

CITY OF LEBANON, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2013

CITY OF LEBANON, MISSOURI

Audit Report

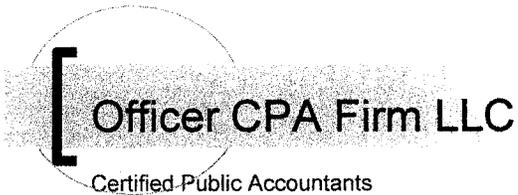
June 30, 2013

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Independent Auditor's Report

Honorable Mayor and City Council
City of Lebanon
Lebanon, Missouri

We have audited the accompanying financial statements of the City of Lebanon, Missouri, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position— modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lebanon, Missouri, as of June 30, 2013, and the respective changes in financial position—modified cash basis, thereof for the year then ended in conformity with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lebanon, Missouri's financial statements as a whole. The management's discussion and analysis, budgetary comparisons, combining and individual non-major fund financial statements, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Officer CPA Firm LLC

Springfield, Missouri
January 24, 2014

Management Discussion and Analysis

This section of the City of Lebanon's annual financial report presents a review of the City's financial performance during the fiscal year that ended June 30, 2013. Reporting is in compliance with Government Accounting Standards Board (GASB) Statement Number 34, providing comparative information for the current and preceding fiscal years. Please read this in conjunction with the City's financial statements that follow this section.

Financial Highlights

During the 2013 Fiscal Year the City of Lebanon worked to make strategic investments in capital improvements for its governmental and enterprise-activity. This investment in capital assets includes land, buildings, machinery, streets and sidewalks, vehicles, equipment, furniture and fixtures, enterprise-wide hardware and software as well as general improvements and upgrades. The City's investment in capital assets for the 2013 Fiscal Year was \$1,002,730.

Major capital asset investments occurring in the 2013 fiscal year included the following:

Improvements at Atchley Park to the baseball fields, playground equipment and entrance enhancements totaling \$24,508 from the Park Fund (79).

Upgrades to the City's organization-wide informational technology infrastructure were undertaken throughout the year totaling \$31,566 from the Fiber Fund (83).

The City invested over \$266,000 to enhance, repair, or otherwise maintain buildings it owns; including \$21,426 for lightning protection systems for City Hall from the General Fund (01), Bleacher components at \$7,401 for the Civic Center from the Capital Improvement Fund (22), and the start of an expansion to the Detroit Tool Metal Products facility from the Economic Development Fund (45) of \$114,385.

Rolling stock replacement was intermittent in the 2013 Fiscal Year, with some proposed purchases being postponed at the behest of the governing body. A dump truck with snow plow and spreader accessories was purchased from the Street Fund (08) for \$135,407 and three (3) Police patrol vehicles were replaced using proceeds from the Capital Improvement Fund (22) for \$90,135.

Investments in specialized equipment and machinery were made to help protect staff in the field and better serve patrons at city facilities. Such purchases included; Purchase of in-car cameras for the Police Department at \$15,430 from General Fund (01), Bunker Gear for the Fire Department in the amount of \$43,749 from Capital Improvement Fund (22), a Boom Lift for the Civic Center at \$38,850 also from Capital Improvement, and an ADA compliant lift for the Boswell Pool from the Park Fund (79) for \$10,695.

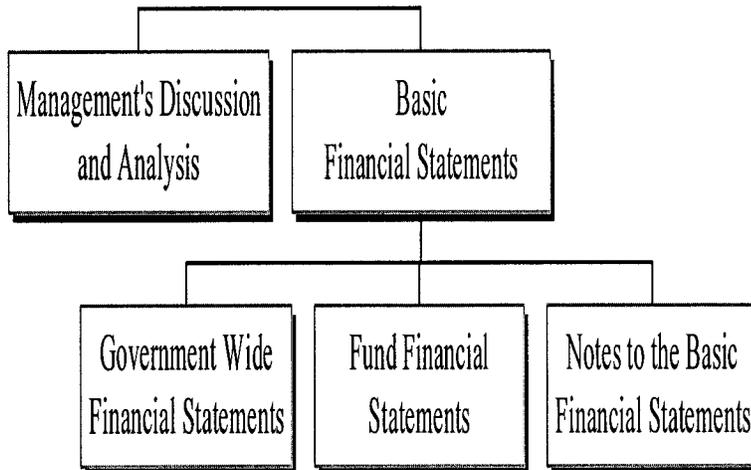
To help maximize its capital investments the City of Lebanon also partners with a number of state and federal agencies to complete several projects. In the 2013 Fiscal Year the City expended \$244,791 from funds like the Street Department (08), Capital Improvement Fund (22), Airport Fund (73), Downtown Business District (75) and Electric Fund (80) as a component of grants received for the specific projects like decorative lighting in the Downtown Business District and Phase I Sidewalk Expansion to highlight a couple.

Overview of Financial Statements

The implementation of GASB Statement No. 34 has changed the presentation and content of the financial statements. The financial reports consist of the management's discussion and analysis, the basic financial statements, required supplementary information and other supplementary information.

The primary focus of local government's financial statements prior to GASB Statement No. 34 had been to summarize fund type information on a current financial resource basis. The new basic financial statements include two kinds of statements that present different views of the City. The first statements are government-wide financials that provide both long-term and short-term information about the City's overall financial status. These statements are prepared on a full accrual basis of accounting to present information in a more corporate-like presentation on individual parts of the government. The remaining statements are the fund financials that focus on individual parts of the City government and report more detail.

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements in the basic financial statements are the government-wide financial statements (Statement of Net Assets and the Statement of Activities). The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The next statements are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements is the Notes to the Basic Financial Statements. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, Required Supplemental Information is provided to show details about the City's performance

relative to the budget. After the required supplemental information, Other Supplemental Information is provided to show details of the City's capital assets used in governmental activities.

Government-Wide Financial Statements

The government-wide financial statements present the financial picture of the City from the economic resources measurement focus using a modified cash basis of accounting. The statements present governmental activities and business type activities separately. These statements do not include certain infrastructure, but does state all known liabilities (including long-term debt). Additionally, certain elimination occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The statement of net assets and statement of activities, report the City's net assets and the resulting changes. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time increases and decreases in the City's net assets is one indicator of whether its financial health is improving or deteriorating. Other non-financial factors to consider are changes in the City's sales tax base and the condition of the City's capital assets (roads, buildings, and water and sewer lines) to assess the overall health of the City.

The statement of activities distinguishes the City's functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities).

Governmental activities -Most of the City's basic services are reported in this category, including General Fund, Capital Improvement, Street Fund and Special Revenue Fund. Sales taxes, franchise fees, user fees, interest income, and grants finance these activities.

Business-type activities –The City charges a fee to customers to cover most of the cost of services it provides. The Economic Development, Water, Sewer, Fiber and Electric Fund report this activity.

Fund Financial Statements

The City uses four types of funds to manage its resources: governmental funds, enterprise funds, internal service funds and special revenue funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related current liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions or limitations.

Governmental Funds –Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified cash accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationships or differences of activities reported in the Governmental Fund Financial

Statement versus that reported in the Government-Wide Financial Statements are explained in the reconciliation schedules following the Governmental Fund Financial Statements.

Enterprise Funds –When the City charges customers for the services it provides to cover the cost of operations, these activities are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the statement of net assets and the statement of revenues, expenses, and changes in fund net assets. In fact, the City’s Enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information such as cash flows, for Enterprise funds.

Special Revenue Funds –are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Internal Services Fund –are used to account for the financing of goods or services provided by one department to other department of the City on a cost reimbursement basis.

Notes to the Basic Financial Statements –The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information –In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning budgetary comparison schedules for the major governmental funds.

Request for Information

This financial report is designed to provide the reader a general overview to the City’s finances. Questions or requests for more information concerning any of the information provided in this report should be directed to the Offices of City Clerk and Finance, 401 South Jefferson Lebanon Mo 65536 or visit us on the web at www.lebanonmo.org

Government-Wide Financial Analysis

The largest portion of the City's net assets reflects its investment cash accounts. The City started collecting information on its Capital Assets in Fiscal Year 2012. During the Fiscal Year 2013, City Council adopted a Capitalization Policy (Council Ordinance 5052). Since the adoption of the policy staff has been working to reflect all Capital Assets within its accounting system.

NET ASSETS

The following table reflects the condensed Statement of Net Assets as of June 30, 2013

City of Lebanon Statement of Net Assets

	Governmental Activities	Business-type Activities	June 30, 2013 Totals	June 30, 2012 Totals
<u>ASSETS</u>				
Current and other assets	\$4,459,271	\$13,462,063	\$17,877,273	\$14,665,511
Restricted assets	\$957,337	\$841,208	\$1,798,027	\$1,795,747
Due from other funds		\$7,618,027	\$7,618,027	\$7,558,747
Capital assets	\$-	\$-	\$-	\$-
Equity interest in Joint venture		\$550,000	\$550,000	\$550,000
Customer Service Territory net of Amortization		\$821,666	\$821,666	\$842,918
Total assets	\$5,416,608	\$23,292,964	\$28,709,572	\$25,412,686
<u>LIABILITIES</u>				
Current liabilities	\$1,690	\$88,349	\$90,039	\$92,324
Short-term debt	\$885,000	\$310,000	\$1,195,000	\$1,175,271
Customer Deposits	\$	\$797,117	\$797,117	\$769,807
Due to other funds	\$139,546	\$7,478,482	\$7,618,028	\$7,558,747
Long-term debt	\$4,880,000	\$4,075,000	\$8,955,000	\$10,149,999
Total liabilities	\$5,90,6236	\$12,748,,948	\$18,655,184	\$19,746,146
<u>NET ASSETS</u>				
Unrestricted	\$(4,244,965)	\$10,544,016	\$6,299,051	\$2,622,328
Restricted	\$3,755,337	\$	\$3,755,337	\$3,206,142
Total net assets	\$(489,628)	\$10,544,016	\$10,054,388	\$5,828,470

The City's combined net assets, minus any capital assets, totaled \$10,054,388, an increase of \$4,225,918. Net assets of the City's governmental activities was \$(489,628) an increase of \$1,637,990 over FY 2012 and the business-type activities was \$10,544,016 an increase of \$2,587,928 over FY 2012. The unrestricted net assets were \$(4,244,965) an increase of \$(1,088,795) over FY 2012 for governmental activities. All of the net assets are unrestricted for business-type activities.

The following table reflects the condensed schedule of changes in net assets as of June 30, 2013

City of Lebanon				
Statement of Changes in Net Assets				
	Governmental Activities	Business- type Activities	June 30, 2013 Totals	June 30, 2012 Totals
<u>REVENUES</u>				
Program revenue:				
Charges for services	\$899,234	\$30,217,004	\$31,116,238	\$30,270,397
Operating grants & contributions	\$47,680	\$-	\$47,680	\$46,296
Capital grants & contributions	\$21,048	\$-	\$21,048	\$260,914
General revenue:				
Real Estate Taxes	\$1,187,644	\$-	\$1,187,644	\$1,081,590
Sales Tax	\$6,142,237	\$-	\$6,142,237	\$6,409,691
Franchise Tax	\$428,074	\$-	\$428,074	\$382,142
Other Taxes	\$690,217	\$-	\$690,217	\$658,846
PILOT	\$1,218,723	\$245,358	\$1,464,081	\$1,225,948
Interest and Investment Earnings	\$8,869	\$399,756	\$408,625	\$494,325
Miscellaneous	\$68,756	\$-	\$68,756	\$159,433
Transfers in (out)	\$-	\$-	\$-	\$-
Gain (Loss) on Asset Disposal	\$-	\$-	\$-	\$-
Total Revenues	\$10,712,482	\$30,862,118	\$41,574,600	\$40,989,582
<u>EXPENSES</u>				
Administration	\$1,654,006	\$-	\$1,654,006	\$2,168,797
Public Safety	\$3,629,584	\$-	\$3,629,584	\$4,183,775
Recreation	\$922,869	\$-	\$922,869	\$1,158,770
Transportation	\$2,081,758	\$-	\$2,081,758	\$2,295,881
Capital outlay	\$344,743	\$-	\$344,743	\$142,884
Economic Development	\$119,531	\$-	\$119,531	\$273,264
Interest on Long Term Debt	\$325,466	\$-	\$325,466	\$360,023
Electric	\$-	\$23,540,290	\$23,540,290	\$22,611,641
Water	\$-	\$1,282,790	\$1,282,790	\$1,212,889
Sewer	\$-	\$1,651,808	\$1,651,808	\$1,916,427
Economic Development	\$-	\$691,612	\$691,612	\$715,342
Total Expenses	\$9,077,957	\$27,166,500	\$36,244,457	\$37,039,693
INCREASE (DECREASE) IN NET ASSETS	\$1,634,524	\$2,747,826	\$4,382,350	\$3,949,889
NET ASSETS, beginning of year	\$(2,124,152)	\$7,796,190	\$5,672,038	\$1,867,447
NET ASSETS, end of year	\$(489,628)	\$10,544,016	\$10,054,388	\$5,817,336

The following statement of activities shows the costs of each major activity of the City. The purpose of this statement is to measure gross expenses against charges for services and grants and other funding.

Net Costs of Lebanon’s Governmental Activities

	<u>Total Costs of Services</u>	<u>Net Costs of Services</u>
Administration	\$1,645,006	\$(1,276,119)
Public Safety	\$3,629,584	\$(3,442,768)
Recreation	\$922,869	\$(893,023)
Transportation	\$2,081,758	\$(1,761,845)
Capital outlay	\$344,743	\$(344,743)
Economic Development	\$119,531	\$(66,031)
Interest on Long Term Debt	\$325,466	\$(325,466)
TOTAL	\$9,077,957	\$(8,109,995)

For comparison in FY ending June, 2012, Total Cost of Services was \$10,583,394 and Net Cost of Services was \$(9,215,751).

Financial Analysis of the City’s Major Funds

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

Governmental Funds

General Fund This fund is the chief governmental operating fund of the City of Lebanon. The General Fund includes departments of Administration, Court, Police, Fire, Cowan Civic Center, Community Building and Recycling. All of these activities are provided to, and benefit all of the citizens equally and equitably. This area tends to work on the quality of life and the protection of the citizens and assets of the citizens as a group. At the end of the current fiscal year, the total fund balance of the General Fund was \$967,765 a decrease of \$119 over the beginning balance of \$967,884. This fund balance is fifteen percent of total fund revenues.

General Fund Budget Highlights

- Total budgeted revenue was \$6,113,005 and actual revenue was \$6,070,929 a difference of \$(42,076).
- Actual expenditures were under the budgeted amount by \$254,662
- Excess of actual expenditures over actual revenues was \$119

Transportation Fund This Fund is established pursuant to the Missouri Constitution Article IV, Section 30(a) (2) [State Gas Tax], Revised Missouri Statutes 94.745 (City ½ cent sales tax). It is used for transportation purposes within the City of Lebanon. This Fund provides for the maintenance and expansion of transportation needs of our citizens. Included in this Fund are repair and maintenance of existing public road system, upgrades to local transportation system. At the end of the fiscal year, total fund balance of the Transportation Fund was \$296,422, an increase of \$95,215 over the beginning balance of \$201,207. This fund has not seen any major growth in its fund balance for the past three fiscal years. The Transportation Fund balance at year-end was \$296,422. This fund balance represents thirteen percent for reserves, based on t Fiscal Year 2013 total revenue.

Capital Improvement Tax Fund This Fund is established as required under the Revised Missouri Statutes 94.577. The monies collected here are from a ½ cent sales tax. These funds are used for capital infrastructure and recreational projects. A fire truck, City Hall and aquatic center improvements were financed from the Capital Improvement Tax Fund. At the close of the current fiscal year, the City of Lebanon’s capital improvement fund reported an ending fund balance of \$3,020,827, an increase of \$361,051 over the beginning balance of \$2,659,776. The unrestricted Capital Improvement Fund balance at year-end was \$2,063,490. This fund has no requirement to have an operational reserve.

Other Governmental Funds The Lodging Tax (Tourism), Airport, Downtown Business District, Parks and Recreation are non major funds for the City. Most of these funds have a dedicated revenue source and are required to be separated from other governmental activity. The funds combined have a beginning fund balance of \$438,088 and an ending fund balance of \$577,634 an increase of \$139,546. An individual breakdown of the funds balances beginning and ending balances are listed below.

Fund	Fund Balance	Fund Balance
	June 30, 2012	June 30, 2013
Airport	\$39,764	\$4,638
Special Revenue Funds		
Downtown Business District	\$31,281	\$14,852
Lodging Tax	\$49,097	\$37,229
Park and Recreation	\$336,966	\$520,915

Proprietary Funds

Electric Fund and Fiber Fund These Funds are based on a User Fee system where the individuals and businesses utilizing the service pay a fee based upon a portion of the estimated cost of operation of these funds. At the end of the fiscal year, the total net assets of the Electric Fund (80) were \$16,924,222. The operating unrestricted cash is \$8,899,544 this is a decrease of \$38,805 from the operating unrestricted cash of \$8,938,544. The Due from Other Funds (accounts receivable) is \$7,563,027. The operating income for Fiscal Year 2013 for the Electric Fund was \$(439,722). The total Net Assets of the Fiber Fund (83) were \$468,536 a increase of \$59,190 over a beginning net asset of \$409,346. The combined total net positions of both Funds were \$17,392,758 an increase of \$90,022 over prior year.

Water Fund The Water Fund is based on a User Fee system where the individuals and businesses utilizing the service pay a fee based upon a portion of the estimated cost of operation of the Water Fund. At the end of the fiscal year, the total net assets of the Water Fund were \$2,345,116. The unrestricted assets balance in the operating fund at year-end was \$1,464,497. The other assets which make up the total assets are Meter Deposits \$795,560; Investments \$526,999; and Customer service territory (PWSD #3) \$821,666.

Sewer Fund The Sewer Fund is based on a User Fee system where the individuals and businesses utilizing the service pay a fee based upon a portion of the estimated cost of operation of the Sewer Fund. At the end of the current fiscal year, the total net assets of the Sewer Fund were \$(2,738,303), an increase of \$813,341 over the beginning balance of \$(3,551,644). The negative Total Net Asset is due to the fact, that the City has not capitalized improvements to the Treatment Plant, therefore the offsetting debt results in a negative. The Total Liabilities are \$3,918,511 and the total restricted and non-restricted assets are \$1,180,208, of that \$865,999 are cash and cash equivalents.

Economic Development The Economic Development Fund is based on rents received, and a PILOT from the metered service funds. At the end of the Fiscal Year 2013, the Total Assets of the Economic Development Fund were \$1,022,9261, these assets consist of 1) \$900,000 in a loan for expansion of a local manufacturing facility; 2) \$67,927 in cash and cash equivalents; and 3) \$55,000 (accounts receivable) from the Downtown Business District. The negative Total Net Assets for this fund is due in part of the Due to Other Funds and the fact that the assets associated with these improvements are not booked on the asset side of the balance sheet. The Total Net Assets ending balance is \$(6,455,555). The beginning balance was \$(7,273,860). The Due to Other Funds balance is \$7,478,482.

Internal Service Funds

Community Development and Internal Service Funds These funds are made of the internal services to the City. These departments provide services not related to a fund, rather an activity. Community Development (Fund 50) is a general function of governmental activity and is mostly funded by the General Fund. The exception to this is any revenue generated for subdivision development as governed by the City Municipal Code. The Net Assets of this fund ending Fiscal Year 2013 is \$35, 652.

The Internal Service Fund is made up of the following departments, Garage, Warehouse, Information Technology, Facilities Management, and Janitorial. Operating transfers are the offset to the expenditures in this fund, and therefore do not maintain a fund balance; therefore do not have a beginning or ending fund balance. The operating expenditures in Fiscal Year 2013 were \$755,839

Employee Benefits The Fund is based on premiums collected through payroll deductions. This fund manages the city's health insurance program along with other benefits provided by the City. It does hold a fund balance, as it collects revenue through premiums and pays claims and other liabilities. The fund had a beginning fund balance of \$382,984 and an ending fund balance of \$516,616 an increase of \$133,632. The City did not see high claims during the fiscal year. This is a balance that should be monitored when reviewing the rates for employee premiums. Based on activity of \$2,900,000, the fund balance should be around \$850,000. The fund balance of around seventeen percent is lower than the required balance of other funds.

Capital Asset and Debt Administration

Long Term Contracts

The City of Lebanon as a member of the Missouri Joint Municipal Utility Commission (MJMEUC) has a long term agreement to purchases its full energy requirements, but does not have any ownership in MJMEUC resources. In the event the City would cancel its agreement the City would be remain responsible for its allocated share of MJMEUC's Direct Cost associated with all resources obligations entered into by MJMEUC for MOPEP prior to the notice of cancellation.

Capital Asset

The City of Lebanon did not book any Capital Assets as of June 30, 2012. The City did start booking some assets in Fiscal Year 2013 and those assets are reflected within this document.

Debt Administration

At the end of the current fiscal year, the City of Lebanon had \$10,150,000 in outstanding debt consisting of revenue bonds, capital leases, notes payable and Certificates of Participation, (COP) 2008, 2010. All

of the debt was secured by specific revenue sources. The City of Lebanon has due within one year a total of \$1,195,000 of outstanding obligations.

City of Lebanon Outstanding Debt---June 30, 2013

Governmental Activities	
Certificates of Participation – Series 2008	\$5,765,000
Total Governmental Activities	\$5,765,000
Business-type Activities	
Certificates of Participation – Series 2010A	\$1,290,000
Certificates of Participation – Series 2010B	\$3,095,000
Total Business-type Activities	\$4,385,000
TOTAL INDEBTEDNESS	\$10,150,000

City of Lebanon Inter-fund Loans---June 30, 2013

<u>Economic Development Activities</u>			
Project	Amount	Due	Payable Fund
Copeland	\$2,012,369	2016	Electric Operating
Homestead	\$ 55,692	2016	Electric Operating
DTMP Phase I	\$3,461,694	2025	Electric Operating
Dowco	\$1,048,727	2026	Electric Operating
DTMP Phase II	\$ 900,000	2028	Electric Operating
Total Inter-fund loans outstanding for Economic Activities			\$7,478,482
<u>Governmental Activities</u>			
Airport Hangers	\$84,546	2020	Electric Operating
DTBD Land Purchase	\$55,000	2019	Economic Development
Total Inter-fund loans outstanding for Governmental Activities			\$139,546

Economic Factors and next Year's Budget and Rates

In the Fiscal Year 2014 budget, the City of Lebanon will continue to plan for flat revenue and will be working toward increasing the fund balances that are under thirty percent of operating revenues. The City of Lebanon will invest some of its Capital fund balance into the Civic Center, Parks and Public Safety. The City will use Bond proceeds from the 2010 COP to make improvements to Water Towers and the Treatment Facility. This action will reduce current Fund Balances within these Funds. The City will continue to monitor the net operating income of its major utilities to ensure fiscal responsibility in the management these public assets. The FY 2014 budget will not have any rate increase for utility customers, additionally a fee that was assessed for the PWSD #3 will sunset. The City will also be offering a four tier system for it employee health insurance and implement an employee compensation plan.

CITY OF LEBANON, MISSOURI

Government-wide Statement of Net Position - Modified Cash Basis

June 30, 2013 with Comparative Data

	Governmental Activities	Business-Type Activities	Total June 30, 2013	Total June 30, 2012
ASSETS				
Cash and cash equivalents	\$ 4,415,210	\$ 13,462,063	\$ 17,877,273	14,639,315
Due from Other Funds		7,618,027	7,618,027	7,558,747
Restricted Assets:				
Investments	957,337	841,208	1,798,545	1,795,510
Inventory	44,061		44,061	26,196
Non-current assets:				
Customer service territory, net of amortization		821,666	821,666	842,918
Equity interest in joint venture		550,000	550,000	550,000
TOTAL ASSETS	<u>5,416,608</u>	<u>23,292,964</u>	<u>28,709,572</u>	<u>25,412,686</u>
LIABILITIES				
Current liabilities				
Accrued expenses	1,690	88,349	90,039	92,324
Customer deposits		797,117	797,117	769,807
Current portion of long-term debt	885,000	310,000	1,195,000	1,175,271
Due to other funds	139,546	7,478,482	7,618,028	7,558,747
Long-term liabilities, net of current portion				
Long-term debt	4,880,000	4,075,000	8,955,000	10,149,999
TOTAL LIABILITIES	<u>5,906,236</u>	<u>12,748,948</u>	<u>18,655,184</u>	<u>19,746,148</u>
NET POSITION				
Unrestricted	(4,244,965)	10,544,016	6,299,051	2,460,396
Restricted	3,755,337		3,755,337	3,206,142
TOTAL NET POSITION	<u>\$ (489,628)</u>	<u>\$ 10,544,016</u>	<u>\$ 10,054,388</u>	<u>\$ 5,666,538</u>

CITY OF LEBANON, MISSOURI
 Government-wide Statement of Activities - Modified Cash Basis
 Year Ended June 30, 2013 with Comparative Data

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Comparative Data June 30, 2012
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Administration	\$ 1,654,006	\$ 377,887			\$ (1,276,119)	\$ (1,276,119)	\$ (2,041,549)
Public safety	3,629,584	176,198	10,618		(3,442,768)	(3,442,768)	(3,721,225)
Recreation	922,869	29,846			(893,023)	(893,023)	(1,015,345)
Transportation	2,081,758	309,483	10,430		(1,761,845)	(1,761,845)	(1,812,473)
Capital outlay	344,743	-			(344,743)	(344,743)	(130,016)
Economic development	119,531	5,820	47,680		(66,031)	(66,031)	(135,120)
Interest on long-term debt	325,466				(325,466)	(325,466)	(360,023)
Total governmental activities	9,077,957	899,234	47,680	21,048	(8,109,995)	(8,109,995)	(9,215,751)
Business-Type activities							
Electric	23,540,290	23,046,817	185,513		(307,960)	(307,960)	409,643
Water	1,282,790	2,307,840			1,025,050	1,025,050	1,132,669
Sewer	1,651,808	2,453,196	11,287		812,675	812,675	528,551
Economic development	691,612	1,509,917			818,305	818,305	682,802
Total Business-Type activities	27,166,500	29,317,770	-	196,800	-	2,348,070	2,753,665
Total primary government	\$ 36,244,457	\$ 30,217,004	\$ 47,680	\$ 217,848	(8,109,995)	2,348,070	(5,761,925)
General Revenues:							
Taxes					9,666,894	9,666,894	9,758,217
Interest and investment earnings					8,869	399,756	494,325
Miscellaneous					68,756	68,756	159,433
Total General Revenues					9,744,519	399,756	10,411,975
Change in Net Position					1,634,524	2,747,826	3,949,889
Net Position at Beginning of Year					(2,124,152)	7,796,190	1,716,649
Net Position at End of Year					\$ (489,628)	\$ 10,544,016	\$ 5,666,538

NOTE: The beginning fund balance was increased by \$5,497 to reflect a change in accounting method to include supplies inventory.

CITY OF LEBANON, MISSOURI
 Balance Sheet - Modified Cash Basis
 Governmental Funds
 June 30, 2013 with Comparative Data

	General	Capital Improvement	Street	Other Governmental Funds	Total Governmental Funds June 30, 2013	Comparative Data June 30, 2012
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 969,455	\$ 2,063,490	\$ 296,422	\$ 577,634	\$ 3,907,001	\$ 3,329,863
Restricted Assets:						
Investments		957,337			957,337	955,001
TOTAL ASSETS	\$ 969,455	\$ 3,020,827	\$ 296,422	\$ 577,634	\$ 4,864,338	\$ 4,284,864
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accrued expenses	\$ 1,690				1,690	\$ 2,353
Due to other funds				139,546	139,546	157,843
TOTAL LIABILITIES	1,690	-	-	139,546	141,236	160,196
FUND BALANCES:						
Unassigned	967,765				967,765	918,526
Assigned		3,020,827	296,422	438,088	3,755,337	3,206,142
TOTAL FUND BALANCES	967,765	3,020,827	296,422	438,088	4,723,102	4,124,668
TOTAL LIABILITIES AND FUND BALANCES	\$ 969,455	\$ 3,020,827	\$ 296,422	\$ 577,634	\$ 4,864,338	\$ 4,284,864

See accompanying notes to financial statements.

CITY OF LEBANON, MISSOURI

Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position - Modified Cash Basis
 Year Ended June 30, 2013 with Comparative Data

	June 30, 2013	June 30, 2012
Total fund balances - governmental funds	\$ 4,723,103	\$ 4,124,668
<p>Amounts reported for <i>governmental activities</i> that the statement of net assets are different because:</p>		
<p>Internal service funds are used by management to charge the costs of insurance and payroll expenses to individual funds. The net revenues (expense) of the internal service fund is reported with governmental activities</p>	552,269	382,984
<p>Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds</p>	(5,765,000)	(6,635,270)
Net position of governmental activities	<u>\$ (489,628)</u>	<u>\$ (2,127,618)</u>

See accompanying notes to financial statements.

CITY OF LEBANON, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis

Governmental Funds

Year Ended June 30, 2013 with Comparative Data

	General Fund	Capital Improvement	Street	Other Governmental Funds	Total Governmental Funds June 30, 2013	Comparative Data June 30, 2012
Revenues						
Taxes	\$ 5,417,219	\$1,507,823	\$2,028,859	\$ 712,993	\$ 9,666,894	\$ 9,758,217
Charges for services	198,254		278,955	66,194	543,403	704,966
Intergovernmental revenue	29,012			39,716	68,728	307,210
License and permits	179,633				179,633	102,588
Fines and court costs	176,198				176,198	252,879
Investment income	6,533	2,336			8,869	45,141
Other	64,080		3,676	1,000	68,756	159,433
Total Revenues	6,070,929	1,510,159	2,311,490	819,903	10,712,481	11,330,434
Expenditures						
Administration	1,112,193				1,112,193	1,553,147
Public safety	3,715,919				3,715,919	3,988,536
Recreation	522,633			351,080	873,713	926,258
Transportation			1,684,706	246,009	1,930,715	1,396,003
Capital outlay		344,743		-	344,743	133,606
Economic development	56,914			41,393	98,307	271,923
Debt Service:						
Principal payments		580,000	270,000	20,271	870,271	853,575
Interest and agent fees		224,365	103,755	247	328,367	338,235
Total Expenditures	5,407,659	1,149,108	2,058,461	659,000	9,274,228	9,461,283
Excess (Deficit) of Revenues Over Expenditures	663,270	361,051	253,029	160,903	1,438,253	1,869,151
Other Financing Sources (Uses)						
Transfers in (out)	(663,389)	-	(157,814)	(22,080)	(843,283)	(850,257)
Total Other Financing Sources (Uses)	(663,389)	-	(157,814)	(22,080)	(843,283)	(850,257)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(119)	361,051	95,215	138,823	594,970	1,018,894
Beginning Fund Balance	967,884	2,659,776	201,207	299,265	4,128,132	3,105,775
Ending Fund Balance	\$ 967,765	\$3,020,827	\$ 296,422	\$ 438,088	\$ 4,723,102	\$ 4,124,669

NOTE: The beginning fund balance was increased by \$3,463 to reflect a change in accounting method to include supplies inventor.

CITY OF LEBANON, MISSOURI

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities - Modified Cash Basis
Year Ended June 30, 2013 with Comparative Data

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Net change in fund balances - total governmental funds	\$ 594,970	\$ 1,018,894
Internal service funds are used by management to charge the costs of insurance and payroll expenses to individual funds. The net revenues (expense) of the certain activities of the internal service fund is reported with governmental activities	169,284	(382,821)
Bond proceeds and loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	870,270	831,787
Changes in net assets of governmental activities	<u>\$ 1,634,524</u>	<u>\$ 1,467,860</u>

CITY OF LEBANON, MISSOURI
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2013 with Comparative Data

	Business-Type Activities - Enterprise Funds				Internal Service Funds	Totals June 30, 2013	Totals June 30, 2012
	Electric	Water	Sewer	Economic Development			
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 9,368,080	\$ 2,260,057	\$ 865,999	\$ 967,927	\$ 508,207	\$ 13,970,270	\$ 11,309,452
Due from Other Funds	7,563,027			55,000		7,618,027	7,558,747
Inventory					44,061	44,061	26,196
Restricted assets:							
Investments		526,999	314,209			841,208	840,509
Total current assets	16,931,107	2,787,056	1,180,208	1,022,927	552,268	22,473,566	19,734,904
Noncurrent assets:							
Customer service territory, net of amortization		821,666				821,666	842,918
Equity interest in joint venture	550,000					550,000	550,000
Total noncurrent assets	550,000	821,666	-	-	-	1,371,666	1,392,918
TOTAL ASSETS	<u>17,481,107</u>	<u>3,608,722</u>	<u>1,180,208</u>	<u>1,022,927</u>	<u>552,268</u>	<u>23,845,232</u>	<u>21,127,822</u>
LIABILITIES							
Current liabilities:							
Current portion of long term debt		32,979	277,021			310,000	305,000
Accrued expenses	88,349					88,349	89,971
Meter deposits payable		797,117				797,117	769,807
Total current liabilities	88,349	830,096	277,021	-	-	1,195,466	1,164,778
Noncurrent liabilities:							
Due to other funds				7,478,482		7,478,482	7,400,904
Long term debt		433,510	3,641,490			4,075,000	4,385,000
Total noncurrent liabilities	-	433,510	3,641,490	7,478,482	-	11,553,482	11,785,904
TOTAL LIABILITIES	<u>88,349</u>	<u>1,263,606</u>	<u>3,918,511</u>	<u>7,478,482</u>	<u>-</u>	<u>12,748,948</u>	<u>12,950,682</u>
NET POSITION							
Unrestricted	17,392,758	2,345,116	(2,738,303)	(6,455,555)	552,268	11,096,284	8,177,140
TOTAL NET POSITION	<u>\$ 17,392,758</u>	<u>\$ 2,345,116</u>	<u>\$ (2,738,303)</u>	<u>\$ (6,455,555)</u>	<u>\$ 552,268</u>	<u>\$ 11,096,284</u>	<u>\$ 8,177,140</u>

CITY OF LEBANON, MISSOURI
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
Year Ended June 30, 2013 with Comparative Data

	Business -Type Activities - Enterprise Funds			Internal Service Funds	Totals June 30, 2013	Totals June 30, 2012
	Economic					
	Electric	Water	Sewer			
Operating revenues						
Charges for services	\$ 22,878,024	\$ 2,303,416	\$ 2,399,372	\$ 1,500,765	\$ 29,081,577	\$ 31,471,139
Intergovernmental revenues						\$ 65,506
Miscellaneous	168,793	4,424	53,824	9,152	236,193	333,668
Total operating revenues	23,046,817	2,307,840	2,453,196	1,509,917	29,317,770	31,870,313
Operating expenses:						
Personnel costs	1,093,687	555,110	808,375	78,589	2,535,761	4,595,802
Operation and maintenance	22,333,662	588,752	513,693		23,436,107	25,139,030
Economic development				598,433	598,433	597,694
Total operating expenses	23,427,349	1,143,862	1,322,068	677,022	26,570,301	30,332,526
Operating income (loss)	(380,532)	1,163,978	1,131,128	832,895	2,747,469	1,537,787
Non-Operating revenues (expenses)						
Interest income	29,366	1,108	666		31,140	47,583
Interest income from internal loans	368,616				368,616	401,601
Intergovernmental revenue	185,513		11,287		196,800	-
Capital outlay	(39,016)	(57,257)	(78,118)		(174,391)	(501,989)
Debt service:						
Interest and agent fees	-	(21,152)	(177,648)		(198,800)	(236,030)
Total non-operating revenues (expenses)	544,479	(77,301)	(243,813)	-	223,365	(288,835)
Income (loss) before transfers	163,947	1,086,677	887,315	832,895	2,970,834	1,248,952
Operating transfers in (out)	(73,925)	(60,519)	(73,974)	(14,590)	(223,008)	850,256
Change in net position	90,022	1,026,158	813,341	818,305	2,747,826	2,099,208
Net position at the beginning of year	17,302,736	1,318,958	(3,551,644)	(7,273,860)	7,796,190	6,077,932
Net position at end of year	\$ 17,392,758	\$ 2,345,116	\$ (2,738,303)	\$ (6,455,555)	\$ 10,544,016	\$ 8,177,140

NOTE: The beginning fund balance was increased by \$2,034 to reflect a change in accounting method to include supplies inventory.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Lebanon is governed by local laws and ordinances and other laws of the state of Missouri and operates under a form of government that is comprised of an elected Board of Councilmen and an elected Mayor. Lebanon provides a range of municipal services, including general government administration, public safety, recreation, planning and community development, street maintenance, and electric, waterworks and wastewater. The City's significant accounting policies are described below.

The financial reporting entity includes all funds, functions, and organizations over which the City officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The City's reporting entity does not contain any component units as defined in GASB Statement No. 14 and GASB Statement No. 39.

B. Government-wide and Fund Financial Statements

In March 2009, the Governmental Accounting Standards Board (GASB) issued Statements No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures. The City has implemented this standard effective November 1, 2010.

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a modified cash basis, which incorporates long-term debt and obligations.

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

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

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

Generally the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The “doubling up” effect of internal service fund activity has been eliminated from the government-wide financial statements with the expenses shown in the various functions and programs on the Statement of Activities.

The government-wide Statement of Net Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net position, with the assets and liabilities show in order of their relative liquidity. Net position is required to be displayed in components: 1) restricted, and 2) unrestricted.

Also, part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

The City distinguishes operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services in connection with the City’s principal ongoing operations. The principal operating receipts are charges to customers for water services. Operating disbursements include the costs of sales and services and administrative expenses. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

The City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs). As permitted by GASB No. 20, the City has elected not to follow subsequent private-sector guidance in its business-type activities and enterprise funds.

The City reports the following major funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Improvement Fund - This fund is used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Street Fund – This fund accounts for financial resources restricted for street construction and operations and maintenance.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

Economic Development – This fund is used to report financial resources used for the promotion of economic development including capital acquisitions and the operations of those facilities.

Additionally, the government reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The business-type fund types the City has are:

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The costs of providing goods or services to the general public are financed or recovered primarily through user charges.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

C. Measurement focus and Basis of Accounting

These financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of a modified cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the economic resources” measurement focus, as applied to a modified cash basis of accounting, is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only currently financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or non financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

The accounts of the City are maintained, and the accompanying financial statements have been prepared and presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Property, plant and equipment are not capitalized and depreciation is not calculated. Intangibles are capitalized and amortized.

During 2013, the City changed the manner in which it accounts for an inventory for supplies purchased on or after July 1, 2012. The City believes maintaining a supply inventory better matches costs with usage and is gradually moving to a more modified cash basis. This change in the amount of \$5,497 is reflected as a restatement of beginning net position. A notation has been added to the bottom of the financial statements that reflect a change in beginning net position.

D. Cash and Investments

Except for cash in certain restricted and special funds, the City consolidates cash balances from all funds to maximize investment earnings. For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as cash and cash equivalents. Statutes impose various restrictions on deposits and investments, these restrictions are summarized as follows:

Deposits. Certificates of deposits must be collateralized in an amount such that the market value of the collateral is at least 100% of the investment. The collateral must be held by the non-affiliated custodial facility.

Investments. The investments shall be diversified to minimize the risk of loss. The City is authorized to make investments in U.S. treasuries and securities, collateralized time and demand deposits, collateralized repurchase agreements, commercial paper and bankers' acceptances. The bankers' acceptances and commercial paper must be issued by domestic commercial banks and possess the highest rating issued by Moody's Investor services, Inc or Standard and Poor's.

E. Inventory

Internal Service Fund inventory consists of fuel and supplies. Both inventories are accounted at lower of cost of market using the first-in, first-out method (FIFO).

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

F. Short-Term Interfund Receivables/Payables

During the course of operations, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "due to/from other funds" on the balance sheet.

G. Compensated Absences

The City's policy on vacation and sick leave permits limited accruals of each type that can be used in a future year. No provision has been made to record this liability in the year incurred, but rather, when paid.

H. Property Tax

Property taxes are levied September 1 and payable by December 31. Taxes paid after December are subject to penalties. Laclede County bills and collects the City's property taxes.

I. Interfund Transactions

Transfers among funds are provided for as part of the annual budget process. They facilitate annual contributions from the operating budget to capital project funds. They also facilitate the allocation of administrative expenses among all funds.

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that should have been applied to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

J. Net Position

Net Position represents the difference between assets and liabilities. Net position displayed in two different components: Restricted net assets and Unrestricted net assets. Restricted net assets are reported when there are limitations on the use by external restrictions, such as through creditors, grantors, contributors, laws or regulations. All other assets that do not meet the above definitions are unrestricted.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

L. Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of aldermen - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of aldermen removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The board of aldermen have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

M. Effect of New Accounting Standards on Current-Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 62, Codification of Pre-November 30, 1989 FASB and AICPA Pronouncements. The current period financial statements have been restated to implement this pronouncement.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position has been implemented in the current financial statements. The financial statements were restated for the elimination of deferred debt issuance costs.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

2. Restricted Assets

The certificates of participation bond ordinances authorizing debt issues establish certain deposit requirements for bond and interest sinking funds, reserve funds, and depreciation and replacement funds. At June 30, 2013, the required deposits had been met.

Governmental Fund Types

The cash and fund balance have been restricted as follows:

	Restricted Cash
Capital Projects Fund	
Debt Reserve Funds	957,337
	957,337

Enterprise Fund Types

The cash and net assets have been restricted as follows:

	Restricted Investments
Sewer project funds	84,550
Sewer debt reserve funds	229,659
Subtotal	314,209
Water project funds	499,658
Water debt reserve funds	27,341
Subtotal	526,999
Total	\$ 841,208

3. Cash, Equivalents and Investments

The Board of Councilmen has adopted formal investment policies for City monies. The City Administrator is the designated investment officer, and has the responsibility of investing all City monies on a bid basis in institutions that offer full insurance. Monies may be invested in certificates of deposits or savings/money market accounts without City Council approval. Cash, equivalents and investments are recorded at cost.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

Deposits

The City's deposits, including restricted assets, are stated at cost and are composed of the following:

	June 30, 2013	
	Carrying Amounts	Bank Balance
Petty cash accounts	\$ 2,285	\$ -
U.S. Government Agency securities	7,500,840	7,500,840
Checking & money mkt accounts	10,374,144	10,341,645
Total	\$ 17,877,269	\$ 17,842,485
Held in Trust:		
U.S. Government Agency securities and bonds	1,798,545	1,798,545
Total Held in Trust	\$ 1,798,545	\$ 1,798,545
Grand Total	\$ 19,675,814	\$ 19,641,030

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair values by holding investments to maturity.

Custodial Credit Risk – This is the risk that in the event of a bank failure, the City's deposits may not be returned to it.

Of the total bank balance at June 30, 2013, \$10,341,645 was covered by federal depository insurance or by collateral securities held by the Custodial bank's safekeeping agent in the City's name. The remaining \$9,299,385 was invested in U.S. Government securities.

To protect the safety of the City deposits, Section 110.020, RSMo 1986, requires depositories to pledge collateral securities to secure City deposits not insured by the Federal Deposit Insurance Corporation. Obligations that may be pledged as collateral are obligations of the United States and its agencies. As the previous paragraph indicates, the City and its depository banks were in compliance with the Missouri law.

Section 95.355, RSMo 1986, requires the City to enter into agreements with the banks selected as depositories. The City does have formal depository contracts with the banks that hold City monies.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

4. Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2013:

	Long-term obligations at July 1, 2012	Additions	Deletions	Long-term obligations at June 30, 2013	Due within one year
Governmental Activities					
Bonds and notes payable:					
Airport (STAR) note payable	\$ 20,270		\$ 20,270	\$ -	\$ -
2008 Certificates of participation	6,615,000		850,000	5,765,000	885,000
Governmental activities long-term liabilities	<u>\$ 6,635,270</u>	<u>\$ -</u>	<u>\$ 870,270</u>	<u>\$ 5,765,000</u>	<u>\$ 885,000</u>
Business-type Activities					
Bonds and notes payable:					
2010A Water/Sewer Certificates of participation	1,595,000		305,000	1,290,000	310,000
2010B Water/Sewer Certificates of participation	3,095,000			3,095,000	-
Business-type activities long-term liabilities	<u>\$ 4,690,000</u>	<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ 4,385,000</u>	<u>\$ 310,000</u>

Governmental Activities

A. Airport STAR Loan

The promissory note dated March 28, 2003 was issued in the original amount of \$216,000. The interest rate is 2.65 percent and payments are made monthly. This debt is funded out of the airport fund using general revenues.

B. 2008 Certificates of Participation

The City is obligated under a lease accounted for as a capital lease. This debt is funded out of capital improvement sales tax revenues. Interest rates range from 3.40% to 5.20%. Principal is paid annually and interest is paid semi-annually. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments:

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

The annual debt service requirements for the Governmental Activities are:

Year Ending June 30,	Principal	Interest	Total
2014	885,000	287,820	1,172,820
2015	925,000	247,110	1,172,110
2016	965,000	202,710	1,167,710
2017	1,020,000	154,460	1,174,460
2018	1,970,000	102,440	2,072,440
	<u>\$ 5,765,000</u>	<u>\$ 994,540</u>	<u>\$ 6,759,540</u>

Business-Type Activities

A. 2010 Certificates of Participation

The City is obligated under leases accounted for as capital leases. This debt is funded out of capital improvement sales tax revenues and utility electric, water and sewer user fees. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments:

Fiscal Year Ending June 30,	Principal	Interest
2014	310,000	192,255
2015	320,000	185,435
2016	325,000	177,755
2017	335,000	169,305
2018	345,000	159,925
2017-2025	2,750,000	612,412
Total	<u>\$4,385,000</u>	<u>\$1,497,087</u>

In the Enterprise Funds financial statements, unamortized debt issue costs and bond discounts are reported as deferred charges.

Interest rates for the 2010 Certificates of Participation range from .875% to 5.625%. For all this debt, principal is paid annually and interest semi-annually.

The 2010 Certificates of Participation were issued through the Build America Bonds program that provides 35% in federal subsidies on the total interest requirements. The interest is paid to the City on a semi-annual basis corresponding with the interest payment dates.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

5. Risk Management

The City's risk management activities are recorded in the Health Insurance Trust Fund. The purpose of the fund is to administer employee health insurance programs on a cost-reimbursement basis. This fund accounts for the risk financing of the City but does not constitute a transfer of risk from the City. Commercial insurance is carried for this fund for claims exceeding \$2,062,779 aggregate and \$60,000 individually. The City retains risk of loss up to these deductibles. No claims liabilities are recorded since the City reports its financial statements using a modified cash basis method. At June 30, 2013, \$516,616 is available in cash to cover claims.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; work related injuries to employees; and natural disaster. The City maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

6. Pension Plans

A. Plan Description

The City of Lebanon participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by state statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Status

Full-time employees of the City of Lebanon do not contribute to the pension plan. The June 30th statutorily required contribution rates are 14.2% (general), 12.7% (police) and 10.7% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

C. Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current period were as follows:

Annual required contribution	\$ 752,562
Interest on net pension obligation	4,441
Adjustment to annual required contributor	<u>(4,298)</u>
Annual pension cost	752,705
Actual contributions	<u>735,253</u>
Increase (decrease) in NPO	17,452
NPO beginning of year	<u>61,249</u>
NPO end of year	<u><u>\$ 78,701</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2011 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table projected to 2000 set back 0 year for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2011, was 19 years for the General division, 30 years for the Police division and 30 years for the Fire division.

Three-Year Trend Information

Fiscal Year	Annual	Percentage	Net Pension
<u>Ending</u>	<u>Pension</u>	<u>of APC</u>	<u>Obligation</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	
2011	669,608	94.2%	38,837
2012	742,846	97.0%	61,249
2013	752,705	97.7%	78,701

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

	(a)	(b)	(b-a)		(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered
2/28/2011	5,761,622	9,711,277	3,949,655	59%	5,395,231	73%
2/29/2012	6,197,641	9,945,979	3,748,338	62%	5,541,802	68%
2/28/2013	6,950,965	10,350,624	3,399,659	67%	5,368,725	63%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

7. Deferred Compensation Plan

City employees participate in a nation-wide deferred compensation plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. All deferred amounts are the property of the City and participant's interest in the plan is that of a general creditor of the City. It is the opinion of the City's management that the City and Board have no liability for losses under the plan, but do have the duty of due care that would be required of an ordinary prudent investor. Amounts on deposit with Nationwide Financial Company for the City of Lebanon participants at June 30, 2013 were approximately \$1,625,445.

8. Deficit Fund Balance

Service, Airport, Downtown Business District and Economic Development Funds

At June 30, 2013, the Airport, Downtown Business District and Economic Development Funds experienced a deficit fund balance of (\$79,909), (\$40,149) and (\$6,455,555) due to inter-fund loans.

Sewer Fund

The Sewer Fund had a deficit retained earnings of (\$2,738,303) resulting from capital improvements to the system and the City expenses capital improvements rather than posting as an asset and calculating depreciation.

9. Interfund Loans

To improve cash flow and minimize financing fees, the City has loaned money between funds for capital projects as follows:

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount	Project	Due
Electric Operating	Economic Development	\$ 1,048,727	Dowco Building	2026
Electric Operating	Economic Development	2,012,369	Copeland Building	2016
Electric Operating	Airport	84,546	Hangers	2020
Electric Operating	Economic Development	3,461,694	Detroit Tool Building	2025
Electric Operating	Economic Development	55,692	Homestead Building	2016
Electric Operating	Economic Development	900,000	Detroit Tool Building	2028
Economic Development	Downtown Business Dist	55,000	Land Purchase	2019
		<u>\$ 7,618,028</u>		

The City charges a 5% interest rate on all of these loans.

10. Long-Term Contracts

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). MJMEUC manages a power pool known as Missouri Public Energy Pool#1 (MoPEP). The City is a member of MoPEP. All MoPEP members (including the City) have an agreement (the MoPEP Agreement) with MJMEUC for the purchase of electric capacity and energy from MJMEUC. The MoPEP Agreement requires MJMEUC to supply the full energy requirements of the City and includes a procedure for the City to dedicate its capacity to MoPEP.

MoPEP operations are governed by a committee (Pool Committee) consisting of one representative from each MoPEP member and was comprised of 35 members as of December 31, 2012. The Pool Committee is charged with setting rates for all services provided by MJMEUC to MoPEP members. These rates include recovery of all of MJMEUC's costs (the Direct Costs) incurred in connection with acquiring, providing, arranging or financing the provision of full requirements service to MoPEP members. Such rates are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make, or reserves or coverage MJMEUC is required to maintain, pursuant to any bond indenture, financing lease or loan agreement or other financial contract in order to procure, deliver, or finance resources intended to provide full requirements service, without regard to whether any particular resource is available to or used by any particular MoPEP member. Direct Costs also include amounts required to fund MoPEP capital and/or operating reserves as may be established from time to time by the Pool Committee.

The rates are established so as to charge each MoPEP member (including the City) its proportionate share of all costs associated with MJMEUC's performance under the MoPEP Agreement. Charges based on such rates are assessed and billed monthly. Rates are required to be established at least annually and adjusted to recognize variances between budgeted and actual costs at least every six months.

To meet the power and energy requirements of the City and the other MoPEP members,

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2013

MJMEUC presently obtains power and energy from the following resources: (i) power purchased under long-term firm energy contracts, unit-contingent energy contracts and interruptible contracts; (ii) MJMEUC owned generation; (iii) member capacity; and (iv) spot market purchases. The City purchases its full energy requirements from MJMEUC pursuant to the MoPEP Agreement, but does not have any ownership interest in MJMEUC's resources.

In the event a MoPEP member would cancel the MoPEP Agreement, the member would remain responsible for its allocated share of MJMEUC's Direct Costs associated with all resource obligations entered into by MJMEUC for MoPEP prior to the notice of cancellation. MJMEUC would utilize or sell the member's allocated share of output in exchange for providing the member a credit or offset equal to the fair market value of the output up to the amount of the member's obligation. As a result, the member would have a financial obligation after cancellation in the event that the fair market value of the output is less than the member's allocated share of MJMEUC's Direct Costs with respect to the resource obligations at the time of cancellation. Since the amount of the cancelling member's obligation would depend on MJMEUC's Direct Costs after cancellation and the fair market value of the output at such times in the future, the amount of the obligation is not reasonably determinable. Currently, the City of Lebanon has no plans or intentions to begin cancellation proceedings.

11. Evaluation of Subsequent Events

In preparing these financial statements, The City has evaluated subsequent events and transactions for potential recognition or disclosure through January 24, 2014, the date which the financial statements were available to be issued.

OTHER INFORMATION

CITY OF LEBANON, MISSOURI

Budgetary Comparison Schedule - General Fund-Modified Cash Basis

Year Ended June 30, 2013

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Resources (inflows):				
Taxes	\$ 5,490,255	\$ 5,490,255	\$ 5,417,219	\$ (73,036)
Charge for services	208,250	208,250	198,254	(9,996)
Intergovernmental revenue	21,000	21,000	29,012	8,012
License and permits	27,500	27,500	179,633	152,133
Fines and forfeitures	304,400	304,400	176,198	(128,202)
Interest income	15,000	15,000	6,533	(8,467)
Miscellaneous income	46,600	46,600	64,080	17,480
Total Resources (inflows)	6,113,005	6,113,005	6,070,929	(42,076)
Charges to appropriations (outflows):				
Public safety	4,042,687	3,796,437	3,715,919	80,518
Administration	1,344,071	1,236,518	1,112,193	124,325
Recreation	553,632	517,632	522,633	(5,001)
Economic Development	118,364	99,364	56,914	42,450
Total charges to appropriations	6,058,754	5,649,951	5,407,659	242,292
Other Financing Sources (Uses)				
Transfers in (out)	(362,996)	(675,759)	(663,389)	12,370
Total Other Financing Sources (Uses)	(362,996)	(675,759)	(663,389)	12,370
Net Change in Fund Balances	(308,745)	(212,705)	(119)	212,586
Fund Balance, July 1	967,844	967,884	967,884	-
Fund Balance, June 30	\$ 659,099	\$ 755,179	\$ 967,765	\$ 212,586

CITY OF LEBANON, MISSOURI
 Budgetary Comparison Schedule - Major Special Revenue Funds - Modified Cash Basis
 Year Ended June 30, 2013

Street Fund	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Amended Positive (Negative)</u>
Resources (inflows):				
Taxes	\$ 2,010,000	\$ 2,010,000	\$ 2,028,859	\$ 18,859
Charge for services	478,500	478,500	278,955	(199,545)
Other			3,676	3,676
Total resources	<u>2,488,500</u>	<u>2,488,500</u>	<u>2,311,490</u>	<u>(177,010)</u>
Charges to appropriations (outflows):				
Transportation	2,358,814	2,313,415	2,058,461	254,954
Total charges to appropriations	<u>2,358,814</u>	<u>2,313,415</u>	<u>2,058,461</u>	<u>254,954</u>
Other Financing Sources (Uses)				
Transfer in (out)	(125,835)	(171,235)	(157,814)	13,421
Total Other Financing Sources (Uses)	<u>(125,835)</u>	<u>(171,235)</u>	<u>(157,814)</u>	<u>13,421</u>
Net Change in Fund Balance	3,851	3,850	95,215	91,365
Beginning Fund Balance	<u>201,207</u>	<u>201,207</u>	<u>201,207</u>	<u>-</u>
Ending Fund Balance	<u>\$ 205,058</u>	<u>\$ 205,057</u>	<u>\$ 296,422</u>	<u>\$ 91,365</u>

1. Budgetary Basis

Annual budgets are adopted on a modified cash basis of accounting where revenues are reported as collected and expenditures when paid except for recording inter-fund loan payments. All annual appropriations lapse at year-end.

2. Budgetary Information

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level.

All budget revisions at this level are subject to final review by the City Councilmen. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made several times throughout the year.

3. Excess of Expenditures over Appropriations

None.

CITY OF LEBANON, MISSOURI
 Combining Balance Sheet - Modified Cash Basis
 Internal Service Funds
 June 30, 2013 with Comparative Data

	<u>Community Develop.</u>	<u>Employee Benefits</u>	<u>Service Fund</u>	<u>June 30, 2013 Totals</u>	<u>June 30, 2012 Totals</u>
ASSETS					
Unrestricted Assets:					
Cash and cash equivalents	\$ 35,652	\$ 516,616	\$ (44,061)	\$ 508,207	\$ 356,788
Inventory			44,061	44,061	\$ 26,196
TOTAL ASSETS	<u>\$ 35,652</u>	<u>\$ 516,616</u>	<u>\$ -</u>	<u>\$ 552,268</u>	<u>\$ 382,984</u>
NET ASSETS					
Unrestricted	<u>\$ 35,652</u>	<u>\$ 516,616</u>	<u>\$ -</u>	<u>\$ 552,268</u>	<u>\$ 382,984</u>
TOTAL NET ASSETS	<u>\$ 35,652</u>	<u>\$ 516,616</u>	<u>\$ -</u>	<u>\$ 552,268</u>	<u>\$ 382,984</u>

CITY OF LEBANON, MISSOURI

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis

Internal Service Funds

Year Ended June 30, 2013 with Comparative Data

	Community Develop.	Employee Benefits	Service Fund	June 30, 2013 Total	June 2012 Total
REVENUES					
Charge for services	\$ 47,025.00	\$ 2,949,874		\$ 2,996,899	\$ 2,560,778
Intergovernmental revenues				-	65,506
Other	-			-	34,065
TOTAL REVENUES	<u>47,025</u>	<u>2,949,874</u>	<u>-</u>	<u>2,996,899</u>	<u>2,660,349</u>
EXPENDITURES					
Operations and maintenance	\$ 321,826		755,839	1,077,665	3,236,786
Employee benefits		2,816,242		2,816,242	2,943,599
TOTAL EXPENDITURES	<u>321,826</u>	<u>2,816,242</u>	<u>755,839</u>	<u>3,893,907</u>	<u>6,180,385</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES					
	<u>(274,801)</u>	<u>133,632</u>	<u>(755,839)</u>	<u>(897,008)</u>	<u>(3,520,036)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	310,453		755,839	1,066,292	3,137,215
Total Other Financing Sources (Uses)	<u>310,453</u>	<u>-</u>	<u>755,839</u>	<u>1,066,292</u>	<u>3,137,215</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES					
	<u>35,652</u>	<u>133,632</u>	<u>-</u>	<u>169,284</u>	<u>(382,821)</u>
NET ASSETS, Beginning of Period	<u>-</u>	<u>382,984</u>	<u>-</u>	<u>382,984</u>	<u>765,805</u>
NET ASSETS, End of Period	<u>\$ 35,652</u>	<u>\$ 516,616</u>	<u>\$ -</u>	<u>\$ 552,268</u>	<u>\$ 382,984</u>

CITY OF LEBANON, MISSOURI
 Combining Balance Sheet - Modified Cash Basis
 Proprietary - Enterprise Funds
 June 30, 2013 with Comparative Data

	Electric			Water		
	Operating	Fiber Operations	Total	Operating	Meter Deposit	Total
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 8,899,544	\$ 468,536	\$ 9,368,080	\$ 1,464,497	\$ 795,560	\$ 2,260,057
Due from Other Funds	7,563,027		7,563,027			
Restricted Assets:						
Investments			-	526,999		526,999
Customer service territory, net of amortization				821,666		821,666
Equity interest in joint venture	550,000		550,000			
TOTAL ASSETS	<u>\$ 17,012,571</u>	<u>\$ 468,536</u>	<u>\$ 17,481,107</u>	<u>\$ 2,813,162</u>	<u>\$ 795,560</u>	<u>\$ 3,608,722</u>
LIABILITIES:						
Current Liabilities:						
Current portion of long term debt	\$ 88,349		\$ 88,349	\$ 32,979		\$ 32,979
Accrued expenses						-
Meter deposits payable					\$ 797,117	797,117
Total Current Liabilities	<u>88,349</u>	<u>-</u>	<u>88,349</u>	<u>32,979</u>	<u>797,117</u>	<u>830,096</u>
Noncurrent Liabilities:						
Due to other funds				433,510		433,510
Long term debt				433,510		433,510
TOTAL NONCURRENT LIABILITIES				<u>466,489</u>		<u>466,489</u>
TOTAL LIABILITIES	<u>88,349</u>	<u>-</u>	<u>88,349</u>	<u>466,489</u>	<u>797,117</u>	<u>1,263,606</u>
NET ASSETS:						
Unrestricted	16,924,222	468,536	17,392,758	2,346,673	(1,557)	2,345,116
TOTAL NET ASSETS	<u>16,924,222</u>	<u>468,536</u>	<u>17,392,758</u>	<u>2,346,673</u>	<u>(1,557)</u>	<u>2,345,116</u>

CITY OF LEBANON, MISSOURI
 Combining Balance Sheet - Modified Cash Basis
 Proprietary - Enterprise Funds
 June 30, 2013 with Comparative Data

	Economic Development	Total Enterprise Funds June 30, 2013	Total Enterprise Funds June 30, 2012
ASSETS			
Unrestricted Assets:			
Cash and cash equivalents	\$ 967,927	\$ 13,462,063	\$ 10,952,664
Due from Other Funds	55,000	7,618,027	7,558,747
Restricted Assets:			
Investments		841,208	840,509
Customer service territory, net of amortization Equity interest in joint venture		821,666 550,000	842,918 550,000
TOTAL ASSETS	\$ 1,022,927	\$ 23,292,964	\$ 20,744,838
LIABILITIES:			
Current Liabilities:			
Current portion of long term debt		\$ 310,000	\$ 305,000
Accrued expenses		88,349	89,971
Meter deposits payable		797,117	769,807
Total Current Liabilities	-	1,195,466	1,164,778
Noncurrent Liabilities:			
Due to other funds	7,478,482	7,478,482	7,400,904
Long term debt		4,075,000	4,385,000
TOTAL NONCURRENT LIABILITIES	7,478,482	11,553,482	11,785,904
TOTAL LIABILITIES	7,478,482	12,748,948	12,950,682
NET ASSETS:			
Unrestricted	(2,738,303)	10,544,016	7,794,156
TOTAL NET ASSETS	(2,738,303)	10,544,016	7,794,156

CITY OF LEBANON, MISSOURI
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets-Modified Cash Basis
 Proprietary - Enterprise Funds
 Year Ended June 30, 2013 with Comparative Data

	Electric			Water		
	Operating	Fiber Operations	Total	Operating	Meter Deposit	Total
Operating revenues						
Charges for services	\$ 22,778,927	\$ 99,097	\$ 22,878,024	\$ 2,303,416		\$ 2,303,416
Miscellaneous	168,793	-	168,793	4,424		4,424
Total operating revenues	22,947,720	99,097	23,046,817	2,307,840		2,307,840
Operating expenses:						
Personnel costs	1,093,687		1,093,687	555,110		555,110
Operations and maintenance	22,293,755	39,907	22,333,662	588,752		588,752
Total operating expenses	23,387,442	39,907	23,427,349	1,143,862		1,143,862
Operating income (loss)	(439,722)	59,190	(380,532)	1,163,978		1,163,978
Nonoperating revenues (expenses)						
Interest income	29,366		29,366	1,108		1,108
Interest income - interfund loans	368,616		368,616	-		-
Intergovernmental revenue	185,513		185,513	-		-
Capital outlay	(39,016)		(39,016)	(57,257)		(57,257)
Debt service:						
Interest and agent fees			-	(21,152)		(21,152)
Total non-operating revenues (expenses)	544,479	-	544,479	(77,301)		(77,301)
Income (loss) before transfers	104,757	59,190	163,947	1,086,677		1,086,677
Operating transfers in (out)	(73,925)	-	(73,925)	(60,519)		(60,519)
Change in net position	30,832	59,190	90,022	1,026,158		1,026,158
Beginning net position	16,893,390	409,346	17,302,736	1,320,515	(1,557)	1,318,958
Ending net position	\$ 16,924,222	\$ 468,536	\$ 17,392,758	\$ 2,346,673	\$ (1,557)	\$ 2,345,116

NOTE: The beginning fund balance was adjusted to reflect a change in accounting method for reporting fuel inventory of \$1,265 for Electric, \$550 for Sewer and \$220 for Water.

CITY OF LEBANON, MISSOURI
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets-Modified Cash Basis
 Proprietary - Enterprise Funds
 Year Ended June 30, 2013 with Comparative Data

	Total		Totals	
	Sewer	Economic Development	Enterprise Funds June 30, 2013	Enterprise Funds June 30, 2012
Operating revenues				
Charges for services	\$ 2,399,372	\$ 1,500,765	\$ 29,081,577	28,910,361
Miscellaneous	53,824	9,152	236,193	299,603
Total operating revenues	<u>2,453,196</u>	<u>1,509,917</u>	<u>29,317,770</u>	<u>29,209,964</u>
Operating expenses:				
Personnel costs	808,375	78,589	2,535,761	1,652,203
Operations and maintenance	587,667	598,433	24,108,514	22,499,938
Total operating expenses	<u>1,396,042</u>	<u>677,022</u>	<u>26,644,275</u>	<u>24,152,141</u>
Operating income (loss)	<u>1,057,154</u>	<u>832,895</u>	<u>2,673,495</u>	<u>5,057,823</u>
Nonoperating revenues (expenses)				
Interest income	666		31,140	47,583
Interest income - interfund loans			368,616	401,601
Intergovernmental revenue	11,287		196,800	-
Capital outlay	(78,118)		(174,391)	(501,989)
Debt service:				
Interest and agent fees	(177,648)		(198,800)	(236,030)
Total non-operating revenues (expenses)	<u>(243,813)</u>	<u>-</u>	<u>223,365</u>	<u>(288,835)</u>
Income (loss) before transfers	813,341	832,895	2,896,860	4,768,988
Operating transfers in (out)	-	(14,590)	(149,034)	(2,286,959)
Change in net position	<u>813,341</u>	<u>818,305</u>	<u>2,747,826</u>	<u>2,482,029</u>
Beginning net position	<u>(3,551,644)</u>	<u>(7,273,860)</u>	<u>7,796,190</u>	<u>5,312,127</u>
Ending net position	<u>\$ (2,738,303)</u>	<u>\$ (6,455,555)</u>	<u>\$ 10,544,016</u>	<u>\$ 7,794,156</u>

NOTE: The beginning fund balance was adjusted to reflect a change in inventory of \$1,265 for Electric, \$550 for Sewer and \$119 for Water.

CITY OF LEBANON, MISSOURI
 Combining Balance Sheet - Modified Cash Basis
 Nonmajor Funds
 June 30, 2013 with Comparative Data

	Lodging Tax	Airport	Downtown Business District	Parks and Recreation	June 30, 2013 Totals	June 30, 2012 Totals
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 37,229	\$ 4,638	\$ 14,852	\$ 520,915	\$ 577,634	\$ 503,348
TOTAL ASSETS	<u>\$ 37,229</u>	<u>\$ 4,638</u>	<u>\$ 14,852</u>	<u>\$ 520,915</u>	<u>\$ 577,634</u>	<u>\$ 503,348</u>
LIABILITIES:						
Due to other funds		\$ 84,546	\$ 55,000	-	\$ 139,546	\$ 157,843
Total liabilities	-	84,546	55,000	-	139,546	157,843
EQUITY:						
Fund balance:						
Assigned	37,229	(79,908)	(40,148)	520,915	438,088	345,505
TOTAL LIABILITIES AND EQUITY	<u>\$ 37,229</u>	<u>\$ 4,638</u>	<u>\$ 14,852</u>	<u>\$ 520,915</u>	<u>\$ 577,634</u>	<u>\$ 503,348</u>

For the year ended June 30, 2013, the following funds were combined with the General Fund: CDBG, and Court training.

CITY OF LEBANON, MISSOURI

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis

Nonmajor Funds

Year Ended June 30, 2013 with Comparative Data

	Lodging Tax	Airport	Downtown Business District	Parks and Recreation	June 30, 2013 Totals	June 30, 2012 Totals
REVENUES						
Taxes	\$ 106,810		\$ 28,144	\$ 578,039	\$ 712,993	\$ 661,460
Charges for services		\$ 30,528	5,820	29,846	66,194	294,493
Intergovernmental revenues	29,286	10,430			39,716	81,825
Other		-	1,000		1,000	15,134
TOTAL REVENUES	136,096	40,958	34,964	607,885	819,903	1,052,912
EXPENDITURES						
Public safety					-	-
Recreation				351,080	351,080	922,687
Transportation	186,740	59,269			246,009	81,987
Capital outlay					-	22,410
Economic Development			41,393		41,393	271,923
Debt principal payments		20,271			20,271	21,788
Debt interest payments		247			247	782
TOTAL EXPENDITURES	186,740	79,787	41,393	351,080	659,000	1,321,577
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(50,644)	(38,829)	(6,429)	256,805	160,903	(268,665)
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	38,776	12,000		(72,856)	(22,080)	322,818
Total Other Financing Sources (Uses)	38,776	12,000	-	(72,856)	(22,080)	322,818
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(11,868)	(26,829)	(6,429)	183,949	138,823	54,153
FUND BALANCE, Beginning	49,097	(53,079)	(33,719)	336,966	299,265	291,352
FUND BALANCE, Ending	\$ 37,229	\$ (79,908)	\$ (40,148)	\$ 520,915	\$ 438,088	\$ 345,505

For the year ended June 30, 2013, the following funds were combined with the General Fund: CDBG, and Court training.