290	5,015
Capital outlay/depreciation	650,000	650,000	59,140	-
Debt service	257,318	257,318	252,318	97,318
Contingency	8,348	8,348	-	-
<i>Total Expenses</i>	<u>953,139</u>	<u>953,139</u>	<u>332,621</u>	<u>102,333</u>
REVENUES OVER (UNDER) EXPENSES	(932,139)	(932,139)	(304,889)	(74,601)
OTHER FINANCING SOURCES (USES)				
Transfers in	257,118	257,118	257,118	257,118
Transfers out	(17,479)	(17,479)	(17,479)	(59,140)
<i>Total Other Financing Sources (Uses)</i>	<u>239,639</u>	<u>239,639</u>	<u>239,639</u>	<u>197,978</u>
NET CHANGE IN NET ASSETS	(692,500)	(692,500)	(65,250)	123,377
NET ASSETS, Beginning of year	<u>692,500</u>	<u>692,500</u>	<u>699,938</u>	<u>(1,179,692)</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,688</u>	<u>\$ (1,056,315)</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, 2008**

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 4,400	\$ 4,400	\$ 3,091	\$ 3,091
EXPENSES				
Personnel services	312,208	312,208	297,679	301,216
Materials and services	238,733	238,733	208,764	208,764
Capital outlay/depreciation	13,310	13,310	-	6,192
Contingency	2,727	2,727	-	-
<i>Total Expenses</i>	<u>566,978</u>	<u>566,978</u>	<u>506,443</u>	<u>516,172</u>
REVENUES OVER (UNDER) EXPENSES	(562,578)	(562,578)	(503,352)	(513,081)
OTHER FINANCING SOURCES (USES)				
Transfers in	542,913	542,913	542,913	542,913
Transfers out	(30,335)	(30,335)	(30,335)	(30,335)
<i>Total Other Financing Sources (Uses)</i>	<u>512,578</u>	<u>512,578</u>	<u>512,578</u>	<u>512,578</u>
NET CHANGE IN NET ASSETS	(50,000)	(50,000)	9,226	(503)
NET ASSETS, Beginning of year	<u>50,000</u>	<u>50,000</u>	<u>59,130</u>	<u>105,003</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,356</u>	<u>\$ 104,500</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, 2008**

	<u>Budgeted Amounts</u>		<u>Budget</u>	<u>GAAP</u>
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Basis</u>
REVENUES				
Miscellaneous	\$ 1,000	\$ 1,000	\$ 1,556	\$ 1,556
EXPENSES				
Personnel services	-	-	5	5
Materials and services	34,779	34,779	101	101
Contingency	3,221	3,221	-	-
<i>Total Expenses</i>	<u>38,000</u>	<u>38,000</u>	<u>106</u>	<u>106</u>
REVENUES OVER (UNDER)				
EXPENSES	(37,000)	(37,000)	1,450	1,450
NET ASSETS, Beginning of year	<u>37,000</u>	<u>37,000</u>	<u>37,916</u>	<u>37,916</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,366</u>	<u>\$ 39,366</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WASTEWATER DEPARTMENT
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Charges for services	\$ 2,726,500	\$ 2,726,500	\$ 2,664,532	\$ 2,730,435
Miscellaneous	90,000	90,000	114,662	114,662
<i>Total Revenues</i>	2,816,500	2,816,500	2,779,194	2,845,097
EXPENSES				
Personnel services	604,861	604,861	560,158	553,280
Materials and services	412,303	412,303	388,738	384,350
Capital outlay/depreciation	85,180	85,180	5,366	570,275
Contingency	285,208	285,208	-	-
<i>Total Expenses</i>	1,387,552	1,387,552	954,262	1,507,905
REVENUES OVER (UNDER) EXPENSES	1,428,948	1,428,948	1,824,932	1,337,192
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	2,497,787
Transfers out	(1,816,748)	(1,816,748)	(1,816,498)	(1,816,498)
NET CHANGE IN NET ASSETS	(387,800)	(387,800)	8,434	2,018,481
NET ASSETS, Beginning of year	387,800	387,800	536,859	17,329,750
NET ASSETS, End of year	\$ -	\$ -	\$ 545,293	\$ 19,348,231

CITY OF LEBANON, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - WASTEWATER CAPITAL IMPROVEMENT DEPARTMENT
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Budget Basis</i>	<i>GAAP Basis</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 24,000	\$ 24,000	\$ 122,051	\$ 122,051
EXPENSES				
Personnel services	141,230	141,230	136,792	-
Materials and services	236,437	236,437	90,390	11,331
Capital outlay/depreciation	4,813,000	4,813,000	3,153,829	-
Debt service	577,529	577,529	577,529	247,529
Contingency	21,655	21,655	-	-
<i>Total Expenses</i>	<u>5,789,851</u>	<u>5,789,851</u>	<u>3,958,540</u>	<u>258,860</u>
REVENUES OVER (UNDER) EXPENSES				
	(5,765,851)	(5,765,851)	(3,836,489)	(136,809)
OTHER FINANCING SOURCES (USES)				
Transfers in	928,895	928,895	928,895	928,895
Transfers out	(19,044)	(19,044)	(19,044)	(2,505,441)
Loan Proceeds	3,060,000	3,060,000	4,311,575	-
<i>Total Other Financing Sources (Uses)</i>	<u>3,969,851</u>	<u>3,969,851</u>	<u>5,221,426</u>	<u>(1,576,546)</u>
NET CHANGE IN NET ASSETS	(1,796,000)	(1,796,000)	1,384,937	(1,713,355)
NET ASSETS, Beginning of year	<u>1,796,000</u>	<u>1,796,000</u>	<u>1,793,717</u>	<u>(1,847,024)</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,178,654</u>	<u>\$ (3,560,379)</u>

CITY OF LEBANON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN RETAINED EARNINGS -
BUDGET AND ACTUAL - RAILROAD DEPARTMENT
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Budget Basis</u>	<u>GAAP Basis</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 110	\$ 110	\$ 110	\$ 110
EXPENSES				
Materials and services	105	105	38	38
Contingency	115	115	-	-
<i>Total Expenses</i>	<u>220</u>	<u>220</u>	<u>38</u>	<u>38</u>
REVENUES OVER (UNDER) EXPENSES	(110)	(110)	72	72
NET ASSETS, Beginning of year	<u>110</u>	<u>110</u>	<u>114</u>	<u>114</u>
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186</u>	<u>\$ 186</u>

CITY OF LEBANON, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2008

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2007</i>	<i>2007-2008 Levy</i>	<i>Added To Rolls</i>	<i>Interest, Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2008</i>
2007-08	\$ -	\$ 6,325,074	\$ 1,835	\$ (183,518)	\$ (5,893,575)	\$ 249,816
2006-07	189,535	-	3	(5,474)	(104,859)	79,205
2005-06	73,174	-	-	(4,896)	(28,534)	39,744
2004-05	39,097	-	-	(409)	(22,836)	15,852
2003-04	14,609	-	-	(329)	(11,693)	2,587
2002-03	4,578	-	-	(393)	(2,830)	1,355
Prior Years	5,995	-	-	(172)	(991)	4,832
Total	\$ 326,988	\$ 6,325,074	\$ 1,838	\$ (195,191)	\$ (6,065,318)	\$ 393,391

CITY OF LEBANON, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2008

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Fiscal Year of Maturity</u>
PRINCIPAL TRANSACTIONS			
Governmental Activities			
1995 GO Refunding	3.75-5.350%	1995	2009-10
2000 GO Urban Renewal	4.75-6.000%	2000	2019-20
2002 GO Pension Pool	2.00-7.360%	2002	2027-28
2007 GO Refunding	4.00-5.000%	2007	2026-27
NWURD SPWF	4.00-4.375%	2007	2031-32
General Fund SPWF	3.77%	2007	2009-10
Key Bank Note	5.950%	1998	2007-08
Business-type Activities			
2000 Wastewater Revenue	4.70-5.700%	2000	2019-20
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	2019-20
2004 Water Refunding	2.00-4.200%	2004	2020-21
2007 Cannibal Project Financing	2.10-4.22%	2007	2021-22
	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Unmatured Interest Outstanding July 1, 2007</u>
BOND INTEREST TRANSACTIONS			
Governmental Activities			
1995 GO Refunding	3.75-5.350%	1995	56,625
2000 GO Urban Renewal	4.75-6.000%	2000	1,900,942
2002 GO Pension Pool	2.00-7.360%	2002	2,562,303
2007 GO Refunding	4.00-5.000%	2007	11,807,539
NWURD SPWF	4.00-4.375%	2007	2,341,525
General Fund SPWF	3.77%	2007	167,116
Key Bank Note	5.95%	1998	923
Business-type Activities			
2000 Wastewater Revenue	4.70-5.700%	2000	1,121,331
2003 Wastewater Revenue Refunding	2.00-4.125%	2003	841,022
2004 Water Refunding	2.00-4.200%	2004	896,309
			\$ 21,695,635

<i>Outstanding July 1, 2007</i>	<i>Debt Issued</i>	<i>Debt Paid</i>	<i>Outstanding June 30, 2008</i>
\$ 400,000	\$ -	\$ (400,000)	\$ -
4,120,000	-	(220,000)	3,900,000
2,027,597	-	(20,540)	2,007,057
19,970,000	-	(295,000)	19,675,000
3,677,462	-	(66,240)	3,611,222
1,259,476	450,933	-	1,710,409
24,734	-	(24,734)	-
2,595,000	-	(145,000)	2,450,000
2,985,000	-	(185,000)	2,800,000
2,885,000	-	(155,000)	2,730,000
-	4,311,575	-	4,311,575
<u>\$ 39,944,269</u>	<u>\$ 4,762,508</u>	<u>\$ (1,511,514)</u>	<u>\$ 43,195,263</u>

<i>New Issues</i>	<i>Interest/ Coupons Paid</i>	<i>Interest Saved By Refunding and Other Adjustments</i>	<i>Unmatured Interest June 30, 2008</i>
\$ -	\$ (56,625)	\$ -	\$ -
-	(240,762)	-	1,660,180
-	(122,240)	-	2,440,063
-	(857,627)	-	10,949,912
-	(103,276)	-	2,238,249
-	(78,605)	-	88,511
-	(923)	-	-
-	(142,325)	-	979,006
-	(105,204)	-	735,818
-	(97,317)	-	798,992
<u>\$ -</u>	<u>\$ (1,804,904)</u>	<u>\$ -</u>	<u>\$ 19,890,731</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS
JUNE 30, 2008

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2000 GO Urban Renewal</i>			<i>2002 GO Pension Pool</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 235,000	\$ 228,552	\$ 463,552	\$ 22,288	\$ 125,492	\$ 147,780
2010	245,000	215,392	460,392	23,468	129,312	152,780
2011	260,000	201,550	461,550	27,144	135,636	162,780
2012	275,000	186,600	461,600	27,634	140,146	167,780
2013	290,000	170,787	460,787	30,293	147,487	177,780
2014	310,000	154,112	464,112	30,290	152,490	182,780
2015	325,000	136,287	461,287	31,704	161,076	192,780
2016	345,000	117,600	462,600	32,796	169,984	202,780
2017	370,000	96,900	466,900	33,687	179,093	212,780
2018	390,000	74,700	464,700	32,872	184,908	217,780
2019	415,000	51,300	466,300	33,233	194,547	227,780
2020	440,000	26,400	466,400	51,648	186,132	237,780
2021	-	-	-	140,000	111,068	251,068
2022	-	-	-	160,000	101,478	261,478
2023	-	-	-	185,000	90,518	275,518
2024	-	-	-	205,000	77,845	282,845
2025	-	-	-	235,000	63,802	298,802
2026	-	-	-	260,000	48,292	308,292
2027	-	-	-	295,000	30,482	325,482
2028	-	-	-	150,000	10,275	160,275
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 3,900,000</u>	<u>\$ 1,660,180</u>	<u>\$ 5,560,180</u>	<u>\$ 2,007,057</u>	<u>\$ 2,440,063</u>	<u>\$ 4,447,120</u>

<i>2007 GO Refunding</i>			<i>NWURD SPWF</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 730,000	\$ 875,400	\$ 1,605,400	\$ 90,586	\$ 152,265	\$ 242,851
460,000	846,200	1,306,200	96,210	148,642	244,852
555,000	827,800	1,382,800	96,858	144,793	241,651
650,000	805,600	1,455,600	102,533	140,919	243,452
725,000	779,600	1,504,600	108,234	136,818	245,052
620,000	750,600	1,370,600	108,963	132,488	241,451
690,000	725,800	1,415,800	114,722	128,130	242,852
760,000	698,200	1,458,200	120,511	123,541	244,052
830,000	667,800	1,497,800	126,331	118,720	245,051
905,000	631,600	1,536,600	132,184	113,667	245,851
1,000,000	595,400	1,595,400	133,072	108,380	241,452
1,080,000	555,400	1,635,400	138,994	103,057	242,051
1,175,000	506,800	1,681,800	144,984	97,323	242,307
1,280,000	450,988	1,730,988	151,034	91,234	242,268
1,390,000	390,187	1,780,187	157,140	84,815	241,955
1,510,000	324,162	1,834,162	168,293	78,137	246,430
1,635,000	252,437	1,887,437	174,510	70,900	245,410
1,775,000	170,688	1,945,688	180,801	63,265	244,066
1,905,000	95,250	2,000,250	187,149	55,355	242,504
-	-	-	198,555	47,167	245,722
-	-	-	205,023	38,481	243,504
-	-	-	216,556	29,511	246,067
-	-	-	223,155	20,367	243,522
-	-	-	234,824	10,274	245,098
<u>\$ 19,675,000</u>	<u>\$ 10,949,912</u>	<u>\$ 30,624,912</u>	<u>\$ 3,611,222</u>	<u>\$ 2,238,249</u>	<u>\$ 5,849,471</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)
JUNE 30, 2008

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>General Fund SPWF</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>
2009	\$ -	\$ 78,605	\$ 78,605	\$ 190,000	\$ 101,041	\$ 291,041
2010	2,085,000	9,906	2,094,906	200,000	95,816	295,816
2011	-	-	-	210,000	89,816	299,816
2012	-	-	-	210,000	83,329	293,329
2013	-	-	-	220,000	76,294	296,294
2014	-	-	-	225,000	68,319	293,319
2015	-	-	-	235,000	60,163	295,163
2016	-	-	-	245,000	51,627	296,627
2017	-	-	-	255,000	42,563	297,563
2018	-	-	-	260,000	32,850	292,850
2019	-	-	-	270,000	22,450	292,450
2020	-	-	-	280,000	11,550	291,550
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
	<u>\$ 2,085,000</u>	<u>\$ 88,511</u>	<u>\$ 2,173,511</u>	<u>\$ 2,800,000</u>	<u>\$ 735,818</u>	<u>\$ 3,535,818</u>

CITY OF LEBANON, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS (Continued)
JUNE 30, 2008

<i>Fiscal Year</i> Ending June 30,	2007 Cannibal Project Financing			Totals		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 182,167	\$ 233,789	\$ 415,956	\$ 1,755,041	\$ 2,024,292	\$ 3,779,333
2010	244,255	171,701	415,956	3,673,933	1,834,961	5,508,894
2011	254,671	161,285	415,956	1,733,673	1,766,528	3,500,201
2012	265,531	150,425	415,956	1,870,698	1,699,508	3,570,206
2013	276,853	139,103	415,956	2,010,380	1,628,240	3,638,620
2014	288,659	127,297	415,956	1,957,912	1,547,921	3,505,833
2015	300,968	114,988	415,956	2,087,394	1,472,274	3,559,668
2016	313,802	102,154	415,956	2,227,109	1,390,616	3,617,725
2017	327,184	88,772	415,956	2,377,202	1,301,708	3,678,910
2018	341,136	74,820	415,956	2,516,192	1,198,995	3,715,187
2019	355,683	60,273	415,956	2,686,988	1,096,135	3,783,123
2020	370,850	45,106	415,956	2,861,492	967,795	3,829,287
2021	386,664	28,412	415,076	2,081,648	758,828	2,840,476
2022	403,152	12,804	415,956	2,239,186	661,649	2,900,835
2023	-	-	-	1,732,140	565,520	2,297,660
2024	-	-	-	1,883,293	480,144	2,363,437
2025	-	-	-	2,044,510	387,139	2,431,649
2026	-	-	-	2,215,801	282,245	2,498,046
2027	-	-	-	2,387,149	181,087	2,568,236
2028	-	-	-	348,555	57,442	405,997
2029	-	-	-	205,023	38,481	243,504
2030	-	-	-	216,556	29,511	246,067
2031	-	-	-	223,155	20,367	243,522
2032	-	-	-	234,824	10,274	245,098
	<u>\$ 4,311,575</u>	<u>\$ 1,510,929</u>	<u>\$ 5,822,504</u>	<u>\$ 43,569,854</u>	<u>\$ 21,401,660</u>	<u>\$ 64,971,514</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, 2008***

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are as follows.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lebanon (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Significant Accounting Policies

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

Organization and Fund Structure

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

Internal Control Over Financial Reporting

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

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

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

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

CITY OF LEBANON, OREGON

**COMMENTS OF THE INDEPENDENT AUDITOR REQUIRED BY STATE OF OREGON MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)
YEAR ENDED JUNE 30, 2008**

Adequacy of Accounting Records

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

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

Indebtedness

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 264.250 (3). We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements, at June 30, 2008.

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, 2008.

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, 2008 and 2009. 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, 2008. 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, 2008.

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, 2008.

Public Contracting and Purchasing

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

CITY OF LEBANON, OREGON

**COMMENTS OF THE INDEPENDENT AUDITOR REQUIRED BY STATE OF OREGON MINIMUM
STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)
YEAR ENDED JUNE 30, 2008**

Use Of State Highway Funds

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

Programs Funded from Outside Sources

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies. The City is in compliance with the guidelines in all material respects.

Financial Reporting Requirements

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


Other Matters

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

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

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

May 11, 2009