



925 S. Main Street
Lebanon, Oregon 97355

TEL: 541.258.4212
brandon.neish@lebanonoregon.gov
www.lebanonoregon.gov

MEMORANDUM

Finance Department

To: Mayor Jackola and City Council

August 14, 2024

From: Brandon Neish, Finance Director

Subject: Acceptance of the FY2023 Annual Financial Report

I. INTRODUCTION

The City Council has a fiduciary responsibility for the capital and financial assets of the City. The Annual Financial Report (AFR) provides a point-in-time snapshot of the City's financial position, effective for the close of each fiscal year, and provides a formal opportunity for the Council and the community to review financial statements.

The City Council's policy role with the AFR is to review and accept the report. Management (staff) is responsible for preparing the financial statements, and the City's auditor (SingerLewak, LLP) is responsible for reviewing the financial statements to attest to whether or not the statements fairly and accurately report the City's financial position. AFR reporting requirements are set forth by the Governmental Accounting Standards Board (GASB) which defines what it requires to be reported, and how the report is to be structured.

II. CURRENT REPORT

Staff completed the 2023 AFR on August 6, 2024. There are several areas which staff highlights for the City Council's review.

- The Independent Auditors Report (page five of the AFR) highlights the Auditor's responsibilities and provides their opinion. This letter should be combined with the Auditors Communication to the Governing Body (Attachment A). There were no deficiencies noted for the year ended June 30, 2023 whereas the prior year had one material audit adjustment.
- Management's Discussion and Analysis (page ten) provides a high-level summary of the entire report, and in most cases, provides comparisons to prior years.
- The Statement of Net Position and Statement of Activities (pages 21-22) shows the City's financial performance in one place, with all data reported on the same basis of accounting.
- The financial footnotes have a lot of information you often will not find in other places.

- The note on capital assets (pages 36 and 41-42) shows the changes in the investment in capital assets. Cities invest in capital assets to have the infrastructure needed to provide services. In business-type activities (water, sewer, storm drainage, and internal services), depreciation exceeded assets added for the fiscal year, excluding construction in progress.
 - Long-term liabilities (pages 41-45): The City has a significant amount of outstanding debt and even added additional debt in business-type activities in excess of payments for 2023 due to the Westside Interceptor. The most significant amounts of debt are within the business-type funds (primarily sewer) and the Lebanon Urban Renewal Agency (LURA). Tax revenue from the LURA are used to satisfy most of the debt obligations the City has. Pension liability (pages 46-54) represents the City's portion of the overall liability within the Oregon Public Employees Retirement System. The City's portion of the overall net liability increased 35.9% (\$2,633,692) since last year.
- The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, Budget to Actual (page 70) provides a budget performance report – how well did the City's actual performance match with the budget plan.
 - The Notes to the Required Supplementary Information (page 72) highlights expenditures in excess of appropriations (in major funds), violating Oregon Revised Statutes (ORS) Chapter 294. For the year ended June 30, 2023, the Library, capital expenditures and principal debt service exceeded authorized spending limits. An unanticipated copier purchase overextended the Library and reductions made during the year did not offset enough costs while cost overruns on a project at the Police Department, replacing the fire alarm system, overextended the City's non-departmental capital budget. Finally, implementation of GASB 96 for the year ended June 30, 2023 resulted in an over expenditure in debt service principal payments as the expense was originally budgeted in operational lines.

Included with this report is the following items:

- Attachment A: Communication to the Governing Body
- Attachment B: Engagement Letter for the 2023 Audit
- 2023 Annual Financial Report

III. RECOMMENDATION

Staff recommends the City Council move to accept the Annual Financial Report for the fiscal year ended June 30, 2023.