



CITY OF LEBANON

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CITY OF LEBANON
Linn County, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2014



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

330 Washington Street SW | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

CITY OF LEBANON
Linn County, Oregon

CITY OFFICIALS

June 30, 2014

MAYOR

Paul Aziz
312 E. Sherman Street
Lebanon, Oregon 97355

CITY COUNCIL

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97355

Barry Scott
1620 W. Airway Road
Lebanon, Oregon 97355

Bob Elliott
795 Binshadler Street
Lebanon, Oregon 97355

Floyd Fisher
170 S. 2nd Street
Lebanon, Oregon 97355

Jason Bolen
3426 Duck Place
Lebanon, Oregon 97355

Rebecca Grizzle
333 E. Ash Street
Lebanon, Oregon 97355

CITY MANAGER

Jon Nelson, Interim

Gary Marks (*Hired as of 3/17/14*)

CITY OF LEBANON
Linn County, Oregon

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Paul Aziz, Mayor
And Members of the City Council
City of Lebanon
Lebanon, Oregon 97355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Lebanon, Linn County, Oregon as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City of Lebanon, Linn County, Oregon as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 54 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 individual fund schedules and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 16, 2014 on our tests of the City’s compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC



By: _____
Kori L. Sarrett, CPA

Albany, Oregon
December 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the City of Lebanon, Linn County, Oregon, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. It should be read in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, total net position of the City of Lebanon amounted to \$44,799,068. Of this amount, \$27,614,924 was invested in capital assets, net of related debt. The remaining balance included \$9,449,690 restricted for various purposes and \$7,734,454 of unrestricted net position.
- The City's total net position decreased by \$5,835,605 during the current fiscal year.
- Overall expenditures were \$29,427,627, which exceeded total revenues of \$23,592,022 by \$5,835,605.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, culture and recreation, and community planning and development.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The business-type activities of the City include water, sewer and storm drainage services. The government-wide financial statements can be found on pages 11 through 13 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of the City of Lebanon can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the City'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 the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue, Special Assessment, Northwest Urban Renewal District, Cheadle Lake Urban Renewal District, North Gateway Urban Renewal District, Debt Service, and Capital Projects Funds, all of which are considered to be major governmental funds.

The City of Lebanon adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

□ **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains one enterprise fund.

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, sewer and storm drain utility operations.

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

□ **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is the same as that used for governmental funds.

The basic fiduciary fund financial statement can be found on page 22 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 53 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General, Special Revenue, Special Assessment, Northwest Urban Renewal, Cheadle Lake Urban Renewal, and North Gateway Urban Renewal Funds. This required supplementary information can be found on pages 54 through 60 of this report.

Individual fund schedules can be found immediately following the required supplementary information on pages 61 through 65 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded liabilities by \$44,799,068, at the close of the most recent fiscal year. This was a decrease in net assets of 12%.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these 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 this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's Net position

At the end of the current fiscal year, the City was able to report positive balances in all categories of net position. The City's net position decreased by \$5,835,605 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets	\$ 2,395,906	\$ 1,665,363	\$ 4,108,828	\$ 4,212,367	\$ 6,504,734	\$ 5,877,730
Restricted assets	10,196,486	10,722,549	-	-	10,196,486	10,722,549
Noncurrent assets	2,539,738	2,475,009	362,749	381,416	2,902,487	2,856,425
Net capital assets	<u>34,800,641</u>	<u>35,909,457</u>	<u>42,662,018</u>	<u>37,433,543</u>	<u>77,462,659</u>	<u>73,343,000</u>
Total assets	<u>49,932,771</u>	<u>50,772,378</u>	<u>47,133,595</u>	<u>42,027,326</u>	<u>97,066,366</u>	<u>92,799,704</u>
Liabilities						
Current liabilities	3,616,021	2,436,593	1,049,491	1,381,039	4,665,512	3,817,632
Noncurrent liabilities	<u>38,665,719</u>	<u>25,370,196</u>	<u>8,936,067</u>	<u>12,977,203</u>	<u>47,601,786</u>	<u>38,347,399</u>
Total liabilities	<u>42,281,740</u>	<u>27,806,789</u>	<u>9,985,558</u>	<u>14,358,242</u>	<u>52,267,298</u>	<u>42,165,031</u>
Net position						
Net investment in capital assets	(5,561,848)	9,734,594	33,176,772	23,544,414	27,614,924	33,279,008
Restricted	9,077,679	10,117,153	372,011	372,011	9,449,690	10,489,164
Unrestricted	<u>4,135,200</u>	<u>3,113,842</u>	<u>3,599,254</u>	<u>3,752,659</u>	<u>7,734,454</u>	<u>6,866,501</u>
Total net position	<u>\$ 7,651,031</u>	<u>\$ 22,965,589</u>	<u>\$ 37,148,037</u>	<u>\$ 27,669,084</u>	<u>\$ 44,799,068</u>	<u>\$ 50,634,673</u>

City's Changes in Net position

The condensed statement of activities information shown on the following page explains changes in net position.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Program revenues						
Charges for services	\$ 833,670	\$ 1,291,877	\$ 9,428,022	\$ 9,594,106	\$ 10,261,692	\$ 10,885,983
Operating grants and contributions	291,697	342,783	-	-	291,697	342,783
Capital grants and contributions	-	-	-	-	-	-
Total program revenues	1,125,367	1,634,660	9,428,022	9,594,106	10,553,389	11,228,766
General revenues						
Property taxes - general	5,968,262	4,841,894	-	-	5,968,262	4,841,894
Property taxes - debt service	2,348,076	2,938,540	-	-	2,348,076	2,938,540
Franchise taxes	2,000,707	1,898,832	-	-	2,000,707	1,898,832
Motor fuel taxes	895,783	854,197	-	-	895,783	854,197
Alcohol/cigarette taxes	240,676	230,329	-	-	240,676	230,329
Transient room taxes	53,412	30,162	-	-	53,412	30,162
Intergovernmental	168,922	164,930	-	-	168,922	164,930
Unrestricted grants and contributions	81,801	61,605	-	-	81,801	61,605
Investment income	151,205	93,658	15,447	4,813	166,652	98,471
Gain on disposal of assets	-	62,516	-	-	-	62,516
Miscellaneous revenue	1,007,001	669,851	107,341	130,525	1,114,342	800,376
Total general revenues	12,915,845	11,846,514	122,788	135,338	13,038,633	11,981,852
Total revenues	14,041,212	13,481,174	9,550,810	9,729,444	23,592,022	23,210,618
Program expenses						
General Government	16,402,902	10,779,207	-	-	16,402,902	10,779,207
Public Safety	4,492,848	4,507,518	-	-	4,492,848	4,507,518
Highways and streets	735,708	711,593	-	-	735,708	711,593
Culture and recreation	1,562,044	1,629,143	-	-	1,562,044	1,629,143
Community planning and dev.	1,604,091	486,140	-	-	1,604,091	486,140
Interest on long-term debt	974,686	1,070,600	-	-	974,686	1,070,600
Water	-	-	1,424,620	1,555,413	1,424,620	1,555,413
Wastewater	-	-	2,056,295	2,439,795	2,056,295	2,439,795
Storm Drainage	-	-	174,433	150,987	174,433	150,987
Total program expenses	25,772,279	19,184,201	3,655,348	4,146,195	29,427,627	23,330,396
Transfers	(3,583,491)	2,750,955	3,583,491	(2,750,955)	-	-
Change in net position	(15,314,558)	(2,952,072)	9,478,953	2,832,294	(5,835,605)	(119,778)
Net position -						
beginning of year, as restated	22,965,589	25,917,661	27,669,084	24,836,790	50,634,673	50,754,451
Net position - end of year	\$ 7,651,031	\$ 22,965,589	\$ 37,148,037	\$ 27,669,084	\$ 44,799,068	\$ 50,634,673

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FINANCIAL ANALYSIS OF THE CITY'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, unassigned fund balance may serve as a useful measurement of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$10,010,008, a decrease of \$666,967 from the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the General Fund amounted to \$988,969, an increase of \$238,811 over the prior year.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the proprietary fund amounted to \$37,148,037 at year-end. Of this amount, \$33,176,772 was invested in capital assets net of related debt, \$372,011 restricted for debt service, and the remaining balance of \$3,599,254 was unrestricted.

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts; one approved supplemental budget and two approved appropriation changes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Lebanon's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$34,800,641 and \$42,662,018 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, equipment, and vehicles. Total depreciation expense related to the City's investment in capital assets for its governmental and business-type activities amounted to \$1,170,014 and \$1,143,729, respectively.

CITY OF LEBANON
Linn County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Major capital assets activities during the year included completion of the following projects:

- Street sweeper purchase
- 5th water line replacement
- Hobbs and Arlene sewer improvements
- Maple Street sewer improvements

Additional information on the City's capital assets can be found in Note III-D on pages 37 through 40 of this report.

Long-Term Liabilities

At the end of the current fiscal year, the City had total debt outstanding of \$49,847,735. This amount is comprised of debt backed by general obligation bonds, revenue bonds, notes and loans payable. The City's total debt increased by \$9,783,744 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note III-G on pages 41 through 47 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the City was aware of the following circumstances that could affect its future financial health:

- PERS rate increases are expected. Rates for the 7/1/15 - 6/30/17 period were announced. Tier 1 & 2 14.53% up 3.3%, OPSRP general 7.26% no change, and OPSRP police 11.37% up 1.37%.
- Property tax revenue increased over last year. It is hoped for and anticipated that with economic growth this trend will continue.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,281,123	\$ 2,749,603	\$ 4,030,726
Receivables, net - current portion	633,919	1,356,933	1,990,852
Property taxes receivable	403,342	-	403,342
Special assessments receivable	22,335	-	22,335
Prepaid expenses	55,187	2,292	57,479
Total current assets	<u>2,395,906</u>	<u>4,108,828</u>	<u>6,504,734</u>
Restricted assets			
Cash and investments	9,354,786	-	9,354,786
Receivables, net	110,482	-	110,482
Special assessments receivable	265,943	-	265,943
Property taxes receivable	465,275	-	465,275
Total restricted assets	<u>10,196,486</u>	<u>-</u>	<u>10,196,486</u>
Internal balances	-	154,777	154,777
Receivables, net - less current portion	991,682	-	991,682
Deferred charges - bond issuance costs	-	207,972	207,972
Net pension asset	1,548,056	-	1,548,056
Capital assets, net of accumulated depreciation	34,800,641	42,662,018	77,462,659
Total assets	<u>49,932,771</u>	<u>47,133,595</u>	<u>97,066,366</u>
LIABILITIES			
Current liabilities			
Accounts payable	366,158	104,577	470,735
Payroll liabilities	613,816	-	613,816
Internal balances	154,777	-	154,777
Accrued interest payable	291,706	78,010	369,716
Compensated absences payable, current portion	53,476	9,891	63,367
Deposits payable	1,694	279,890	281,584
Long-term liabilities, current portion	2,134,394	577,123	2,711,517
Total current liabilities	<u>3,616,021</u>	<u>1,049,491</u>	<u>4,665,512</u>
Noncurrent liabilities			
Long-term liabilities, less current portion	38,228,095	8,908,123	47,136,218
Compensated absences payable, less current portion	437,624	27,944	465,568
Total noncurrent liabilities	<u>38,665,719</u>	<u>8,936,067</u>	<u>47,601,786</u>
Total liabilities	<u>42,281,740</u>	<u>9,985,558</u>	<u>52,267,298</u>

(Continued)

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

June 30, 2014

(Continued)

	Governmental Activities	Business-Type Activities	Total
NET POSITION			
Net investment in capital assets	\$ (5,561,848)	\$ 33,176,772	\$ 27,614,924
Restricted for:			
Debt service	359,738	372,011	731,749
Capital improvements	5,797,117	-	5,797,117
Urban renewal	1,666,685	-	1,666,685
Grant projects	1,254,139	-	1,254,139
Unrestricted	4,135,200	3,599,254	7,734,454
Total net position	\$ 7,651,031	\$ 37,148,037	\$ 44,799,068

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General Government	\$ 16,402,902	\$ 278,853	\$ 206,787	\$ -	\$ (15,917,262)	\$ -	\$ (15,917,262)
Public Safety	4,492,848	485,259	-	-	(4,007,589)	-	(4,007,589)
Highways and streets	735,708	-	6,400	-	(729,308)	-	(729,308)
Culture and recreation	1,562,044	69,558	78,510	-	(1,413,976)	-	(1,413,976)
Community planning and development	1,604,091	-	-	-	(1,604,091)	-	(1,604,091)
Interest on long-term debt	974,686	-	-	-	(974,686)	-	(974,686)
Total governmental activities	<u>\$ 25,772,279</u>	<u>\$ 833,670</u>	<u>\$ 291,697</u>	<u>\$ -</u>	<u>(24,646,912)</u>	<u>-</u>	<u>(24,646,912)</u>
Business-type activities							
Water	\$ 1,424,620	\$ 4,265,930	\$ -	\$ -	-	2,841,310	2,841,310
Wastewater	2,056,295	4,752,859	-	-	-	2,696,564	2,696,564
Storm Drainage	174,433	409,233	-	-	-	234,800	234,800
Total business-type activities	<u>\$ 3,655,348</u>	<u>\$ 9,428,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>5,772,674</u>	<u>5,772,674</u>
General revenues							
Property taxes levied for general purposes					5,968,262	-	5,968,262
Property taxes levied for debt service					2,348,076	-	2,348,076
Franchise taxes					2,000,707	-	2,000,707
Motor fuel taxes					895,783	-	895,783
Alcohol/cigarette taxes					240,676	-	240,676
Transient room taxes					53,412	-	53,412
Intergovernmental					168,922	-	168,922
Unrestricted grants and contributions					81,801	-	81,801
Investment income					151,205	15,447	166,652
Miscellaneous revenue					1,007,001	107,341	1,114,342
Total general revenues					<u>12,915,845</u>	<u>122,788</u>	<u>13,038,633</u>
Transfers					(3,583,491)	3,583,491	-
Change in net position					(15,314,558)	9,478,953	(5,835,605)
Net position - beginning, as restated					22,965,589	27,669,084	50,634,673
Net position - ending					<u>\$ 7,651,031</u>	<u>\$ 37,148,037</u>	<u>\$ 44,799,068</u>

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

CITY OF LEBANON
Linn County, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Special Revenue Fund	Special Assessment Fund	Northwest Urban Renewal District
ASSETS				
Cash and investments	\$ 1,281,123	\$ 1,136,518	\$ -	\$ 3,198,965
Accounts receivable	213,919	110,482	-	-
Property taxes receivable	403,342	-	-	252,434
Loans receivable	22,335	3,078	-	1,744
Court fines receivable	1,411,682	-	-	-
Interfund receivable	-	134,099	-	-
Prepaid and other expenses	54,637	2,319	550	-
Total assets	\$ 3,387,038	\$ 1,386,496	\$ 550	\$ 3,453,143
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 18,092	\$ 43,522	\$ -	\$ 298,253
Interfund payable	-	-	-	213,906
Payroll liabilities	617,829	-	-	-
Total liabilities	635,921	43,522	-	512,159
Deferred inflows of resources				
Unavailable revenue - property taxes	411,219	3,078	550	224,308
Unavailable revenue - court fines	1,350,929	-	-	-
Total deferred inflows of resources	1,762,148	3,078	550	224,308
Fund balances				
Restricted for:				
Grant projects	-	1,254,139	-	-
Capital improvements	-	-	-	-
Urban renewal	-	-	-	2,716,676
Debt service	-	-	-	-
Committed for insurance costs	24,931	85,757	-	-
Assigned for petty cash	1,800	-	-	-
Unassigned	962,238	-	-	-
Total fund balances (deficit)	988,969	1,339,896	-	2,716,676
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,387,038	\$ 1,386,496	\$ 550	\$ 3,453,143

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

<u>Cheadle Lake Urban Renewal District</u>	<u>North Gateway Urban Renewal District</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 298,483	\$ 34,970	\$ 197,282	\$ 4,488,568	\$ 10,635,909
-	-	-	-	324,401
28,209	22,174	162,456	-	868,615
-	-	-	261,123	288,280
-	-	-	-	1,411,682
-	-	-	1,314,839	1,448,938
-	-	-	-	57,506
<u>\$ 326,692</u>	<u>\$ 57,144</u>	<u>\$ 359,738</u>	<u>\$ 6,064,530</u>	<u>\$ 15,035,331</u>
\$ -	\$ -	\$ -	\$ 6,290	\$ 366,157
299,678	1,090,131	-	-	1,603,715
-	-	-	-	617,829
<u>299,678</u>	<u>1,090,131</u>	<u>-</u>	<u>6,290</u>	<u>2,587,701</u>
24,689	19,329	142,397	261,123	1,086,693
-	-	-	-	1,350,929
<u>24,689</u>	<u>19,329</u>	<u>142,397</u>	<u>261,123</u>	<u>2,437,622</u>
-	-	-	-	1,254,139
-	-	-	5,797,117	5,797,117
2,325	(1,052,316)	-	-	1,666,685
-	-	217,341	-	217,341
-	-	-	-	110,688
-	-	-	-	1,800
-	-	-	-	962,238
<u>2,325</u>	<u>(1,052,316)</u>	<u>217,341</u>	<u>5,797,117</u>	<u>10,010,008</u>
<u>\$ 326,692</u>	<u>\$ 57,144</u>	<u>\$ 359,738</u>	<u>\$ 6,064,530</u>	<u>\$ 15,035,331</u>

CITY OF LEBANON
Linn County, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Total fund balances		\$ 10,010,008
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	90,974,245	
Accumulated depreciation	<u>(56,173,604)</u>	34,800,641
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		1,086,693
Court fines and fees are recognized as revenue in the net position of governmental activities when the fines are assessed; however, in the governmental fund statements, they are recognized when available to be used for current year operations		1,350,928
The net pension asset is not available to pay current period expenditures and is therefore deferred in the governmental funds		1,548,056
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(291,706)	
Compensated absences payable	(491,100)	
Bonds payable, including premiums and issuance costs	(34,638,643)	
Notes payable	<u>(5,723,846)</u>	<u>(41,145,295)</u>
Net position of governmental activities		\$ <u>7,651,031</u>

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Special Assessment Fund	Northwest Urban Renewal District
REVENUES				
Property taxes	\$ 3,764,808	\$ -	\$ -	\$ 2,449,499
Liquor taxes	219,583	-	-	-
Cigarette taxes	21,093	-	-	-
Franchise taxes	1,999,505	1,202	-	-
Transient room taxes	-	53,706	-	-
Fees and charges	-	348,741	-	-
Intergovernmental	-	925,376	-	-
State revenue sharing	168,628	-	-	-
Licenses and permits	6,303	-	-	-
Forfeiture revenue	295,160	29,280	-	-
Fines	133,164	-	-	-
Grants and contributions	-	272,784	-	-
Investment earnings	36,612	5,248	-	43,234
Miscellaneous	252,706	113,296	-	31,653
Total revenues	6,897,562	1,749,633	-	2,524,386
EXPENDITURES				
Current				
General government	1,561,109	2,280,426	-	207,444
Public Safety	4,385,541	27,668	-	-
Highways and streets	-	648,390	-	-
Culture and recreation	1,116,096	338,437	-	-
Community planning	1,330,714	115,195	-	-
Debt service	136,533	-	-	633,991
Capital outlay	9,882	438,208	-	13,950,155
Total expenditures	8,539,875	3,848,324	-	14,791,590
Excess (deficiency) of revenues over expenditures	(1,642,313)	(2,098,691)	-	(12,267,204)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Transfers in	2,584,600	2,744,412	-	12,066,629
Transfers out	(703,476)	(768,960)	(31,462)	(1,213,011)
Total other financing sources (uses)	1,881,124	1,975,452	(31,462)	10,853,618
Net change in fund balances	238,811	(123,239)	(31,462)	(1,413,586)
Fund balances (deficit) - beginning, as restated	750,158	1,463,135	31,462	4,130,262
Fund balances (deficit) - ending	\$ 988,969	\$ 1,339,896	\$ -	\$ 2,716,676

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

Cheadle Lake Urban Renewal District	North Gateway Urban Renewal District	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$ 280,619	\$ 253,245	\$ 1,425,905	\$ -	\$ 8,174,076
-	-	-	-	219,583
-	-	-	-	21,093
-	-	-	-	2,000,707
-	-	-	-	53,706
-	-	-	479,839	828,580
-	-	-	-	925,376
-	-	-	-	168,628
-	-	-	-	6,303
-	-	-	-	324,440
-	-	-	-	133,164
-	-	-	71,121	343,905
3,121	1,762	39,750	21,453	151,180
7,078	-	-	18,450	423,183
<u>290,818</u>	<u>255,007</u>	<u>1,465,655</u>	<u>590,863</u>	<u>13,773,924</u>
-	75,414	-	-	4,124,393
-	-	-	11,666	4,424,875
-	-	-	-	648,390
270	-	-	55,426	1,510,229
-	-	-	-	1,445,909
-	96,470	2,668,525	-	3,535,519
1,437	-	-	466,636	14,866,318
<u>1,707</u>	<u>171,884</u>	<u>2,668,525</u>	<u>533,728</u>	<u>30,555,633</u>
<u>289,111</u>	<u>83,123</u>	<u>(1,202,870)</u>	<u>57,135</u>	<u>(16,781,709)</u>
-	-	15,693,252	-	15,693,252
-	-	(3,626,623)	-	(3,626,623)
-	-	1,298,174	386,912	19,080,727
<u>(105,510)</u>	<u>(99,308)</u>	<u>(12,066,629)</u>	<u>(44,258)</u>	<u>(15,032,614)</u>
<u>(105,510)</u>	<u>(99,308)</u>	<u>1,298,174</u>	<u>342,654</u>	<u>16,114,742</u>
183,601	(16,185)	95,304	399,789	(666,967)
<u>(181,276)</u>	<u>(1,036,131)</u>	<u>122,037</u>	<u>5,397,328</u>	<u>10,676,975</u>
<u>\$ 2,325</u>	<u>\$ (1,052,316)</u>	<u>\$ 217,341</u>	<u>\$ 5,797,117</u>	<u>\$ 10,010,008</u>

CITY OF LEBANON
Linn County, Oregon

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

For the Year Ended June 30, 2014

Net change in fund balances		\$ (666,967)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and are reported as depreciation expense.		
Expenditures for capital assets	366,268	
Depreciation expense recorded in current year	<u>(1,475,084)</u>	(1,108,816)
Governmental funds report current period PERS lump sum payments to finance an estimated unfunded actuarial liability as an expenditure; however, in the statement of activities, this payment is capitalized and amortized over the life of the unfunded liability		
		(63,570)
Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Debt principal paid	2,001,573	
Premium on long-term debt proceeds	(458,252)	
Long-term debt proceeds	<u>(15,235,000)</u>	(13,691,679)
Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds.		
Compensated absences	(68,392)	
Amortization of debt premium	<u>30,550</u>	(37,842)
Property taxes and court fines that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied, and court fines are recognized when assessed.		
		<u>254,316</u>
Change in net position		<u><u>\$ (15,314,558)</u></u>

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2014

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,749,603
Accounts receivable	1,356,933
Internal balances	154,777
Prepaid expenses	<u>2,292</u>
Total current assets	4,263,605
Deferred charges - debt issuance costs	207,972
Capital assets, net of accumulated depreciation	<u>42,662,018</u>
Total assets	<u>47,133,595</u>
LIABILITIES	
Current liabilities	
Accounts payable	104,577
Accrued interest	78,010
Compensated absences, current portion	9,891
Deposit liability	279,890
Long-term liabilities, current portion	<u>577,123</u>
Total current liabilities	<u>1,049,491</u>
Noncurrent liabilities	
Compensated absences, less current portion	27,944
Long-term liabilities, less current portion	<u>8,908,123</u>
Total noncurrent liabilities	<u>8,936,067</u>
Total liabilities	<u>9,985,558</u>
NET POSITION	
Net investment in capital assets	33,176,772
Restricted for debt service	372,011
Unrestricted	<u>3,599,254</u>
Total net position	<u>\$ 37,148,037</u>

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended June 30, 2014

	Business-Type Activities <u>Enterprise Fund</u>
Operating revenues	
Charges for services	
Water charges	\$ 4,265,930
Wastewater charges	4,752,859
Storm drain charges	409,233
Miscellaneous	<u>107,341</u>
Total operating revenues	<u>9,535,363</u>
Operating expenses	
Water utility	697,415
Water utility capital improvement program	538,066
Storm drain utility	51,339
Wastewater utility	667,014
Wastewater utility capital improvement program	127,757
Depreciation	<u>1,141,626</u>
Total operating expenses	<u>3,223,217</u>
Operating income (loss)	<u>6,312,146</u>
Nonoperating revenues (expenses)	
Investment earnings	15,447
Interest expense	<u>(432,131)</u>
Total nonoperating revenue (expenses)	<u>(416,684)</u>
Income (loss) before contributions and transfers	5,895,462
Transfers in	<u>3,583,491</u>
Change in net position	9,478,953
Net position - beginning, as restated	<u>27,669,084</u>
Net position - ending	<u>\$ 37,148,037</u>

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2014

	Business-Type Activities <u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 9,288,455
Payments to employees	(571,340)
Payments to suppliers	(1,473,779)
Other receipts	<u>107,341</u>
Net cash provided (used) by operating activities	<u>7,350,677</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	<u>83,491</u>
Net cash provided (used) by noncapital financing activities	<u>83,491</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of capital assets	(2,870,101)
Principal paid on long term debt	(4,390,489)
Interest paid	<u>(432,131)</u>
Net cash provided (used) by noncapital financing activities	<u>(7,692,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>15,447</u>
Net cash provided (used) by noncapital financing activities	<u>15,447</u>
Net increase (decrease) in cash and cash equivalents	(243,106)
Cash and investments - beginning	<u>2,992,709</u>
Cash and investments - ending	<u>\$ 2,749,603</u>

(Continued)

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended June 30, 2014

(Continued)

	<u>Business-Type Activities</u> <u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ 6,312,146
Adjustments to reconcile operating income to net cash provided (used)	
by operating activities:	
Depreciation expense	1,141,626
Amortization of deferred charges	18,665
Amortization of bond premium	(13,392)
Changes in assets and liabilities	
(Increase) decrease in:	
Receivables	(139,567)
Increase (decrease)	
Accounts payable	56,299
Accrued interest	(28,398)
Deposit liability	31,460
Compensated absences	(28,162)
Net cash provided (used) by operating activities	<u>\$ 7,350,677</u>
Noncash investing, capital, and financing activities	
Debt principal paid on behalf of enterprise fund	\$ 3,500,000

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

CITY OF LEBANON
Linn County, Oregon

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	<u>Agency Fund</u> Bail Fund
ASSETS	
Cash and cash equivalents	\$ 8,501
Accounts receivable	<u>4,373</u>
Total assets	<u>\$ 12,874</u>
LIABILITIES	
Due to other agencies	7,059
Bail payable	<u>5,815</u>
Total liabilities	<u>\$ 12,874</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lebanon have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. 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 the city manager.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

1. Blended component units - Northwest Urban Renewal District, Cheadle Lake Urban Renewal District, North Gateway Urban Renewal District

The aforementioned urban renewal districts serve areas either within the existing city limits of the City of Lebanon or under delayed annexation agreements requiring annexation to the City at the option of the Lebanon City Council. Board members for each agency consist of all of the members of the Lebanon City Council. Each component unit issues separate financial statements. The financial statements can be obtained from the agencies at 925 Main Street, Lebanon, Oregon 97355 or at the City's website at www.ci.lebanon.or.us.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the City. Governmental activities, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the City except for those required to be accounted for in another fund. The primary source of revenue is property taxes.

Special Revenue Funds

Special Revenue Fund - The Special Revenue Fund accounts for revenues with specific purpose restrictions including state highway tax, and grants. The primary sources of revenue are state highway tax revenues and grants.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Special Revenue Funds

Special Assessment Fund - The Special Assessment Fund accounts for public improvement projects for which reimbursement of costs is expected. These public improvement projects originate at the public's request and usually involve forming a Local Improvement District (LID).

Northwest Urban Renewal District - In 1989, the City established the Northwest Urban Renewal District. The purpose of the District is to provide for the development of infrastructure to serve industrially zoned property within the District boundaries. The area is located west of Highway 20 and north of Highway 34. The primary source of revenue is property taxes.

Cheadle Lake Urban Renewal District - In 2000, the City established the Cheadle Lake Urban Renewal District. The purpose of the District is to provide for development of infrastructure to serve a blighted area of Lebanon generally located north of Cheadle Lake. The primary source of revenue is property taxes.

North Gateway Urban Renewal District - The North Gateway Urban Renewal District was approved in September 2008. The District was established to serve the area where a new medical campus was to be developed. The primary source of revenue is property taxes.

Debt Service Fund - The Debt Service Fund accounts for the repayment of the City's long-term general obligation and pension obligation debt. The primary sources of revenue are property taxes and pension charges to City funds. The primary use of funds is principal and interest due on long-term debt.

Capital Projects Fund - The Capital Projects Fund is used to account for the revenues and expenditures associated with the purchase, construction, and major repair of governmental capital assets. The primary sources of revenue are system development charges, donations and grants.

The City reports the following major proprietary fund:

Enterprise Fund - The Enterprise Fund is used to account for the operations of the City's water, sewer and storm drain utility services. The primary source of revenue is user charges.

The City reports the following fiduciary fund:

Trust & Agency Fund - The Trust & Agency Fund is used for holding funds in trust that are received from clients of the Municipal Court.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the governmental funds and the proprietary funds. Elimination of these transactions would distort their respective financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The City reports deferred inflows of resources on the balance sheet of the governmental funds. Deferred inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the City has a legal claim to the resources, the amounts for deferred inflows of resources are removed from the balance sheet and revenue is recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with remaining maturities of one year or less at the date of acquisition.

State statutes authorize the City to invest in legally issued obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Loans Receivable

Loans receivable represent assessment for property improvements. Assessment are recognized at the time the property owners are assessed, interest is accrued when due. Management has determined that no allowance is necessary.

4. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing and receivable/payable arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds."

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

5. Accounts Receivable

Receivables are recorded as revenue when earned. Accounts receivable are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is calculated by management based on prior collection experience.

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized. Major capital outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Depreciation of capital assets is computed on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5-40
Water and sewer systems	40
Licensed vehicles	5-10
Infrastructure	50
Buildings	50

7. Compensated Absences

Amounts of vested or accumulated vacation leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported as liabilities on the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arises only under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

10. Retirement Plans

Most of the City's employees participate in Oregon's Public Employees Retirement System (PERS). Contributions are made on a current basis as required by the plan and are recorded as expenses or expenditures.

The City provides tax-deferred annuity contracts established under Section 457 of the Internal Revenue Code. Participation in the program is voluntary. Contributions are made from salary deductions from participating employees within the limits specified in the Code.

11. Fund Balance Classifications

The City reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., city council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official or body to which the city council delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City has not formally adopted a minimum fund balance policy.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general, special revenue, debt service, capital projects, and enterprise funds. All funds are budgeted on the modified accrual basis of accounting.

The City begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the city council by resolution prior to the beginning of the City's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the department/function level. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the city council at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the city council. During the year, there was one supplemental budget. The City does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts, one supplemental budget and two approved appropriation changes.

B. Deficit Fund Balance

At June 30, 2014, the N. Gateway Urban Renewal District had a deficit fund balance of \$1,052,316 due to interfund payables. The deficit will be corrected as property tax revenue is received.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The City of Lebanon maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The City's policy, which adheres to state 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 or Moody's Investors Service or any other national 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, 2014, the City's investments were rated as follows:

<u>Credit Quality Rating</u>	<u>Federal Agency Obligations</u>	<u>Municipal Bonds</u>	<u>Corporate Bonds</u>	<u>LGIP</u>	<u>Total</u>
Unrated	\$ 341,000	\$ -	\$ -	\$ 7,039,120	\$ 7,380,120
Moody Aa1	-	300,000	200,000	-	500,000
Moody Aa2	-	-	1,300,000	-	1,300,000
Moody Aa3	-	-	550,000	-	550,000
Moody A1	-	-	1,204,000	-	1,204,000
Moody Aaa	550,000	-	-	-	550,000
S&P A	-	-	300,000	-	300,000
S&P AA+	1,150,000	-	-	-	1,150,000
S&P AA-	-	125,000	-	-	125,000
Total investments	<u>\$ 2,041,000</u>	<u>\$ 425,000</u>	<u>\$ 3,554,000</u>	<u>\$ 7,039,120</u>	<u>\$ 13,059,120</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2014, the City had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value
Oregon Local Government Investment Pool	54%	-	\$ 7,039,120
Federal Agency Obligations	14%	> 3 years	1,791,000
Federal Agency Obligations	2%	1 - 3 years	250,000
Municipal Bonds	3%	1 - 3 years	425,000
Corporate Bonds	27%	1 - 3 years	<u>3,554,000</u>
 Total investments			 <u>\$ 13,059,120</u>

Interest Rate Risk

In accordance with its investments policy, the City manages its exposure to declines in fair value of its investments by limiting investment maturity. All the investments above, except for the investment in the Local Government Investment Pool which is not evidenced by securities, are held in an independent third-party safekeeping institution in the City of Lebanon's name.

Concentration of Credit Risk

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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the City's deposits may not be returned. All City deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The City holds accounts at Wells Fargo, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2014, the City had deposits of \$250,000 insured by the FDIC and \$320,601 collateralized under the PFCP.

Deposits

The City's deposits and investments at June 30, 2014 were as follows:

Cash on hand	\$ 1,800
Checking account	324,592
Total investments	<u>13,059,120</u>
 Total deposits and investments	 <u>\$ 13,385,512</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Deposits and Investments (Continued)

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	<u>\$ 1,281,123</u>
Business-type activities - unrestricted	
Enterprise Fund	<u>2,749,603</u>
Total unrestricted cash and investments	<u>4,030,726</u>
Governmental activities - restricted	
Special Revenue Fund	1,136,518
Special Assessment Fund	-
Northwest Urban Renewal District	3,198,965
Cheadle Lake Urban Renewal District	298,483
North Gateway Urban Renewal District	34,970
Debt Service Fund	197,282
Capital Projects Fund	<u>4,488,568</u>
Total governmental-activities - restricted	<u>9,354,786</u>
Total cash and investments	<u>\$ 13,385,512</u>

C. Restricted Assets

Restricted assets are held for debt service, grant projects, urban renewal, and capital improvements.

Restricted assets at June 30, 2014 were as follows:

	Governmental Activities
Restricted assets	
Cash and investments	\$ 9,354,786
Receivables, net	110,482
Special assessments (loans) receivable	265,943
Property taxes receivable	<u>465,275</u>
Total restricted assets	<u>\$ 10,196,486</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Accounts Receivable

Accounts receivable at June 30, 2014, including the applicable allowances for uncollectible accounts, were as follows:

	Governmental Activities	Business-Type Activities
Short-term receivables		
Franchise fees	\$ 219,984	\$ -
Court fines	420,000	-
Intergovernmental	67,568	-
Grants	25,722	-
Utilities	-	1,356,933
Other	11,127	-
Total short-term receivables (including \$633,919 of unrestricted receivables, and \$110,482 of restricted receivables)	744,401	1,356,933
Long-term receivables		
Court fines	1,065,981	-
Less allowance for uncollectibles	(74,299)	-
Total long-term receivables	991,682	-
Total receivables	\$ 1,736,083	\$ 1,356,933

E. Capital Assets

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
Governmental activities			
Land	\$ 2,361,657	\$ -	\$ 2,361,657
Construction in progress	68,281	-	68,281
Buildings	18,419,585	(3,392,032)	15,027,553
Vehicles	2,131,949	(1,646,176)	485,773
Machinery and equipment	3,701,059	(2,466,016)	1,235,043
Infrastructure	64,291,714	(48,669,380)	15,622,334
Total governmental capital assets	\$ 90,974,245	\$ (56,173,604)	\$ 34,800,641

(Continued)

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

Capital assets are reported on the statement of net position as follows:

	Capital Assets	Accumulated Depreciation	Net Capital Assets
(Continued)			
Business-type activities			
Land	\$ 1,158,402	\$ -	\$ 1,158,402
Construction in progress	6,953,431	-	6,953,431
Buildings	8,424,953	(4,147,365)	4,277,588
Vehicles	1,010,549	(866,947)	143,602
Machinery and equipment	4,352,202	(2,711,868)	1,640,334
Infrastructure	533,272	(60,776)	472,496
Water/sewer assets	36,685,599	(8,669,434)	28,016,165
Total business-type capital assets	\$ 59,118,408	\$ (16,456,390)	\$ 42,662,018

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,361,657	\$ -	\$ -	\$ 2,361,657
Construction in progress	7,083	61,198	-	68,281
Total capital assets not being depreciated	2,368,740	61,198	-	2,429,938
Capital assets being depreciated				
Buildings	18,419,585	-	-	18,419,585
Vehicles	2,131,949	-	-	2,131,949
Machinery and equipment	3,443,743	257,316	-	3,701,059
Infrastructure	64,243,960	47,754	-	64,291,714
Total capital assets being depreciated	88,239,237	305,070	-	88,544,307

(Continued)

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities (Continued)				
Less accumulated depreciation for				
Buildings	(2,894,807)	(497,225)	-	(3,392,032)
Vehicles	(1,511,288)	(134,888)	-	(1,646,176)
Machinery and equipment	(2,266,115)	(199,901)	-	(2,466,016)
Infrastructure	(48,026,310)	(643,070)	-	(48,669,380)
Total accumulated depreciation	<u>(54,698,520)</u>	<u>(1,475,084)</u>	<u>-</u>	<u>(56,173,604)</u>
Total capital assets being depreciated, net	<u>33,540,717</u>	<u>(1,170,014)</u>	<u>-</u>	<u>32,370,703</u>
Governmental activities capital assets, net	<u>\$ 35,909,457</u>	<u>\$ (1,108,816)</u>	<u>\$ -</u>	<u>\$ 34,800,641</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,158,402	\$ -	\$ -	\$ 1,158,402
Construction in progress	<u>2,440,551</u>	<u>4,512,880</u>	<u>-</u>	<u>6,953,431</u>
Total capital assets not being depreciated	<u>3,598,953</u>	<u>4,512,880</u>	<u>-</u>	<u>8,111,833</u>
Capital assets being depreciated				
Buildings	8,424,953	-	-	8,424,953
Vehicles	1,010,549	-	-	1,010,549
Machinery and equipment	4,346,625	5,577	-	4,352,202
Infrastructure	416,459	116,813	-	533,272
Water/sewer assets	<u>34,948,665</u>	<u>1,736,934</u>	<u>-</u>	<u>36,685,599</u>
Total capital assets being depreciated	<u>49,147,251</u>	<u>1,859,324</u>	<u>-</u>	<u>51,006,575</u>
Less accumulated depreciation for				
Buildings	(4,029,060)	(118,305)	-	(4,147,365)
Vehicles	(814,396)	(52,551)	-	(866,947)
Machinery and equipment	(2,635,451)	(76,417)	-	(2,711,868)
Infrastructure	(50,037)	(10,739)	-	(60,776)
Water/sewer assets	<u>(7,783,717)</u>	<u>(885,717)</u>	<u>-</u>	<u>(8,669,434)</u>
Total accumulated depreciation	<u>(15,312,661)</u>	<u>(1,143,729)</u>	<u>-</u>	<u>(16,456,390)</u>
Total capital assets being depreciated, net	<u>33,834,590</u>	<u>715,595</u>	<u>-</u>	<u>34,550,185</u>
Business-type activities capital assets, net	<u>\$ 37,433,543</u>	<u>\$ 715,595</u>	<u>\$ -</u>	<u>\$ 42,662,018</u>
Total capital assets, net	<u>\$ 73,343,000</u>	<u>\$ (393,221)</u>	<u>\$ -</u>	<u>\$ 77,462,659</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental activities	
General government	<u>\$ 1,475,084</u>
Business-type activities	
Water	\$ 288,801
Sewer	852,829
Storm drain	<u>2,099</u>
Total business-type activities	<u>\$ 1,143,729</u>

E. Interfund Transfers

Interfund transfers during the year consisted of:

	Transfer in:				
	General Fund	Special Revenue	Debt Service	Capital Projects	Total
Transfers out:					
Governmental activities					
General Fund	\$ -	\$ 432,229	\$ 140,747	\$ 130,500	\$ 703,476
Special Revenue Fund	444,327	-	16,140	117,450	577,917
Special Assessment Fund	-	-	-	31,462	31,462
Northwest Urban Renewal District	384,394	35,853	792,764	-	1,213,011
Cheadle Lake Urban Renewal District	94,802	10,708	-	-	105,510
North Gateway Urban Renewal District	84,868	14,440	-	-	99,308
Capital Projects Fund	<u>30,005</u>	<u>14,253</u>	<u>-</u>	<u>-</u>	<u>44,258</u>
Total governmental activities	<u>\$ 1,038,396</u>	<u>\$ 507,483</u>	<u>\$ 949,651</u>	<u>\$ 279,412</u>	<u>\$ 2,774,942</u>
Business-type activities					
Enterprise Fund	<u>\$ 1,546,204</u>	<u>\$ 2,019,696</u>	<u>\$ 348,523</u>	<u>\$ 107,500</u>	<u>\$ 4,021,923</u>

Interfund transfers in balance with interfund transfers out.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Intefund Balances

At June 30, 2014, interfund balances consisted of the following:

	Payable Fund		
	NW Urban Renewal	N. Gateway Urban Renewal	Total
Receivable Fund:			
Governmental activities			
Special Revenue Fund	\$ -	\$ 134,099	\$ 134,099
Capital Projects Fund	<u>59,129</u>	<u>956,032</u>	<u>1,015,161</u>
Total governmental activities	<u>59,129</u>	<u>1,090,131</u>	<u>1,149,260</u>
Business-type activities			
Enterprise Fund	<u>154,777</u>	<u>-</u>	<u>154,777</u>
Total	<u>\$ 213,906</u>	<u>\$ 1,090,131</u>	<u>\$ 1,304,037</u>

Interfund balances represent charges for system development charges.

G. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Compensated absences	<u>\$ 422,708</u>	<u>\$ 68,392</u>	<u>\$ -</u>	<u>\$ 491,100</u>
Business-type activities				
Compensated absences	<u>\$ 65,997</u>	<u>\$ -</u>	<u>\$ 28,162</u>	<u>\$ 37,835</u>

The General and Enterprise Funds have traditionally been used to liquidate compensated absence liabilities.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

H. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
<u>Bonds</u>							
General Obligation Bonds							
2007 Refunding	4-5%	\$ 19,970,000	\$ 16,555,000	\$ -	\$ 620,000	\$ 15,935,000	\$ 690,000
NW Urban Renewal District							
2010 Refunding	2-3.5%	3,310,000	2,415,000	-	315,000	2,100,000	320,000
2013 Full Faith & Credit	2-4%	15,235,000	-	15,235,000	670,000	14,565,000	805,000
2002 Pension Obligation Bonds	2-7.36%	2,081,188	1,641,231	-	30,290	1,610,941	31,704
Bond premiums	-	458,252	-	458,252	30,550	427,702	-
Total bonds		41,054,440	20,611,231	15,693,252	1,665,840	34,638,643	1,846,704
<u>Notes Payable</u>							
N. Gateway Urban Renewal District							
Samaritan Health Services	6%	1,025,239	916,929	-	84,624	832,305	34,450
Oregon Department of Veteran's Affairs	6%	140,947	140,947	-	75,000	65,947	65,947
Cheadle Lake Urban Renewal District							
McKinney Apartments	12%	355,000	355,000	-	-	355,000	-
General Fund							
Special Public Works Fund	3-5.25%	1,779,833	1,529,902	-	67,146	1,462,756	72,571
NW Urban Renewal District							
Special Public Works Fund	4-4.375%	3,677,462	3,116,801	-	108,963	3,007,838	114,722
Total notes		6,978,481	6,059,579	-	335,733	5,723,846	287,690
Total governmental activities		<u>\$ 48,032,921</u>	<u>\$ 26,670,810</u>	<u>\$ 15,693,252</u>	<u>\$ 2,001,573</u>	<u>\$ 40,362,489</u>	<u>\$ 2,134,394</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

1. Changes in Long-Term Liabilities (Continued)

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities							
Revenue Bonds							
2003 Wastewater Refunding	2-4.125%	\$ 3,775,000	\$ 1,770,000	\$ -	\$ 1,770,000	\$ -	\$ -
2010 Wastewater Refunding	2-3.75%	7,010,000	6,095,000	-	380,000	5,715,000	390,000
2004 Water Refunding	2-4.2%	2,910,000	1,910,000	-	1,910,000	-	-
Bond premiums	-	267,850	234,369	-	13,393	220,976	-
Total bonds		13,962,850	10,009,369	-	4,073,393	5,935,976	390,000
2007 Cannibal Project note	4%	4,311,575	3,106,116	-	291,961	2,814,155	147,457
2009 Wastewater DEQ loan	2.93%	900,000	773,643	-	38,528	735,115	39,666
Total business-type activities		<u>\$ 19,174,425</u>	<u>\$ 13,889,128</u>	<u>\$ -</u>	<u>\$ 4,403,882</u>	<u>\$ 9,485,246</u>	<u>\$ 577,123</u>

2. Governmental Activity 2007 General Obligation Refunding Bonds

General obligation bonds are direct obligations that pledge the full faith and credit of the City and are payable from ad valorem debt service levy proceeds. The 2007 Refunding Bonds were issued to prepay or partially prepay three outstanding general obligation bond issues. The bonds are payable on June 1 and December 1 of each year. Interest is variable over a fixed schedule, set out at the issuance date. The City's outstanding general obligation bonds represent funding primarily for capital projects. The Debt Service Fund has been used to liquidate the general obligation debt. Loan #LEBGO2007, final maturity in 2027, interest 4%-5%, original issue amount \$19,970,000.

3. Governmental Activity NW Urban Renewal District 2010 General Obligation Refunding Bonds

On November 2, 2010, the City issued general obligation bonds of \$3,310,000 (par value) with interest rates of 2% to 3.5% to advance refund the portion of the Series 2000 general obligation bonds maturing December 1, 2010, with interest rates of 5.75% to 6%, and a par value of \$3,420,000. All defeased bonds have been paid in full. As a result of the advance refunding, the City reduced its total debt service requirements by \$658,966, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$431,283. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 1 and December 1 of each year. The NW Urban Renewal District Fund has been used to liquidate the debt. Loan #LebanonUR10, final maturity 2020.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

4. Governmental Activity Pension Obligation Bonds

The City issued the 2002 pension obligation bonds for the purpose of funding the City's portion of the PERS Unfunded Actuarial Liability (UAL). Interest is fixed and ranges between 2% and 7.36%. Interest rates increase in accordance with the original bond agreements. Interest is due semiannually on June 1 and December 1. The Debt Service Fund has been used to liquidate the debt. Loan #PERS, final maturity 2028, original issue amount \$2,081,188.

5. Governmental Activity Note Payable - Samaritan Health Services

The City signed the note payable in 2009 to finance the purchase of infrastructure additions in the North Gateway Urban Renewal District. The note calls for annual payments on February 14. The North Gateway Urban Renewal District Fund has been used to liquidate the note payable. Final maturity 2030, interest at 6%, original issue amount \$1,025,239.

6. Governmental Activity Note Payable - General Fund Special Public Works

The City signed the note payable in 2009 to complete various capital projects. The note calls for annual payments on December 1. The General Fund has been used to liquidate the note payable. Loan #B07002, final maturity 2028, interest 3%-5.25%, original issue amount \$1,779,833.

7. Governmental Activity Note Payable - NW Urban Renewal District Special Public Works Fund

The City signed the note payable on May 1, 2007. The funds were used for urban renewal projects. Interest rates increase in accordance with the original debt agreements. Interest is due annually on December 1. The NW Urban Renewal District Fund has been used to liquidate the note payable. Loan #B05003, final maturity 2031, interest 4%-4.375%, original issue amount \$3,677,462.

8. Governmental Activity 2013 Full Faith & Credit Bonds Payable

On July 31, 2013, the City issued full faith and credit bonds of \$15,235,000 (par value) with interest rates of 2% to 4% to pay contractual obligations related to urban renewal projects, and to advance refund the 2003 wastewater bonds maturing August 30, 2013, with interest rates of 3.625% to 4.125%, and a par value of \$1,770,000. The 2013 bonds were also used to advance refund the 2004 special water revenue refunding bonds maturing October 1, 2013, with interest rates of 3.6% to 4.2%, and a part value of \$1,730,000. All defeased bonds have been paid in full.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

8. Governmental Activity 2013 Full Faith & Credit Bonds Payable (Continued)

As a result of the advance refunding, the City reduced its total debt service requirements by \$218,573, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$215,086. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 30 and December 31 of each year. The Debt Service Fund Fund has been used to liquidate the debt. Loan #LebanonFFC2013, final maturity 2028.

9. Governmental Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 1,846,704	\$ 1,477,006	\$ 3,323,710
2016	1,977,796	1,432,614	3,410,410
2017	2,078,687	1,375,773	3,454,460
2018	2,192,872	1,307,214	3,500,086
2019	2,353,233	1,233,647	3,586,880
2020-2024	12,971,649	4,308,928	17,280,577
2025-2028	<u>10,790,000</u>	<u>1,143,720</u>	<u>11,933,720</u>
Total	<u>\$ 34,210,941</u>	<u>\$ 12,278,902</u>	<u>\$ 46,489,843</u>

10. Governmental Activity Future Maturities of Notes Payable

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 287,690	\$ 248,233	\$ 535,923
2016	265,602	238,674	504,276
2017	279,136	228,739	507,875
2018	287,856	218,219	506,075
2019	296,772	207,305	504,077
2020-2024	1,666,713	848,449	2,515,162
2025-2029	1,935,102	457,375	2,392,477
2030-2032	<u>704,975</u>	<u>64,776</u>	<u>769,751</u>
Total	<u>\$ 5,723,846</u>	<u>\$ 2,511,770</u>	<u>\$ 8,235,616</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

11. Business-Type Activity 2003 Wastewater Revenue Refunding Bonds

On October 3, 2003, the City issued revenue refunding bonds of \$3,775,000 (par value) with interest rates of 2% to 4.125% to advance refund the portion of the Series 2000 revenue bonds maturing December 1, 2003 and June 1, 2004, with a par value of \$3,840,000. All defeased bonds have been paid in full. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 1 and December 1 of each year. The Enterprise Fund has been used to liquidate the debt. The bonds were defeased by the 2013 full faith and credit bonds, and paid in full on August 30, 2013. Loan #Lebwaste03.

12. Business-Type Activity 2010 Wastewater Revenue Refunding Bonds

On October 13, 2010, the City issued wastewater revenue refunding bonds of \$7,010,000 (par value) with interest rates of 2% to 3.75% to advance refund the portion of the Series 2000 wastewater revenue bonds maturing November 12, 2010, with interest rates of 5.25% to 5.7%, and a par value of \$2,140,000. All defeased bonds have been paid in full. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on March 1 and September 1 of each year. The Enterprise Fund has been used to liquidate the debt. Loan #LebanonWW10, final maturity 2031.

13. Business-Type Activity 2004 Water Revenue Refunding Bonds

On January 22, 2004, the City issued water revenue refunding bonds of \$2,910,000 (par value) with interest rates of 2% to 4.2% to refund the 1993 special lease obligation. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on April 1 and October 1 of each year. The Enterprise Fund has been used to liquidate the debt. The bonds were defeased by the 2013 full faith and credit bonds, and paid in full on August 30, 2013. Loan #Lebanon2004.

14. Business-Type Activity Note Payable - Cannibal Project

The note payable was signed in 2007 to finance wastewater system projects. The note calls for semiannual payments on June 27 and December 27. The Enterprise Fund has been used to liquidate the debt. Loan #Siemens, final maturity 2022, interest 4.087%, original issue amount \$4,311,575. For fiscal year 2014, ended June 30, 2014, based on the Financing Agreement dated December 27, 2007, between the City of Lebanon, OR and Siemens Financial Services, Inc. net revenue was \$4,753,223 and annual debt service was \$1,423,053. The ratio of net revenue to annual debt service for fiscal year 2014 is 3.34, and is therefore in compliance with the provisions of section 12.5 of the Financing Agreement.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

15. Business-Type Activity Loan Payable - DEQ

The loan payable was signed in 2009 to pay the cost of wastewater improvement projects. The loan is backed by utility revenues. The loan calls for semiannual payments on April 1 and October 1. The Enterprise Fund has been used to liquidate the debt. Loan #R56200, final maturity 2029, interest 2.93%, original issue amount \$900,000.

16. Business-Type Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 390,000	\$ 217,876	\$ 607,876
2016	400,000	207,450	607,450
2017	415,000	195,450	610,450
2018	435,000	178,850	613,850
2019	445,000	161,450	606,450
2020-2024	1,460,000	583,024	2,043,024
2025-2029	1,490,000	300,814	1,790,814
2030-2031	680,000	38,438	718,438
Total	<u>\$ 5,715,000</u>	<u>\$ 1,883,352</u>	<u>\$ 7,598,352</u>

17. Business-Type Activity Future Maturities of Note Payable

Year Ending June 30	Cannibal Project Note		
	Principal	Interest	Total
2015	\$ 147,457	\$ 60,521	\$ 207,978
2016	150,471	57,507	207,978
2017	153,545	54,433	207,978
2018	156,683	51,295	207,978
2019	159,885	48,093	207,978
2020-2024	849,789	190,101	1,039,890
2025-2029	940,239	99,651	1,039,890
2030-2031	256,086	12,413	268,499
Total	<u>\$ 2,814,155</u>	<u>\$ 574,014</u>	<u>\$ 3,388,169</u>

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. Long-Term Liabilities (Continued)

18. Business-Type Activity Future Maturities of Loan Payable

Year Ending June 30	DEQ Loan		
	Principal	Interest	Total
2015	\$ 39,666	\$ 21,250	\$ 60,916
2016	40,837	20,079	60,916
2017	42,042	18,874	60,916
2018	43,283	17,633	60,916
2019	44,560	16,356	60,916
2020-2024	243,320	61,260	304,580
2025-2029	281,407	23,168	304,575
Total	<u>\$ 735,115</u>	<u>\$ 178,620</u>	<u>\$ 913,735</u>

19. Legal Debt Limit

The City's legal annual debt service limit related to general obligation bonds (as defined by Oregon Revised Statute 478.410) as of June 30, 2014 was approximately \$35,379,912. The City's legal debt service limit is 3% of the real market value of property within the City.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Commitments

The City has entered into an agreement with Samaritan Health Services under which the City will repay amounts invested by Samaritan Health Services to improve or add infrastructure within the North Gateway Urban Renewal District. The total costs allowed to be repaid under the agreement are \$5,105,900. Improvements must be in place no later than 2029. Amounts invested by Samaritan Health Services are added to an existing loan agreement as described in Note III-G. As of June 30, 2014, \$1,025,239 had been invested under the agreement.

At June 30, 2014, the City had outstanding construction contracts for various capital improvement projects. The remaining contract commitments were \$2,914,743.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

C. Retirement Plans

1. Oregon Public Employees Retirement System

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing, multiple-employer, defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: the pension program and the defined benefit portion of the plan. OPSRP applies to qualifying City employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Funding Policy

The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan and a general service rate for the qualifying employees under the OPSRP plan. The OPERF, OPSRP, and OPSRP Fire and Police rates in effect for the year ended June 30, 2014 were 10.62%, 6.78%, and 9.51%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contributions in addition to the required employer's contribution. The City has elected to pay the required employee contribution of 6% of covered payroll, which is invested in the OPSRP Individual Account Program.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

C. Retirement Plans (Continued)

1. Oregon Public Employees Retirement System (Continued)

Annual Pension Cost

The City's contributions to PERS for the years ending June 30, 2012, 2013, and 2014 were equal to the required contribution for each year. In 2002, the City issued a pension obligation bond, the proceeds of which were used to finance a portion of its estimated unfunded actuarial liability. (See Note III-G.)

Annual pension expenses/expenditures are summarized as follows:

Fiscal Year Ended June 30	Required Contribution to Oregon PERS	Annual Debt Service	Total Annual Pension Cost (APC)	Percentage of APC Contributed
2012	\$ 783,496	\$ 124,904	\$ 908,400	100%
2013	\$ 962,330	\$ 127,563	\$ 1,089,893	100%
2014	\$ 767,617	\$ 167,270	\$ 934,887	100%

2. Deferred Compensation Plan

The City has authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the City for amounts earned by them, not to be paid until a future date when they are terminated by reason of death, permanent disability, retirement, or separation. The deferred compensation plan is authorized under Internal Revenue Code (IRC) Section 457 and has been approved by the Internal Revenue Service. Under the plan document, the City has a fiduciary responsibility to administer the plan in accordance with the requirements of IRC Section 457. The City has no liability for any losses that may be incurred under the plan.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits

1. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and requires supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at <http://oregon.gov/PERS/>.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost, the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Funding Policy

Participating entities are contractually required to contribute to RHIA at a rate assessed each year by OPERS; currently 0.59% of covered OPERF payroll and 0.49% of covered OPSRP payroll. The OPERS board of trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45.

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

D. Other Post-Employment Benefits (Continued)

1. Retirement Health Insurance Account (RHIA) (Continued)

Funding Policy (Continued)

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The City's contributions to RHIA for the years ended June 30, 2012, 2013, and 2014 were \$25,801, \$24,282, and \$22,901, respectively, which equaled the required contributions each year.

E. Bargaining Unit

At June 30, 2014, the City had a total of approximately 82.893 FTE employees. Of this total, approximately 75% are represented by unions. The union agreement with AFSCME was ratified on March 20, 2013 and extends through June 30, 2016. The union agreement with Teamsters was ratified on July 16, 2014 and extends through June 30, 2017.

F. Contingent Liability

The City is currently in a dispute with the City of Albany over fees due related to maintenance of the Santiam-Albany Canal. The agencies are working cooperatively to come to a resolution at this point and no amounts have been recorded into the financial statements related to the dispute.

G. Restatements

Beginning net position of the City was restated as follows:

	Governmental Activities	Business-Type Activities
Net position - beginning, as originally reported	\$ 23,616,313	\$ 27,514,307
Recording of internal balances relating to system development	(154,777)	154,777
Recording of ODVA Loan not booked in prior year	(140,947)	-
Recording of McKinney Loan not booked in prior year	(355,000)	-
Net position - beginning, as restated	\$ 22,965,589	\$ 27,669,084

CITY OF LEBANON
Linn County, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

G. Restatements (Continued)

Beginning fund balance has been restated as follows:

	Special Revenue Fund	NW Urban Renewal Fund	Cheadle Lake Urban Renewal	N. Gateway Urban Renewal	Capital Projects
Fund balance - beginning, as originally reported	\$ 1,329,036	\$ 4,344,168	\$ 118,402	\$ 54,000	\$ 4,082,488
Correction of deferred revenue misstatement	-	-	-	-	-
Correction of internal balances	<u>134,099</u>	<u>(213,906)</u>	<u>(299,678)</u>	<u>(1,090,131)</u>	<u>1,314,840</u>
Fund balance (deficit) - beginning, as restated	<u>\$ 1,463,135</u>	<u>\$ 4,130,262</u>	<u>\$ (181,276)</u>	<u>\$ (1,036,131)</u>	<u>\$ 5,397,328</u>

Budget basis fund net position has been restated as follows:

	Enterprise Fund
Fund net position - beginning, as originally reported	\$ 3,915,662
Correction of internal balances	<u>154,777</u>
Fund net position - beginning, as restated	<u>\$ 4,070,439</u>

H. New Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the City beginning with its fiscal year ending June 30, 2015. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

I. Subsequent Events

Management has evaluated subsequent events through December 16, 2014, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		
				Budget Basis	GAAP Basis	
REVENUES						
Property taxes	\$ 4,123,126	\$ 3,943,261	\$ (148,107)	\$ 3,795,154	\$ -	\$ 3,795,154
Licenses and permits	1,991,700	1,991,700	14,108	2,005,808	-	2,005,808
Fines and forfeits	546,000	546,000	(117,676)	428,324	-	428,324
Intergovernmental	389,330	389,330	19,974	409,304	-	409,304
Charges for services	5,050	5,050	(1,456)	3,594	-	3,594
Miscellaneous	143,400	143,400	111,978	255,378	-	255,378
Total revenues	<u>7,198,606</u>	<u>7,018,741</u>	<u>(121,179)</u>	<u>6,897,562</u>	<u>-</u>	<u>6,897,562</u>
EXPENDITURES						
Current						
Administration and economic dev.	322,100	402,100	(64,917)	337,183	(6,930)	330,253
Human resources	76,544	54,044	(27,511)	26,533	(16,144)	10,389
City attorney	168,000	168,000	(38,309)	129,691	-	129,691
Planning	211,436	211,436	(18,760)	192,676	(7,013)	185,663
Engineering	1,177,068	1,177,068	(32,017)	1,145,051	-	1,145,051
Parks	507,398	507,398	(43,174)	464,224	(36,554)	427,670
Finance	584,555	584,555	(41,830)	542,725	(16,133)	526,592
Legislative	228,782	228,782	(16,734)	212,048	(4,178)	207,870
Library	611,849	611,849	(28,649)	583,200	(86,811)	496,389
Municipal court	286,945	286,945	(13,095)	273,850	(27,237)	246,613
Police	4,884,598	4,827,098	(418,158)	4,408,940	(270,012)	4,138,928
Senior and disabled services	238,815	238,815	(2,187)	236,628	(44,591)	192,037
Non-departmental	1,435,116	1,255,251	(564,649)	690,602	(334,288)	356,314
Capital outlay	-	-	-	-	9,882	9,882
Debt service	-	-	-	-	136,533	136,533
Total expenditures	<u>10,733,206</u>	<u>10,553,341</u>	<u>(1,309,990)</u>	<u>9,243,351</u>	<u>(703,476)</u>	<u>8,539,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,534,600)</u>	<u>(3,534,600)</u>	<u>1,188,811</u>	<u>(2,345,789)</u>	<u>703,476</u>	<u>(1,642,313)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,584,600	2,584,600	-	2,584,600	-	2,584,600
Transfers out	-	-	-	-	(703,476)	(703,476)
Total other financing sources (uses)	<u>2,584,600</u>	<u>2,584,600</u>	<u>-</u>	<u>2,584,600</u>	<u>(703,476)</u>	<u>1,881,124</u>
Net change in fund balance	(950,000)	(950,000)	1,188,811	238,811	-	238,811
Fund balance - beginning, as restated	<u>950,000</u>	<u>950,000</u>	<u>(199,842)</u>	<u>750,158</u>	<u>-</u>	<u>750,158</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 988,969</u>	<u>\$ 988,969</u>	<u>\$ -</u>	<u>\$ 988,969</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Taxes and assessments	\$ 40,700	\$ 40,700	\$ 13,336	\$ 54,036	\$ -	\$ 54,036
Licenses and permits	156,300	156,300	123,755	280,055	-	280,055
Intergovernmental	1,970,115	2,037,673	(836,510)	1,201,163	-	1,201,163
Charges for services	113,000	13,000	2,750	15,750	-	15,750
Miscellaneous	161,950	171,950	26,679	198,629	-	198,629
Total revenues	2,442,065	2,419,623	(669,990)	1,749,633	-	1,749,633
EXPENDITURES						
Current						
City facilities repair	40,219	40,219	(22,823)	17,396	-	17,396
Motel tax	40,000	40,000	(600)	39,400	(3,940)	35,460
Building inspection	260,500	290,500	(19,008)	271,492	(156,297)	115,195
Gazebo donations	40,000	40,000	(33,600)	6,400	-	6,400
Park enterprise	49,413	49,413	(4,660)	44,753	(2,399)	42,354
Parks grant	375,000	375,000	(331,267)	43,733	(43,733)	-
Operations and environmental	1,965,800	1,965,800	(184,902)	1,780,898	(245,335)	1,535,563
Geographic information services	164,600	164,600	(66,906)	97,694	(85,437)	12,257
Information systems service	800,957	800,957	(93,750)	707,207	(142,373)	564,834
Custodial and maintenance services	197,269	197,269	(33,153)	164,116	(14,095)	150,021
Foot and Bike path	28,009	28,009	(27,934)	75	(75)	-
Engineering improvements permits	94,500	94,500	(77,360)	17,140	(17,140)	-
Streets	1,152,248	1,152,248	(51,110)	1,101,138	(459,148)	641,990
Police reserves	-	10,000	(9,645)	355	-	355
School resource officer	36,994	36,994	(9,326)	27,668	-	27,668
Dial-A-Bus	267,171	267,171	(26,324)	240,847	(37,196)	203,651
STP streets	490,311	490,311	(490,311)	-	-	-
Youth court	5,000	5,000	(5,000)	-	-	-
LSTA library grant	-	67,558	(19,640)	47,918	-	47,918
Gills landing	14,100	14,100	(5,046)	9,054	-	9,054
Capital outlay	-	-	-	-	438,208	438,208
Total expenditures	6,022,091	6,129,649	(1,512,365)	4,617,284	(768,960)	3,848,324

(Continued)

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL REVENUE FUND

For the Year Ended June 30, 2014

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(3,580,026)	(3,710,026)	842,375	(2,867,651)	768,960	(2,098,691)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,802,324	2,802,324	(57,912)	2,744,412	-	2,744,412
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(768,960)</u>	<u>(768,960)</u>
Total other financing sources (uses)	<u>2,802,324</u>	<u>2,802,324</u>	<u>(57,912)</u>	<u>2,744,412</u>	<u>(768,960)</u>	<u>1,975,452</u>
Net change in fund balance	(777,702)	(907,702)	784,463	(123,239)	-	(123,239)
Fund balance - beginning, as restated	<u>777,702</u>	<u>907,702</u>	<u>555,433</u>	<u>1,463,135</u>	<u>-</u>	<u>1,463,135</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,339,896</u>	<u>\$ 1,339,896</u>	<u>\$ -</u>	<u>\$ 1,339,896</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

SPECIAL ASSESSMENT FUND

For the Year Ended June 30, 2014

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
			Budget Basis	Adjustments	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES					
Capital Outlay					
Public improvements	<u>31,462</u>	<u>-</u>	<u>31,462</u>	<u>31,462</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(31,462)	-	(31,462)	(31,462)	-
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,462)</u>	<u>(31,462)</u>
Net change in fund balance	(31,462)	-	(31,462)	-	(31,462)
Fund balance - beginning	<u>31,462</u>	<u>-</u>	<u>31,462</u>	<u>-</u>	<u>31,462</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

NORTHWEST URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 2,800,622	\$ 2,800,622	\$ (332,423)	\$ 2,468,199	\$ -	\$ 2,468,199
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>55,187</u>	<u>56,187</u>	<u>-</u>	<u>56,187</u>
Total revenues	2,801,622	2,801,622	(277,236)	2,524,386	-	2,524,386
EXPENDITURES						
Current						
NW Lebanon urban renewal district	15,861,000	16,880,393	(1,509,783)	15,370,610	(15,163,166)	207,444
NW Lebanon urban renewal bonds	2,400,622	1,447,858	(813,867)	633,991	(633,991)	-
Capital outlay	-	-	-	-	13,950,155	13,950,155
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>633,991</u>	<u>633,991</u>
Total expenditures	<u>18,261,622</u>	<u>18,328,251</u>	<u>(2,323,650)</u>	<u>16,004,601</u>	<u>(1,213,011)</u>	<u>14,791,590</u>
Excess (deficiency) of revenues over (under) expenditures	(15,460,000)	(15,526,629)	2,046,414	(13,480,215)	1,213,011	(12,267,204)
OTHER FINANCING SOURCES (USES)						
Bond sale proceeds	12,000,000	-	-	-	-	-
Transfers in	-	12,066,629	-	12,066,629	-	12,066,629
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,213,011)</u>	<u>(1,213,011)</u>
Total other financing sources (uses)	<u>12,000,000</u>	<u>12,066,629</u>	<u>-</u>	<u>12,066,629</u>	<u>(1,213,011)</u>	<u>10,853,618</u>
Net change in fund balance	(3,460,000)	(3,460,000)	2,046,414	(1,413,586)	-	(1,413,586)
Fund balance - beginning, as restated	<u>3,460,000</u>	<u>3,460,000</u>	<u>670,262</u>	<u>4,130,262</u>	<u>-</u>	<u>4,130,262</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,716,676</u>	<u>\$ 2,716,676</u>	<u>\$ -</u>	<u>\$ 2,716,676</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CHEADLE LAKE URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2014

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual		
			Budget Basis	GAAP Basis	
REVENUES					
Property taxes	\$ 253,500	\$ 29,061	\$ 282,561	\$ -	\$ 282,561
Miscellaneous	-	8,257	8,257	-	8,257
Total revenues	253,500	37,318	290,818	-	290,818
EXPENDITURES					
Current					
Cheadle Lake urban renewal district	348,500	(241,283)	107,217	(105,510)	1,707
Cheadle Lake urban renewal district debt	-	-	-	-	-
Total expenditures	348,500	(241,283)	107,217	(105,510)	1,707
Excess (deficiency) of revenues over (under) expenditures	(95,000)	278,601	183,601	105,510	289,111
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(105,510)	(105,510)
Net change in fund balance	(95,000)	278,601	183,601	-	183,601
Fund balance (deficit) - beginning, as restated	95,000	(276,276)	(181,276)	-	(181,276)
Fund balance - ending	\$ -	\$ 2,325	\$ 2,325	\$ -	\$ 2,325

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

NORTH GATEWAY URBAN RENEWAL DISTRICT

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 197,235	\$ 232,235	\$ 22,244	\$ 254,479	\$ -	\$ 254,479
Miscellaneous	-	-	528	528	-	528
Total revenues	197,235	232,235	22,772	255,007	-	255,007
EXPENDITURES						
North gateway urban renewal district	234,235	286,235	(15,043)	271,192	(195,778)	75,414
Debt service	-	-	-	-	96,470	96,470
Total expenditures	234,235	286,235	(15,043)	271,192	(99,308)	171,884
Excess (deficiency) of revenues over (under) expenditures	(37,000)	(54,000)	37,815	(16,185)	99,308	83,123
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	(99,308)	(99,308)
Net change in fund balance	(37,000)	(54,000)	37,815	(16,185)	-	(16,185)
Fund balance (deficit) - beginning, as restated	37,000	54,000	(1,090,131)	(1,036,131)	-	(1,036,131)
Fund balance (deficit) - ending	\$ -	\$ -	\$ (1,052,316)	\$ (1,052,316)	\$ -	\$ (1,052,316)

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 1,369,800	\$ 1,369,800	\$ 67,411	\$ 1,437,211	\$ -	\$ 1,437,211
Miscellaneous	850	850	27,594	28,444	-	28,444
Total revenues	1,370,650	1,370,650	95,005	1,465,655	-	1,465,655
EXPENDITURES						
G.O. bonds 2007	1,410,600	1,410,600	(40,000)	1,370,600	(1,370,600)	-
2013 bond financing	-	1,130,657	15,693,250	16,823,907	(16,823,907)	-
Pension bond series 2002	167,567	167,567	(297)	167,270	(167,270)	-
Debt service	-	-	-	-	2,668,525	2,668,525
Total expenditures	1,578,167	2,708,824	15,652,953	18,361,777	(15,693,252)	2,668,525
Excess (deficiency) of revenues over (under) expenditures	(207,517)	(1,338,174)	(15,557,948)	(16,896,122)	15,693,252	(1,202,870)
OTHER FINANCING SOURCES (USES)						
Bond sale proceeds	-	12,066,629	(3,626,623)	15,693,252	-	15,693,252
Payment to escrow agent	-	-	-	-	(3,626,623)	(3,626,623)
Transfers in	167,517	1,298,174	-	1,298,174	-	1,298,174
Transfers out	-	(12,066,629)	(12,066,629)	-	(12,066,629)	(12,066,629)
Total other financing sources (uses)	167,517	1,298,174	(15,693,252)	16,991,426	(15,693,252)	1,298,174
Net change in fund balance	(40,000)	(40,000)	135,304	95,304	-	95,304
Fund balance - beginning,	40,000	40,000	82,037	122,037	-	122,037
Fund balance - ending	\$ -	\$ -	\$ 217,341	\$ 217,341	\$ -	\$ 217,341

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Taxes and assessments	\$ 143,750	\$ 143,750	\$ 336,064	\$ 479,814	\$ -	\$ 479,814
Intergovernmental	2,051	2,051	278	2,329	-	2,329
Miscellaneous	<u>746,910</u>	<u>756,910</u>	<u>(648,190)</u>	<u>108,720</u>	<u>-</u>	<u>108,720</u>
Total revenues	892,711	902,711	(311,848)	590,863	-	590,863
EXPENDITURES						
Grant street bridge	-	-	-	-	-	-
State highway signal maintenance	73,750	73,750	(63,372)	10,378	(10,378)	-
Equipment acquisition and replacement	1,126,620	1,136,620	(918,151)	218,469	(218,469)	-
Historic resource commission trust	80	80	(80)	-	-	-
Pioneer cemetery	8,730	8,730	(8,730)	-	-	-
Police trust	24,423	24,423	(12,757)	11,666	-	11,666
Library trust	195,051	195,051	(154,413)	40,638	-	40,638
Library building trust	639,000	639,000	(638,458)	542	-	542
Senior services building trust	1,604	1,604	(1,602)	2	-	2
Senior services trust	180,300	180,300	(164,668)	15,632	(2,788)	12,844
Snedaker trust	32,000	32,000	(30,600)	1,400	-	1,400
Streets capital improvement projects	424,479	424,479	(371,375)	53,104	(53,104)	-
Infrastructure deferral	55,372	55,372	(55,372)	-	-	-
Drainage SDC	137,080	137,080	(7,304)	129,776	(129,776)	-
Drainage reimbursement	5,610	5,610	(5,610)	-	-	-
Parks SDC	431,050	431,050	(402,074)	28,976	(28,976)	-
Parks reimbursement	17,880	17,880	(2,805)	15,075	(15,075)	-
Sewer SDC	395,899	395,899	(389,123)	6,776	(6,776)	-
Sewer SDC reimbursement	215,142	215,142	(215,142)	-	-	-
Streets SDC	1,041,600	1,041,600	(1,002,824)	38,776	(38,776)	-
Streets SDC reimbursement	43,823	43,823	(43,823)	-	-	-
Water SDC	108,105	108,105	(101,329)	6,776	(6,776)	-
Water SDC reimbursement	25,093	25,093	(25,093)	-	-	-
Capital outlay	-	-	-	-	466,636	466,636
Total expenditures	<u>5,182,691</u>	<u>5,192,691</u>	<u>(4,614,705)</u>	<u>577,986</u>	<u>(44,258)</u>	<u>533,728</u>

(Continued)

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

CAPITAL PRJOECTS FUND

For the Year Ended June 30, 2014

(Continued)

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
Excess (deficiency) of revenues over (under) expenditures	(4,289,980)	(4,289,980)	4,302,857	12,877	44,258	57,135
OTHER FINANCING SOURCES (USES)						
Transfers in	391,912	391,912	(5,000)	386,912	-	386,912
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,258)</u>	<u>(44,258)</u>
Total other financing sources (uses)	<u>391,912</u>	<u>391,912</u>	<u>(5,000)</u>	<u>386,912</u>	<u>(44,258)</u>	<u>342,654</u>
Net change in fund balance	(3,898,068)	(3,898,068)	4,297,857	399,789	-	399,789
Fund balance - beginning	<u>3,898,568</u>	<u>3,898,568</u>	<u>1,498,760</u>	<u>5,397,328</u>	<u>-</u>	<u>5,397,328</u>
Fund balance - ending	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 5,796,617</u>	<u>\$ 5,797,117</u>	<u>\$ -</u>	<u>\$ 5,797,117</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL

ENTERPRISE FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Charges for services, net	\$ 9,210,000	\$ 9,210,000	\$ 218,022	\$ 9,428,022	\$ -	\$ 9,428,022
Miscellaneous	89,900	89,900	32,689	122,589	-	122,788
Total revenues	<u>9,299,900</u>	<u>9,299,900</u>	<u>250,910</u>	<u>9,550,810</u>	<u>-</u>	<u>9,550,810</u>
EXPENSES						
Current						
Water department	4,452,455	4,452,455	(210,083)	4,242,372	(3,544,957)	697,415
Water capital improvement	2,502,553	2,502,553	(715,034)	1,787,519	(1,266,793)	520,726
Water bond debt service	271,565	182,925	-	182,925	(182,925)	-
Storm drainage	842,000	842,000	(342,906)	499,094	(447,755)	51,339
Wastewater	5,726,228	5,726,228	(340,504)	5,385,724	(4,718,710)	667,014
Sewer and lateral repair program	381,600	381,600	(65,507)	316,093	(316,093)	-
Wastewater capital improvement	1,826,000	1,826,000	(1,326,150)	499,850	(372,093)	127,757
Wastewater bond debt service	1,451,352	1,158,033	(69,999)	1,088,034	(1,088,034)	-
Wastewater 2010 bond project	237,578	237,578	(237,508)	70	(70)	-
Depreciation	-	-	-	-	1,141,626	1,141,626
Capital outlay	-	-	(76,375)	(76,375)	93,715	17,340
Debt service	-	-	(65,571)	(65,571)	497,702	432,131
Total expenses	<u>17,691,331</u>	<u>17,309,372</u>	<u>(3,449,637)</u>	<u>13,859,735</u>	<u>(10,204,387)</u>	<u>3,655,348</u>
Excess (deficiency) of revenues over (under) expenses	<u>(8,391,431)</u>	<u>(8,009,472)</u>	<u>3,700,547</u>	<u>(4,308,925)</u>	<u>10,204,387</u>	<u>5,895,462</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	4,689,897	4,307,981	(50,000)	4,257,981	7,921,507	12,179,488
Transfers out	-	-	-	-	(8,595,997)	(8,595,997)
Total other financing sources (uses)	4,689,897	4,307,981	(50,000)	4,257,981	(674,490)	3,583,491
Change in net position	(3,701,534)	(3,701,491)	3,650,547	(50,944)	9,529,897	9,478,953
Net position - beginning, as restated	<u>3,701,534</u>	<u>3,701,491</u>	<u>368,948</u>	<u>4,070,439</u>	<u>23,598,645</u>	<u>27,669,084</u>
Net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,019,495</u>	<u>\$ 4,019,495</u>	<u>\$ 33,128,542</u>	<u>\$ 37,148,037</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

TRUST AND AGENCY FUND

For the Year Ended June 30, 2014

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual	
			Budget Basis	GAAP Basis
REVENUES				
Fines and forfeits	\$ 185,060	\$ (59,524)	\$ 125,536	\$ 125,536
EXPENDITURES				
Bail and trust	185,060	(62,384)	122,676	122,676
Excess (deficiency) of revenues over (under) expenditures	-	2,860	2,860	2,860
Fund balance - beginning	-	(4,360)	(4,360)	(4,360)
Fund deficit - ending	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ (1,500)</u>	<u>\$ (1,500)</u>

OTHER FINANCIAL SCHEDULES

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Fiscal Year Ending June 30	2010 Northwest Urban Renewal Refunding Bonds			2002 Pension Obligation Bonds			2007 General Obligation Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2015	\$ 320,000	\$ 68,090	\$ 388,090	\$ 31,704	\$ 145,566	\$ 177,270	\$ 690,000	\$ 725,800
2016	330,000	58,490	388,490	32,796	154,474	187,270	760,000	698,200	1,458,200
2017	345,000	48,590	393,590	33,687	163,583	197,270	830,000	667,800	1,497,800
2018	355,000	36,516	391,516	32,872	169,398	202,270	905,000	631,600	1,536,600
2019	370,000	25,510	395,510	33,233	179,037	212,270	1,000,000	595,400	1,595,400
2020	380,000	13,300	393,300	51,649	170,621	222,270	1,080,000	555,400	1,635,400
2021	-	-	-	140,000	95,558	235,558	1,175,000	506,800	1,681,800
2022	-	-	-	160,000	85,968	245,968	1,280,000	450,988	1,730,988
2023	-	-	-	185,000	75,008	260,008	1,390,000	390,188	1,780,188
2024	-	-	-	205,000	62,335	267,335	1,510,000	324,162	1,834,162
2025	-	-	-	-	48,293	48,293	1,635,000	252,438	1,887,438
2026	-	-	-	260,000	48,293	308,293	1,775,000	170,688	1,945,688
2027	-	-	-	295,000	30,483	325,483	1,905,000	95,250	2,000,250
2028	-	-	-	150,000	10,275	160,275	-	-	-
	<u>\$ 2,100,000</u>	<u>\$ 250,496</u>	<u>\$ 2,350,496</u>	<u>\$ 1,610,941</u>	<u>\$ 1,438,892</u>	<u>\$ 3,049,833</u>	<u>\$ 15,935,000</u>	<u>\$ 6,064,714</u>	<u>\$ 21,999,714</u>

Fiscal Year Ending June 30	Northwest Urban Renewal District Special Public Works Fund			General Fund Special Public Works Fund			North Gateway Urban Renewal District Samaritan Health Services Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2015	\$ 114,722	\$ 128,130	\$ 242,852	\$ 72,571	\$ 67,037	\$ 139,608	\$ 34,450	\$ 53,066
2016	120,511	123,541	244,052	73,074	64,134	137,208	36,517	50,999	87,516
2017	126,331	118,720	245,051	78,597	61,211	139,808	38,708	48,808	87,516
2018	132,184	113,667	245,851	79,141	58,067	137,208	41,031	46,485	87,516
2019	133,072	108,380	241,452	84,707	54,902	139,609	43,493	44,023	87,516
2020	138,994	103,057	242,051	85,332	51,302	136,634	46,102	41,414	87,516
2021	144,984	97,323	242,307	91,022	47,462	138,484	48,869	38,648	87,517
2022	151,034	91,234	242,268	91,663	43,821	135,484	51,801	35,715	87,516
2023	157,140	84,815	241,955	97,496	39,238	136,734	54,909	32,607	87,516
2024	168,293	78,137	246,430	103,371	34,363	137,734	58,203	29,313	87,516
2025	174,510	70,900	245,410	109,105	30,228	139,333	61,695	25,821	87,516
2026	180,801	63,265	244,066	115,061	24,773	139,834	65,397	22,119	87,516
2027	187,149	55,355	242,504	121,114	18,732	139,846	69,321	18,195	87,516
2028	198,555	47,167	245,722	127,169	12,676	139,845	73,480	14,036	87,516
2029	205,023	38,481	243,504	133,333	6,000	139,333	77,889	9,627	87,516
2030	216,556	29,511	246,067	-	-	-	30,440	4,954	35,394
2031	223,155	20,037	243,192	-	-	-	-	-	-
2032	234,824	10,274	245,098	-	-	-	-	-	-
	<u>\$ 3,007,838</u>	<u>\$ 1,381,994</u>	<u>\$ 4,389,832</u>	<u>\$ 1,462,756</u>	<u>\$ 613,946</u>	<u>\$ 2,076,702</u>	<u>\$ 832,305</u>	<u>\$ 515,830</u>	<u>\$ 1,348,135</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Fiscal Year Ending June 30	Northwest Urban Renewal District 2013 Full Faith & Credit Bonds			Cheadle Lake Urban Renewal District McKinney Apartment Note			North Gateway Urban Renewal District Oregon Department of Veteran's Affairs Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 805,000	\$ 537,550	\$ 1,342,550	\$ -	\$ -	\$ -	\$ 65,947	\$ -	\$ 65,947
2016	855,000	521,450	1,376,450	35,500	-	35,500	-	-	-
2017	870,000	495,800	1,365,800	35,500	-	35,500	-	-	-
2018	900,000	469,700	1,369,700	35,500	-	35,500	-	-	-
2019	950,000	433,700	1,383,700	35,500	-	35,500	-	-	-
2020	990,000	395,700	1,385,700	35,500	-	35,500	-	-	-
2021	1,155,000	356,100	1,511,100	35,500	-	35,500	-	-	-
2022	1,210,000	309,900	1,519,900	35,500	-	35,500	-	-	-
2023	1,010,000	273,600	1,283,600	35,500	-	35,500	-	-	-
2024	1,050,000	243,300	1,293,300	35,500	-	35,500	-	-	-
2025	1,110,000	190,800	1,300,800	35,500	-	35,500	-	-	-
2026	1,165,000	146,400	1,311,400	-	-	-	-	-	-
2027	1,220,000	99,800	1,319,800	-	-	-	-	-	-
2028	1,275,000	51,000	1,326,000	-	-	-	-	-	-
	<u>\$ 14,565,000</u>	<u>\$ 4,524,800</u>	<u>\$ 19,089,800</u>	<u>\$ 355,000</u>	<u>\$ -</u>	<u>\$ 355,000</u>	<u>\$ 65,947</u>	<u>\$ -</u>	<u>\$ 65,947</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED DEBT
BUSINESS-TYPE ACTIVITIES

For the Year Ended June 30, 2014

Fiscal Year Ending June 30	2010 Wastewater Refunding Bonds			2009 Wastewater DEQ Loan			2007 Cannibal Project Note		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 390,000	\$ 217,876	\$ 607,876	\$ 39,666	\$ 21,250	\$ 60,916	\$ 147,457	\$ 60,521	\$ 207,978
2016	400,000	207,450	607,450	40,837	20,079	60,916	150,471	57,507	207,978
2017	415,000	195,450	610,450	42,042	18,874	60,916	153,545	54,433	207,978
2018	435,000	178,850	613,850	43,283	17,633	60,916	156,683	51,295	207,978
2019	445,000	161,450	606,450	44,560	16,356	60,916	159,885	48,093	207,978
2020	460,000	143,650	603,650	45,875	15,041	60,916	163,152	44,826	207,978
2021	235,000	125,250	360,250	47,229	13,687	60,916	166,486	41,492	207,978
2022	245,000	115,262	360,262	48,623	12,293	60,916	169,888	38,090	207,978
2023	255,000	104,850	359,850	50,058	10,858	60,916	173,360	34,618	207,978
2024	265,000	94,012	359,012	51,535	9,381	60,916	176,903	31,075	207,978
2025	275,000	82,750	357,750	53,056	7,860	60,916	180,518	27,460	207,978
2026	285,000	71,062	356,062	54,623	6,293	60,916	184,206	23,772	207,978
2027	300,000	60,376	360,376	56,235	4,681	60,916	187,971	20,007	207,978
2028	310,000	49,126	359,126	57,895	3,021	60,916	191,812	16,166	207,978
2029	320,000	37,500	357,500	59,598	1,313	60,911	195,732	12,246	207,978
2030	335,000	25,500	360,500	-	-	-	199,731	8,247	207,978
2031	<u>345,000</u>	<u>12,938</u>	<u>357,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,355</u>	<u>4,166</u>	<u>60,521</u>
	<u>\$ 5,715,000</u>	<u>\$ 1,883,352</u>	<u>\$ 7,598,352</u>	<u>\$ 735,115</u>	<u>\$ 178,620</u>	<u>\$ 913,735</u>	<u>\$ 2,814,155</u>	<u>\$ 574,014</u>	<u>\$ 3,388,169</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF NET POSITION PROPRIETARY FUND - BY ACTIVITY

ENTERPRISE FUND

June 30, 2014

	Water Operations	Storm Drain Operations	Sewer Operations	Total Enterprise Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,351,634	\$ 318,363	\$ 1,079,606	\$ 2,749,603
Accounts receivable	631,145	69,033	656,755	1,356,933
Internal balances	79,384	-	75,393	154,777
Prepaid expenses	<u>1,146</u>	<u>-</u>	<u>1,146</u>	<u>2,292</u>
Total current assets	2,063,309	387,396	1,812,900	4,263,605
Deferred charges - debt issuance costs	35,112	-	172,860	207,972
Capital assets, net of accumulated depreciation	<u>11,691,161</u>	<u>121,821</u>	<u>30,849,036</u>	<u>42,662,018</u>
Total assets	<u>13,789,582</u>	<u>509,217</u>	<u>32,834,796</u>	<u>47,133,595</u>
LIABILITIES				
Current liabilities				
Accounts payable	67,784	195	36,598	104,577
Accrued interest	-	-	78,010	78,010
Compensated absences, current portion	6,061	-	144	6,205
Deposit liability	279,890	-	-	279,890
Long-term liabilities, current portion	<u>-</u>	<u>-</u>	<u>577,123</u>	<u>577,123</u>
Total current liabilities	<u>353,735</u>	<u>195</u>	<u>691,875</u>	<u>1,045,805</u>
Noncurrent liabilities				
Compensated absences, less current portion	24,760	-	6,870	31,630
Long-term liabilities, less current portion	<u>-</u>	<u>-</u>	<u>8,908,123</u>	<u>8,908,123</u>
Total noncurrent liabilities	<u>24,760</u>	<u>-</u>	<u>8,914,993</u>	<u>8,939,753</u>
Total liabilities	<u>378,495</u>	<u>195</u>	<u>9,606,868</u>	<u>9,985,558</u>
NET POSITION				
Net investment in capital assets	11,691,161	121,821	21,363,790	33,176,772
Restricted for debt service	-	-	372,011	372,011
Unrestricted	<u>1,719,926</u>	<u>387,201</u>	<u>1,492,127</u>	<u>3,599,254</u>
Total net position	<u>\$ 13,411,087</u>	<u>\$ 509,022</u>	<u>\$ 23,227,928</u>	<u>\$ 37,148,037</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF CHANGES IN PROPRIETARY FUND NET POSITION - BY ACTIVITY

ENTERPRISE FUND

For the Year Ended June 30, 2014

	Water Operations	Storm Drain Operations	Sewer Operations	Total Enterprise Fund
Operating revenues				
Charges for services	4,265,930	409,233	4,752,859	9,428,022
Miscellaneous	106,977	-	364	107,341
Total operating revenues	<u>4,372,907</u>	<u>409,233</u>	<u>4,753,223</u>	<u>9,535,363</u>
Operating expenses				
Water utility	697,415	-	-	697,415
Water utility capital improvement program	408,958	-	-	408,958
Storm drain utility	-	51,339	-	51,339
Storm drain utility capital improvement program	-	123,090	-	123,090
Wastewater utility	-	-	667,014	667,014
Wastewater utility capital improvement program	-	-	133,775	133,775
Depreciation	288,801	-	852,825	1,141,626
Total operating expenses	<u>1,395,174</u>	<u>174,429</u>	<u>1,653,614</u>	<u>3,223,217</u>
Operating income (loss)	<u>2,977,733</u>	<u>234,804</u>	<u>3,099,609</u>	<u>6,312,146</u>
Nonoperating revenues (expenses)				
Investment earnings	8,073	1,532	5,842	15,447
Interest expense	(29,446)	-	(402,685)	(432,131)
Total nonoperating revenue (expenses)	<u>(21,373)</u>	<u>1,532</u>	<u>(396,843)</u>	<u>(416,684)</u>
Income (loss) before contributions and transfers	2,956,360	236,336	2,702,766	5,895,462
Transfers in	2,740,441	-	1,038,260	3,778,701
Transfers out	-	(195,210)	-	(195,210)
Change in net position	5,696,801	41,126	3,741,026	9,478,953
Net position - beginning, as restated	<u>7,714,286</u>	<u>467,896</u>	<u>19,486,902</u>	<u>27,669,084</u>
Net position - ending	<u>\$ 13,411,087</u>	<u>\$ 509,022</u>	<u>\$ 23,227,928</u>	<u>\$ 37,148,037</u>

CITY OF LEBANON
Linn County, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2014

Tax Year	Taxes Receivable July 1, 2013	2013-2014 Levy	Adjustments	Collections	Taxes Receivable June 30, 2014
2013-2014	\$ -	\$ 8,432,423	\$ (224,178)	\$ 7,855,319	\$ 352,926
2012-2013	306,829	-	41,964	137,415	211,378
2011-2012	199,636	-	42,863	77,471	165,028
2010-2011	114,906	-	31,334	56,756	89,484
2009-2010	41,237	-	26,295	29,099	38,433
2008-2009	7,050	-	(589)	2,776	3,685
2007-2008	3,968	-	(634)	1,657	1,677
Prior	6,884	-	(75)	803	6,006
Subtotal - Prior	680,510	-	141,158	305,977	515,691
Total	\$ 680,510	\$ 8,432,423	\$ (83,020)	8,161,296	\$ 868,617
Add:					
Other taxes and interest				63,727	
Undistributed taxes with county, July 1, 2013				-	
Total available				8,225,023	
Less: Turnovers to District				8,225,023	
Undistributed taxes with county, June 30, 2014				\$ -	

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

City Council
City of Lebanon
Lebanon, Oregon 97355

We have audited the basic financial statements of the City of Lebanon as of and for the year ended June 30, 2014, and have issued our report thereon dated December 16, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Lebanon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the City of Lebanon’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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lebanon’s internal control over financial reporting. However, we noted certain matters that we have reported to management of the City in a separate letter dated December 16, 2014.

This report is intended solely for the information and use of the city council and management of the City of Lebanon and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.



Accuity, LLC

December 16, 2014

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2014



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS

330 Washington Street SW | PO Box 1072

Albany, Oregon 97321 | (541) 223-5555

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

DISTRICT OFFICIALS

June 30, 2014

MAYOR

Paul Aziz
312 E. Sherman Street
Lebanon, Oregon 97355

CITY COUNCIL

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97355

Barry Scott
1620 W. Airway Road
Lebanon, Oregon 97355

Bob Elliott
795 Binshadler Street
Lebanon, Oregon 97355

Floyd Fisher
170 S. 2nd Street
Lebanon, Oregon 97355

Jason Bolen
3426 Duck Place
Lebanon, Oregon 97355

Rebecca Grizzle
333 E. Ash Street
Lebanon, Oregon 97355

CITY MANAGER

Jon Nelson, Interim

Gary Marks (*Hired as of 3/17/14*)

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

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June 30, 2014

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northwest Urban Renewal District
Lebanon, Oregon 97355

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Northwest Urban Renewal District, Lebanon, Oregon, a component unit of the City of Lebanon, Oregon as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the each major fund of the Northwest Urban Renewal District, Lebanon, Oregon as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We do not express an opinion or provide any assurance on the management's discussion because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwest Urban Renewal District's basic financial statements. The schedule of property tax transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 16, 2014 on our tests of the District's compliance with certain provisions of laws and regulations specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Accuity, LLC



By: _____
Kori L. Sarrett, CPA

Albany, Oregon
December 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHWEST URBAN RENEWAL DISTRICT

Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the Northwest Urban Renewal District, Lebanon, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, total net position of the Northwest Urban Renewal District amounted to (\$2,247,273). The total amount represents unrestricted net position.
- The District's total net position decreased by \$936,481 during the current fiscal year.
- Overall expenditures were \$15,577,309, which exceeded total revenues of \$14,640,828 by \$936,481.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, specifically urban renewal.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of the Northwest Urban Renewal District are governmental 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 available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District'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 the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major governmental fund.

The Northwest Urban Renewal District adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 25 of this report.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on page 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's liabilities exceeded assets by \$2,247,273 at the close of the most recent fiscal year.

District's Net position

At the end of the current fiscal year, the District reported negative balances in all categories of net position. The District's net position decreased by \$936,481 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Assets		
Current assets	\$ 3,453,141	\$ 4,583,645
Total assets	<u>3,453,141</u>	<u>4,583,645</u>
Liabilities		
Current liabilities	1,027,298	786,599
Noncurrent liabilities	<u>4,673,116</u>	<u>5,107,838</u>
Total liabilities	<u>5,700,414</u>	<u>5,894,437</u>
Net position		
Unrestricted	<u>\$ (2,247,273)</u>	<u>\$ (1,310,792)</u>

District's Changes in Net position

The condensed statement of activities information shown on the following page explains changes in net position.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities	
	2014	2013
Program revenues	\$ 12,066,629	\$ -
General revenues		
Property taxes - general	1,611,309	375,895
Property taxes - debt service	888,003	1,328,203
Investment income	43,234	17,693
Miscellaneous revenue	31,653	-
Total general revenues	2,574,199	1,721,791
Total revenues	14,640,828	1,721,791
Program expenses		
General Government	15,577,309	2,528,066
Total program expenses	15,577,309	2,528,066
Change in net position	(936,481)	(806,275)
Net position -		
beginning of year, as restated	(1,310,792)	(504,517)
Net position - end of year	\$ (2,247,273)	\$ (1,310,792)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Fund

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

At the end of the current fiscal year, the District's governmental fund reported fund balance of \$2,716,674, a decrease of \$1,413,589 from the prior year.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

DEBT ADMINISTRATION

Long-Term Liabilities

At the end of the current fiscal year, the District had total debt outstanding of \$5,107,838. This amount is comprised of general obligation bonds, and a note payable. The District's total debt decreased by \$423,963 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-B on pages 23 through 24 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could affect its future financial health:

- Property tax revenue has increased over the prior year. It is hoped for and anticipated that with economic growth this trend will continue.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 3,198,965
Property taxes receivable	252,434
Special assessments receivable	<u>1,742</u>
Total assets	<u>3,453,141</u>
LIABILITIES	
Current liabilities	
Accounts payable	298,253
Accrued interest	80,417
System developmet charge payable	213,906
Long-term liabilities, current portion	<u>434,722</u>
Total current liabilities	<u>1,027,298</u>
Noncurrent liabilities	
Long-term liabilities, less current portion	<u>4,673,116</u>
Total liabilities	<u>5,700,414</u>
NET POSITION	
Unrestricted	<u>\$ (2,247,273)</u>

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

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>
Governmental activities				
General Government	\$ 15,577,309	\$ -	\$ -	\$ 12,066,629
				(3,510,680)
				General revenues
				Property taxes levied for general purposes
				1,611,309
				Property taxes levied for debt service
				888,003
				Investment income
				43,234
				Miscellaneous revenue
				31,653
				<u>Total general revenues</u>
				2,574,199
				Change in net position
				(936,481)
				Net position - beginning, as restated
				(1,310,792)
				Net position - ending
				<u>\$ (2,247,273)</u>

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

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 3,198,965
Property taxes receivable	252,434
Loans receivable	<u>1,742</u>
Total assets	<u>\$ 3,453,141</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 298,253
System development charges payable	<u>213,906</u>
Total liabilities	<u>512,159</u>
Deferred inflows of resources	
Unavailable revenue - property taxes	<u>224,308</u>
Fund balances	
Unrestricted	<u>2,716,674</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,453,141</u>

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

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Total fund balances		\$ 2,716,674
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		224,308
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(80,417)	
Bonds payable	(2,100,000)	
Notes payable	(3,007,838)	(5,188,255)
Net position of governmental activities		<u>\$ (2,247,273)</u>

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

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 2,449,496
Intergovernmental - City of Lebanon	12,066,629
Investment earnings	43,234
Miscellaneous revenue	<u>31,653</u>
Total revenues	<u>14,591,012</u>
EXPENDITURES	
Current	
General government - urban renewal	1,420,455
Debt service	633,991
Capital outlay	<u>13,950,155</u>
Total expenditures	<u>16,004,601</u>
Excess (deficiency) of revenues over expenditures	(1,413,589)
Fund balances - beginning, as restated	<u>4,130,263</u>
Fund balances - ending	<u>\$ 2,716,674</u>

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

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

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

For the Year Ended June 30, 2014

Net change in fund balances \$ (1,413,589)

Amounts reported for governmental activities in the statement of activities are different because:

Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Debt principal paid	423,963	
Accrued interest payable	<u>3,329</u>	427,292

Property taxes and court fines that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.

49,816

Change in net position \$ (936,481)

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

NOTES TO BASIC FINANCIAL STATEMENTS

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northwest Urban Renewal District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In 1989, the City of Lebanon established the Northwest Urban Renewal District. The purpose of the District is to provide for the development of infrastructure to serve industrially zoned property within the District boundaries. The area is located west of Highway 20 and north of Highway 34. The Northwest Urban Renewal District, Lebanon, Oregon is governed by a seven member board of directors that are the City's mayor and six city council members. The District is included as a blended component unit in the City of Lebanon's financial statements as a special revenue fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue is property taxes.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The District reports deferred inflows of resources on the balance sheet of the governmental funds. Deferred inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the District has a legal claim to the resources, the amounts for deferred inflows of resources are removed from the balance sheet and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with remaining maturities of one year or less at the date of acquisition.

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Accounts and Loans Receivable

Accounts receivable represent balances due from the Enterprise Fund of the City of Lebanon for debt amounts paid on their behalf. Loans receivable represent assessment for property improvements. Assessment are recognized at the time the property owners are assessed, interest is accrued when due. Management has determined that no allowance for doubtful accounts is necessary.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method, which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position/Fund Balance (Continued)

6. Fund Balance

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a minimum fund balance policy.

E. 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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. An annual appropriated budget is adopted for the general fund. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the department/functional level. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there were no supplemental budgets. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved appropriation change.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Northwest Urban Renewal District maintains its cash balance as a part of the City of Lebanon's pooled cash. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District's policy, which adheres to state 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 or Moody's Investors Service or any other national recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

Investments

As of June 30, 2014, the District had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value	Credit Quality Rating
Oregon Local Government Investment Pool	100%	-	\$ 3,198,965	Unrated

Interest Rate Risk

In accordance with its investments policy, the District manages its exposure to declines in fair value of its investments by limiting investment maturity.

Concentration of Credit Risk

The District'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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

**NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2010 Refunding Bonds	2-3.5%	\$ 3,310,000	\$ 2,415,000	-	\$ 315,000	\$ 2,100,000	\$ 320,000
Special Public Works Fund	4-4.375%	<u>3,677,462</u>	<u>3,116,801</u>	-	<u>108,963</u>	<u>3,007,838</u>	<u>114,722</u>
Total long-term liabilities		<u>\$ 6,987,462</u>	<u>\$ 5,531,801</u>	<u>\$ -</u>	<u>\$ 423,963</u>	<u>\$ 5,107,838</u>	<u>\$ 434,722</u>

1. Northwest Urban Renewal District 2010 General Obligation Refunding Bonds

On November 2, 2010, the District issued general obligation bonds of \$3,310,000 (par value) with interest rates of 2% to 3.5% to advance refund the portion of the Series 2000 general obligation bonds maturing December 1, 2010, with interest rates of 5.75% to 6%, and a par value of \$3,420,000. All defeased bonds have been paid in full. As a result of the advance refunding, the District reduced its total debt service requirements by \$658,966, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$431,283. Interest is variable over a fixed schedule, set out at the issuance date. The bonds are payable on June 1 and December 1 of each year. The NW Urban Renewal District Fund has been used to liquidate the debt. Loan #LebanonUR10, final maturity 2020.

2. Governmental Activity Note Payable - NW Urban Renewal District Special Public Works Fund

The District signed the note payable on May 1, 2007. The funds were used for urban renewal projects. Interest rates increase in accordance with the original debt agreements. Interest is due annually on December 1. The NW Urban Renewal District Fund has been used to liquidate the note payable. Loan #B05003, final maturity 2031, interest 4%-4.375%, original issue amount \$3,677,462.

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Long-Term Liabilities (Continued)

3. Governmental Activity Future Maturities of Bonds Payable

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 320,000	\$ 68,090	\$ 388,090
2016	330,000	58,490	388,490
2017	345,000	48,590	393,590
2018	355,000	36,516	391,516
2019	370,000	25,510	395,510
2020-2024	380,000	13,300	393,300
2025-2029	-	-	-
Total	<u>\$ 2,100,000</u>	<u>\$ 250,496</u>	<u>\$ 2,350,496</u>

4. Governmental Activity Future Maturities of Notes Payable

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 114,722	\$ 128,130	\$ 242,852
2016	120,511	123,541	244,052
2017	126,331	118,720	245,051
2018	132,184	113,667	245,851
2019	133,072	108,380	241,452
2020-2024	760,445	454,566	1,215,011
2025-2029	946,038	275,168	1,221,206
2030-2032	674,535	59,822	734,357
Total	<u>\$ 3,007,838</u>	<u>\$ 1,381,994</u>	<u>\$ 4,389,832</u>

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Restatements

Beginning net position of the District was restated as follows:

	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ (1,096,886)
System development charge payable correction	<u>(213,906)</u>
Net position - beginning, as restated	<u><u>\$ (1,310,792)</u></u>

Beginning fund balance has been restated as follows:

	<u>General Fund</u>
Fund balance - beginning, as originally reported	\$ 4,344,169
System development charge payable correction	<u>(213,906)</u>
Fund balance - beginning, as restated	<u><u>\$ 4,130,263</u></u>

C. Subsequent Events

Management has evaluated subsequent events through December 16, 2014, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 2,800,622	\$ 2,800,622	\$ (332,426)	\$ 2,468,196	\$ -	\$ 2,468,196
Intergovernmental	-	12,066,629	-	12,066,629	-	12,066,629
Miscellaneous	1,000	1,000	55,187	56,187	-	56,187
Total revenues	2,801,622	14,868,251	(277,239)	14,591,012	-	14,591,012
EXPENDITURES						
Current						
NW Lebanon urban renewal district	15,861,000	16,880,393	(1,509,783)	15,370,610	(13,950,155)	1,420,455
NW Lebanon urban renewal bonds	2,400,622	1,447,858	(813,867)	633,991	(633,991)	-
Capital outlay	-	-	-	-	13,950,155	13,950,155
Debt service	-	-	-	-	633,991	633,991
Total expenditures	18,261,622	18,328,251	(2,323,650)	16,004,601	-	16,004,601
Excess (deficiency) of revenues over (under) expenditures	(15,460,000)	(3,460,000)	2,046,411	(1,413,589)	-	(1,413,589)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	12,000,000	-	-	-	-	-
Net change in fund balance	(3,460,000)	(3,460,000)	2,046,411	(1,413,589)	-	(1,413,589)
Fund balance - beginning, as restated	3,460,000	3,460,000	670,263	4,130,263	-	4,130,263
Fund balance - ending	\$ -	\$ -	\$ 2,716,674	\$ 2,716,674	\$ -	\$ 2,716,674

OTHER FINANCIAL SCHEDULES

NORTHWEST URBAN RENEWAL DISTRICT
Lebanon, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2014

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2013</u>	<u>2013-2014 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2014</u>
2013-2014	\$ -	\$ 2,535,343	\$ (67,402)	\$ 2,361,828	\$ 106,113
2012-2013	66,412	-	9,083	29,743	45,752
2011-2012	80,692	-	17,325	31,314	66,703
2010-2011	29,234	-	7,972	14,440	22,766
2009-2010	8,461	-	5,396	5,971	7,886
2008-2009	1,969	-	(165)	775	1,029
2007-2008	1,041	-	(166)	435	440
Prior	1,998	-	(20)	233	1,745
Subtotal - Prior	<u>189,807</u>	<u>-</u>	<u>39,425</u>	<u>82,911</u>	<u>146,321</u>
Total	<u>\$ 189,807</u>	<u>\$ 2,535,343</u>	<u>\$ (27,977)</u>	2,444,739	<u>\$ 252,434</u>
Add:					
Other taxes and interest				18,700	
Undistributed taxes with county, July 1, 2013				<u>-</u>	
Total available				2,463,439	
Less: Turnovers to District				<u>2,463,439</u>	
Undistributed taxes with county, June 30, 2014				<u>\$ -</u>	

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Northwest Urban Renewal District
Lebanon, Oregon 97355

We have audited the basic financial statements of the Northwest Urban Renewal District as of and for the year ended June 30, 2014, and have issued our report thereon dated December 16, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Northwest Urban Renewal District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

Accounting Records

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered the Northwest Urban Renewal District'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northwest Urban Renewal District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated December 16, 2014.

This report is intended solely for the information and use of the board of directors and management of the Northwest Urban Renewal District and the Oregon Secretary of State, and is not intended to be, and should not be used by anyone other than these parties.

A handwritten signature in blue ink that reads "Accuity, LLC". The signature is written in a cursive, flowing style. The word "Accuity" is written in a larger, more prominent script, and "LLC" is written in a smaller, simpler script to the right. The signature is positioned above the printed name "Accuity, LLC".

December 16, 2014

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2014



Accuity, LLC

CERTIFIED PUBLIC ACCOUNTANTS
330 Washington Street SW | PO Box 1072
Albany, Oregon 97321 | (541) 223-5555

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

DISTRICT OFFICIALS

June 30, 2014

MAYOR

Paul Aziz
312 E. Sherman Street
Lebanon, Oregon 97355

CITY COUNCIL

Wayne Rieskamp
87 West Cedar Drive
Lebanon, Oregon 97355

Barry Scott
1620 W. Airway Road
Lebanon, Oregon 97355

Bob Elliott
795 Binshadler Street
Lebanon, Oregon 97355

Floyd Fisher
170 S. 2nd Street
Lebanon, Oregon 97355

Jason Bolen
3426 Duck Place
Lebanon, Oregon 97355

Rebecca Grizzle
333 E. Ash Street
Lebanon, Oregon 97355

CITY MANAGER

Jon Nelson, Interim

Gary Marks (*Hired as of 3/17/14*)

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

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June 30, 2014

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FINANCIAL SECTION



Accuity, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
North Gateway Urban Renewal District
Lebanon, Oregon 97355

We have reviewed the accompanying financial statements of the governmental activities, and the major fund of the North Gateway Urban Renewal District, Lebanon, Oregon, a component unit of the City of Lebanon, Oregon as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the North Gateway Urban Renewal District, Lebanon, Oregon. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of North Gateway Urban Renewal District is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed, or compiled the management's discussion and analysis and do not express an opinion or provide assurance on it. The budgetary comparison information has been subjected to the review procedures applied in the review of the basic financial statements and we are not aware of any material modifications that should be made in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The schedule of property tax transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements. The aforementioned information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the review procedures applied in the review of the financial statements and we are not aware of any material modifications that should be made in order for the schedule of property tax transactions to be in conformity with accounting principles generally accepted in the United States of America.

Accuity, LLC



By: _____
Kori L. Sarrett, CPA

Albany, Oregon
December 16, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH GATEWAY URBAN RENEWAL DISTRICT

Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

As management of the North Gateway Urban Renewal District, Lebanon, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2014, total net position of the North Gateway Urban Renewal District amounted to (\$1,995,038). The total amount represents unrestricted net position.
- The District's total net position increased by \$110,387 during the current fiscal year.
- Overall revenues were \$265,095, which exceeded total expenditures of \$154,708 by \$110,387.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the North Gateway Urban Renewal District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, specifically urban renewal.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. 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. All of the funds of the North Gateway Urban Renewal District are governmental 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 available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District'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 the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major governmental fund.

The North Gateway Urban Renewal District adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the financial data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 through 23 of this report.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on page 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's liabilities exceeded assets by \$1,995,038 at the close of the most recent fiscal year.

District's Net position

At the end of the current fiscal year, the District reported negative balances in all categories of net position. The District's net position increased by \$110,387 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	2014	2013
Assets		
Current assets	\$ 57,146	\$ 64,302
Total assets	57,146	64,302
Liabilities		
Current liabilities	1,177,838	1,172,540
Noncurrent liabilities	874,346	997,187
Total liabilities	2,052,184	2,169,727
Net position		
Unrestricted	\$ (1,995,038)	\$ (2,105,425)

District's Changes in Net position

The condensed statement of activities information shown on the following page explains changes in net position.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Changes in Net Position

	Governmental Activities	
	2014	2013
General revenues		
Property taxes - general	\$ 263,333	\$ 208,534
Investment income	<u>1,762</u>	<u>1,849</u>
Total general revenues	<u>265,095</u>	<u>210,383</u>
Total revenues	<u>265,095</u>	<u>210,383</u>
Program expenses		
General Government	<u>154,708</u>	<u>254,282</u>
Total program expenses	<u>154,708</u>	<u>254,282</u>
Transfers	<u>-</u>	<u>(13,826)</u>
Change in net position	110,387	(57,725)
Net position - beginning of year, as restated	<u>(2,105,425)</u>	<u>(2,047,700)</u>
Net position - end of year	<u>\$ (1,995,038)</u>	<u>\$ (2,105,425)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Fund

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

At the end of the current fiscal year, the District's governmental fund reported a deficit fund balance of \$1,052,314, a decrease of \$16,183 from the prior year.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

BUDGETARY HIGHLIGHTS

Budget amounts shown in the financial statements reflect the original budget amounts and one approved supplemental budget.

DEBT ADMINISTRATION

Long-Term Liabilities

At the end of the current fiscal year, the District had total debt outstanding of \$941,422. This amount is comprised of two notes payable. The District's total debt decreased by \$116,454 during the current fiscal year.

Additional information on the District's long-term debt can be found in Note III-B on pages 21 through 22 of this report.

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and reviewed, the District was aware of the following circumstances that could affect its future financial health:

- Property tax revenue has increased. It is hoped for and anticipated that with economic growth this trend will continue.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and investments	\$ 34,970
Property taxes receivable	<u>22,176</u>
Total assets	<u>57,146</u>
LIABILITIES	
Current liabilities	
Accrued interest	20,631
System development charges payable	1,090,131
Long-term liabilities, current portion	<u>67,076</u>
Total current liabilities	<u>1,177,838</u>
Noncurrent liabilities	
Long-term liabilities, less current portion	<u>874,346</u>
Total liabilities	<u>2,052,184</u>
NET POSITION	
Unrestricted	<u>\$ (1,995,038)</u>

See accompanying notes and independent accountant's review report.

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities					
General Government	\$ 99,722	\$ -	\$ -	\$ -	(99,722)
Interest on long-term debt	<u>54,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,986)</u>
Total governmental activities	<u>\$ 154,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(154,708)</u>
General revenues					
Property taxes levied for general purposes					263,333
Investment income					<u>1,762</u>
Total general revenues					<u>265,095</u>
Change in net position					110,387
Net position - beginning, as restated					<u>(2,105,425)</u>
Net position - ending					<u>\$ (1,995,038)</u>

See accompanying notes and independent accountant's review report.

**NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon**

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 34,970
Property taxes receivable	<u>22,176</u>
Total assets	<u>\$ 57,146</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	
Liabilities	
System development charges payable	<u>\$ 1,090,131</u>
Deferred inflows of resources	
Unavailable revenue - property taxes	<u>19,329</u>
Fund balance (deficit)	
Unrestricted	<u>(1,052,314)</u>
Total liabilities, deferred inflows of resources, and fund balance (deficit)	<u>\$ 57,146</u>

See accompanying notes and independent accountant's review report.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

For the Year Ended June 30, 2014

Total fund balance (deficit)		\$ (1,052,314)
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 30 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		19,329
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Accrued interest payable	(20,631)	
Notes payable	<u>(941,422)</u>	<u>(962,053)</u>
Net position of governmental activities		<u><u>\$ (1,995,038)</u></u>

See accompanying notes and independent accountant's review report.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 253,247
Investment earnings	<u>1,762</u>
Total revenues	<u>255,009</u>
EXPENDITURES	
Current	
General government - urban renewal	174,722
Debt service	<u>96,470</u>
Total expenditures	<u>271,192</u>
Excess (deficiency) of revenues over expenditures	(16,183)
Fund balance (deficit) - beginning, as restated	<u>(1,036,131)</u>
Fund balance (deficit) - ending	<u>\$ (1,052,314)</u>

See accompanying notes and independent accountant's review report.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

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

For the Year Ended June 30, 2014

Net change in fund balances	\$ (16,183)
Amounts reported for governmental activities in the statement of activities are different because:	
Long-term debt proceeds are reported as other financing sources in the governmental funds. In the statement of net position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.	
Debt principal paid	116,454
Property taxes and court fines that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. On the statement of activities, property taxes are recognized as revenue when levied.	<u>10,116</u>
Change in net position	<u>\$ 110,387</u>

See accompanying notes and independent accountant's review report.

NOTES TO BASIC FINANCIAL STATEMENTS

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Gateway Urban Renewal District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In 2008, the City of Lebanon established the North Gateway Urban Renewal District. The purpose of the District is to provide for the development of infrastructure to serve the area where a new medical campus was to be developed. The North Gateway Urban Renewal District, Lebanon, Oregon is governed by a seven member board of directors that are the City's mayor and six city council members. The District is included as a blended component unit in the City of Lebanon's financial statements as a special revenue fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when incurred, as under accrual accounting. However, principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue is property taxes.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The District reports deferred inflows of resources on the balance sheet of the governmental funds. Deferred inflows arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met or when the District has a legal claim to the resources, the amounts for deferred inflows of resources are removed from the balance sheet and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with remaining maturities of one year or less at the date of acquisition.

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 60 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as deferred inflows of resources because they are not deemed available to finance operations of the current period.

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will therefore not be recognized as an outflow of resources (expense/expenditure) until that time.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

3. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will therefore not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

4. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds-outstanding method, which does not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Fund Balance

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

5. Fund Balance (Continued)

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The District has not formally adopted a minimum fund balance policy.

E. 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 certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. An annual appropriated budget is adopted for the general fund. All funds are budgeted on the modified accrual basis of accounting.

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The council resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are made at the department/functional level. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board at a regular council meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. During the year, there was one supplemental budget. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved supplemental budget.

B. Deficit Fund Balance

At June 30, 2014, the General Fund, a major fund, has a deficit fund balance of \$1,052,314. The deficit is due to the recording of system development charges due to the City of Lebanon from inception of the urban renewal district. The deficit will be corrected through repayment of the liability in the upcoming fiscal year.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The North Gateway Urban Renewal District maintains its cash balance as a part of the City of Lebanon's pooled cash. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Because the pool operates as a demand deposit account, each fund's portion of this pool is classified on the combined balance sheet as cash and cash equivalents; however, Oregon Short-Term Fund investments are disclosed below and classified by custodial credit risk for investments.

The Treasurer makes short-term and long-term investments, which are held separately by several of the State's funds. Other investments are made directly by state agencies rather than by the Treasurer, although only a few agencies are authorized to make such investments and then only for specific programs. The State Treasury's direct investments in short-term securities are limited by portfolio rules established by the Oregon Short-Term Fund Board and the Oregon Investment Council.

A separate financial report for the Oregon Short-Term Fund Board is prepared by the Treasurer in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the Oregon State Treasury, Finance Division, 350 Winter Street NE, Suite 100, Salem, Oregon 97301-3896.

Participants' account balances in the Oregon Short-Term Fund are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon State Treasury. The interest rate approximates the actual yield of the Oregon Short-Term Fund, exclusive of unrealized gains and losses.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District's policy, which adheres to state 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 or Moody's Investors Service or any other national recognized statistical rating organization. Issuers not in Oregon must be rated AA/Aa (bonds) or A-1/P-1 (commercial paper) or better.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2014, the District had the following investments:

	Percent of Investment Portfolio	Maturities	Fair Value	Credit Quality Rating
Oregon Local Government Investment Pool	100%	-	\$ <u>34,970</u>	Unrated

Interest Rate Risk

In accordance with its investments policy, the District manages its exposure to declines in fair value of its investments by limiting investment maturity.

Concentration of Credit Risk

The District'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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

B. Long-Term Liabilities

1. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions for the year:

	Interest Rate	Original Amount	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities							
Samaritan Health Services Note	6.00%	\$ 1,025,239	\$ 916,929	\$ -	\$ 41,454	\$ 875,475	\$ 50,589
Oregon Department of Veteran's Affairs Note	12.00%	140,947	140,947	-	75,000	65,947	16,487
Total		\$ 1,166,186	\$ 1,057,876	\$ -	\$ 116,454	\$ 941,422	\$ 67,076

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Long-Term Liabilities (Continued)

2. Samaritan Health Services Note Payable

The District signed the note payable in 2009 to finance the purchase of infrastructure additions in the District. The note calls for annual payments on February 14. The General Fund has been used to liquidate the note payable. Final maturity 2030, interest 6%, original issue amount \$1,025,239.

3. Oregon Department of Veteran’s Affairs Note Payable

The District signed the note payable May 9, 2013 to finance the fees charged by the City of Lebanon related to the construction of a veteran’s home located within the urban renewal district. The note calls for five annual payments to commence during the 2013-2014 fiscal year. The General Fund has been used to liquidate the note payable. Final maturity 2019, interest at 12%, original issue amount \$140,947.

4. Governmental Activity Future Maturities of Notes Payable

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 50,589	\$ 52,528	\$ 103,117
2016	52,635	50,482	103,117
2017	54,804	48,314	103,118
2018	57,102	46,015	103,117
2019	43,053	43,578	86,631
2020-2024	257,253	175,897	433,150
2025-2029	344,261	88,889	433,150
2030	81,725	4,906	86,631
Total	<u>\$ 941,422</u>	<u>\$ 510,609</u>	<u>\$ 1,452,031</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

IV. OTHER INFORMATION (Continued)

B. Commitment

The District has entered into an agreement with Samaritan Health Services under which the District will repay amounts invested by Samaritan Health Services to improve or add infrastructure within the District. The total costs allowed to be repaid under the agreement are \$5,105,900. Improvements must be in place no later than 2029. Amounts invested by Samaritan Health Services are added to an existing loan agreement as described in Note III-B. As of June 30, 2014, \$1,025,239 had been invested under the agreement.

C. Restatements

Beginning net position of the District was restated as follows:

	Governmental Activities
Net position - beginning, as originally reported	\$ (874,347)
Adjustment to record system development charges payable	(1,090,131)
Recording of omitted Oregon Department of Veteran's Affairs note	(140,947)
Net position - beginning, as restated	\$ (2,105,425)

Beginning fund balance has been restated as follows:

	General Fund
Fund balance - beginning, as originally reported	\$ 54,000
Adjustment to record system development charges payable	(1,090,131)
Fund balance - beginning, as restated	\$ (1,036,131)

D. Subsequent Events

Management has evaluated subsequent events through December 16, 2014, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual		GAAP Basis
				Budget Basis	Adjustments	
REVENUES						
Property taxes	\$ 197,235	\$ 232,235	\$ 22,246	\$ 254,481	\$ -	\$ 254,481
Miscellaneous	-	-	528	528	-	528
Total revenues	197,235	232,235	22,774	255,009	-	255,009
EXPENDITURES						
Current						
North Gaeway urban renewal	234,235	286,235	(15,043)	271,192	(96,470)	174,722
Debt service	-	-	-	-	96,470	96,470
Total expenditures	234,235	286,235	(15,043)	271,192	-	271,192
Excess (deficiency) of revenues over (under) expenditures	(37,000)	(54,000)	37,817	(16,183)	-	(16,183)
Fund balance (deficit) - beginning, as restated	37,000	54,000	(1,090,131)	(1,036,131)	-	(1,036,131)
Fund balance (deficit) - ending	\$ -	\$ -	\$ (1,052,314)	\$ (1,052,314)	\$ -	\$ (1,052,314)

See independent accountant's review report

OTHER FINANCIAL SCHEDULES

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2014

Tax Year	Taxes Receivable July 1, 2013	2013-2014 Levy	Adjustments	Collections	Taxes Receivable June 30, 2014
2013-2014	\$ -	\$ 264,154	\$ (7,022)	\$ 246,076	\$ 11,056
2012-2013	8,414	-	1,151	3,768	5,797
2011-2012	3,780	-	812	1,467	3,125
2010-2011	2,171	-	592	1,072	1,691
2009-2010	545	-	346	384	507
2008-2009	-	-	-	-	-
2007-2008	-	-	-	-	-
Prior	-	-	-	-	-
Subtotal - Prior	14,910	-	2,901	6,691	11,120
Total	\$ 14,910	\$ 264,154	\$ (4,121)	252,767	\$ 22,176
Add:					
Other taxes and interest				1,234	
Undistributed taxes with county, July 1, 2013				-	
Total available				254,001	
Less: Turnovers to District				254,001	
Undistributed taxes with county, June 30, 2014				\$ -	

See independent accountant's review report

**REVIEW REPRESENTATIONS
REQUIRED BY STATE REGULATIONS**

NORTH GATEWAY URBAN RENEWAL DISTRICT
Lebanon, Oregon

MANAGEMENT'S REPRESENTATION OF FISCAL AFFAIRS
REQUIRED BY OREGON REGULATION

The North Gateway Urban Renewal District is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operations and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, Division 40) including, but not limited to:

Deposit of public funds with financial institutions (ORS Chapter 295)

Indebtedness limitations, restrictions, and repayment

Budgets legally required (ORS Chapter 294)

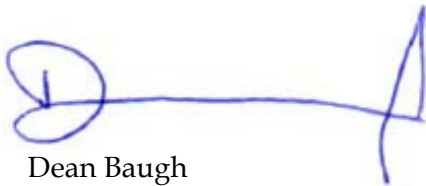
Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

The management of the North Gateway Urban Renewal District is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements. Further, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

A handwritten signature in blue ink, appearing to read 'D Baugh', with a long horizontal line extending to the right.

Dean Baugh
Finance Director
December 16, 2014