

CITY OF LEBANON, MISSOURI

FINANCIAL STATEMENTS

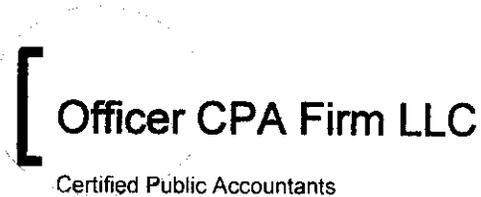
FOR THE YEAR ENDED
JUNE 30, 2015

CITY OF LEBANON, MISSOURI
 Audit Report
 June 30, 2015

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Independent Auditor's Report

Honorable Mayor and City Council
City of Lebanon
Lebanon, Missouri

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Missouri, as of and for the year ended June 30, 2015, 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Missouri, as of June 30, 2015, and the respective changes in the modified cash basis financial position in conformity with the modified cash 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 are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basis financial statement.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The management's discussion and analysis and budgetary comparisons have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

We have previously audited the City of Lebanon, Missouri's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated October 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the City of Lebanon, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lebanon, Missouri's internal control over financial reporting and compliance.

Officer CPA Firm LLC

Springfield, Missouri
December 11, 2015

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, 2015. 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

In the 2015 Fiscal Year the City saw an increase in economic development activity, including expansions in several manufacturing facilities as well as churches and schools. There are several commercial and retail developments under construction that are anticipated to increase tax revenues in the coming year. In addition, the City saw an increase in the construction of custom homes and multi-family developments compared to recent previous years.

The wholesale rate for the purchase of power continued to increase during the fiscal year. In response, Council adopted Ordinance 5362, requiring annual consideration of a rate increase of not less than one percent (1%) and bi-annual review of the charges for services against the operational expenses to ensure no operational deficit is present. This will address concerns that the retail rate to customers is not keeping pace with the cost of buying power.

During the 2015 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 2015 Fiscal Year was \$4,263,404. Major capital asset investments occurring in the 2015 fiscal year included the following:

Phase One improvements to Nelson Park were completed and enhancements were made to both Boswell Tennis Courts and Atchley Park, totaling \$421,605 from the Park Fund (79).

The City made investments in the Civic Center including, the pool renovation, HVAC Replacement, Operable Walls and Basketball Goals from the Capital Fund (22) totaling \$1,232,781.

Renovation of two water towers, Utah and Reeves, were completed this year for a total of \$732,850 from the Water Fund (87).

The airport runway sealing overlay project was finished for a total cost of \$359,587 from Airport (73).

Rolling stock replacement was intermittent in the 2015 Fiscal Year. Fleet upgrades were made out of various funds totaling \$112,453. This included a one-ton truck from Street (08) at a cost of \$38,797, a service bed for a one-ton truck at a cost of \$45,271, and camera equipment for a CCTV Van at a cost of \$28,385, both from Wastewater (85). Three (3) Police patrol vehicles were replaced and fully equipped using proceeds from the Capital Improvement Fund (22) for \$106,167.

Investments in specialized equipment and machinery were made to help assist staff in the field and better serve patrons were made from various funds totaling \$41,333. Other purchases include a mower, trailer, playground equipment, field paint sprayer and pool equipment for \$37,753 for Parks (79),

equipment for managing the City's sewer network for \$59,476 from the Sewer Fund (85) and equipment for \$40,779 from the Water Fund (87).

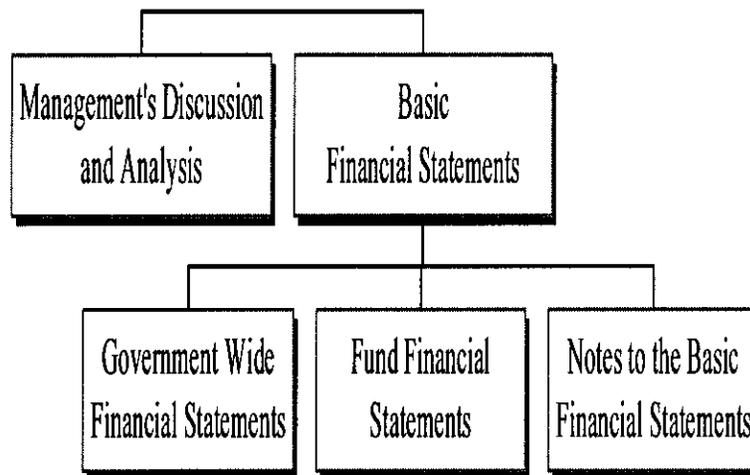
Investments were made in the City's street network. Completed street projects include the reconstruction of Brice Street and overlay of Commercial Street. The total invested during this fiscal year was \$273,324. Grant related projects include Washington Avenue, Beck Lane, Sidewalk Expansion, Downtown ADA Ramps, and Signalization Improvements. The City's portion of these grant funded projects this fiscal year was \$412,878.

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 enterprise 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, property tax, 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 for the management of goods or services provided by one department or fund to another department or fund 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 Finance Department, 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. During Fiscal Year 2015 the City of Lebanon continued to capitalize qualified purchases and projects.

NET POSITION

The following table reflects the condensed Statement of Net Position as of June 30, 2015

City of Lebanon				
Statement of Net Position				
	Governmental	Business-type	June 30, 2015	June 30, 2014
	Activities	Activities	Totals	Totals
<u>ASSETS</u>				
Current and other assets	\$7,053,511	\$13,041,286	\$20,094,797	\$16,464,378
Restricted assets	\$1	\$259,006	\$259,007	\$760,007
Due from other funds		\$4,731,285	\$4,731,285	\$6,634,822
Capital assets	\$4,999,031	\$4,792,540	\$9,791,571	\$6,270,993
Equity interest in Joint venture		\$550,000	\$550,000	\$550,000
Customer Service Territory net of Amortization		\$779,167	\$779,167	\$800,417
Total assets	\$12,052,543	\$24,153,284	\$36,205,827	\$31,480,617
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension	\$558,619	\$200,827	\$759,446	
Unamortized deferred loss on refunding	\$17,406	\$-	\$17,406	\$24,785
Total Outflows of Resources	\$576,025	\$200,827	\$776,852	\$24,785
<u>LIABILITIES</u>				
Current liabilities	\$586	\$89,705	\$90,291	\$98,986
Short-term debt	\$1,135,000	\$325,000	\$1,460,000	\$1,445,000
Customer Deposits	\$-	\$818,070	\$818,070	\$798,335
Due to other funds	\$66,659	\$4,664,626	\$4,731,285	\$6,634,823
Long-term debt	\$1,875,000	\$3,430,000	\$5,305,000	\$6,765,000
Net pension liability	\$543,048	\$410,138	\$953,186	\$-
Total liabilities	\$3,620,293	\$9,737,539	\$13,357,832	\$15,742,144
<u>DEFERRED INFLOW OF RESOURCES</u>				
Pension	\$282,969	\$142,689	\$425,658	\$-
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$1,989,031	\$1,037,540	\$3,026,571	\$(1,939,007)
Unrestricted	\$2,042,892	\$13,436,343	\$15,479,235	\$14,334,761
Restricted	\$4,693,383	\$-	\$4,693,383	\$3,367,504
Total net position	\$8,725,306	\$14,473,883	\$23,199,189	\$15,763,258

The City's combined net position, totaled \$23,199,189, an increase of \$7,435,931. Net position of the City's governmental activities was \$8,725,306 an increase of \$5,580,472 over FY 2014 and the business-type activities was \$14,473,883 an increase of \$1,855,459 over FY 2014. The unrestricted net position was \$2,042,892 an increase of \$585,585 over FY 2014 for governmental activities. All of the net position is unrestricted for business-type activities.

The following table reflects the condensed schedule of changes in net position as of June 30, 2015

**City of Lebanon
Statement of Changes in Net Position**

	Governmental Activities	Business-type Activities	June 30, 2015 Totals	June 30, 2014 Totals
REVENUES				
Program revenue:				
Charges for services	\$947,061	\$29,580,695	\$30,527,756	\$30,091,241
Operating grants & contributions	\$33,116	\$-	\$33,116	\$35,665
Capital grants & contributions	\$349,472	\$-	\$349,472	\$47,210
General revenue:				
Real Estate Taxes	\$1,146,685	\$-	\$1,146,685	\$1,128,598
Sales Tax	\$6,816,130	\$-	\$6,816,130	\$6,385,422
Franchise Tax	\$871,198	\$-	\$871,198	\$639,399
Other Taxes	\$622,858	\$-	\$622,858	\$599,330
PILOT	\$1,232,331	\$-	\$1,232,331	\$1,207,439
Interest and Investment Earnings	\$8,640	\$326,165	\$334,805	\$418,148
Miscellaneous	\$90,472	\$1,070,813	\$1,161,285	\$142,469
Transfers in (out)	\$60,000	\$(60,000)	\$-	\$-
Sale of property and equipment	\$1,999,588	\$-	\$1,999,588	\$-
Total Revenues	\$14,177,551	\$30,917,673	\$45,095,224	\$40,694,921
EXPENSES				
Administration	\$1,616,146	\$-	\$1,616,146	\$1,834,983
Public Safety	\$3,729,685	\$-	\$3,729,685	\$3,970,988
Recreation	\$1,275,207	\$-	\$1,275,207	\$730,134
Transportation	\$1,601,272	\$-	\$1,601,272	\$1,324,804
Capital outlay	\$17,257	\$-	\$17,257	\$61,342
Economic Development	\$49,364	\$-	\$49,364	\$68,625
Interest on Long Term Debt	\$43,208	\$-	\$43,208	\$394,810
Electric	\$-	\$24,953,676	\$24,953,676	\$24,974,503
Fiber Operations	\$-	\$194,381	\$194,381	\$76,118
Water	\$-	\$1,400,042	\$1,400,042	\$1,187,977
Sewer	\$-	\$1,720,369	\$1,720,369	\$1,513,897
Economic Development	\$-	\$428,143	\$428,143	\$623,050
Total Expenses	\$8,332,139	\$28,696,611	\$37,028,750	\$36,761,231
INCREASE (DECREASE) IN NET POSITION	\$5,845,412	\$2,221,062	\$8,066,474	\$3,933,690
NET POSITION, beginning of year	\$3,144,834	\$12,618,424	\$15,763,258	\$11,829,568
Restatement	(\$264,940)	(\$365,603)	(\$630,543)	\$-
NET POSITION, beginning of year restated	\$2,879,894	\$12,252,821	\$15,132,715	\$11,829,568
NET POSITION, end of year	\$8,725,306	\$14,473,883	\$23,199,189	\$15,763,258

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	\$1,616,146	\$(1,308,658)
Public Safety	\$3,729,685	\$(3,494,711)
Recreation	\$1,275,207	\$(1,192,942)
Transportation	\$1,601,272	\$(935,357)
Capital outlay	\$17,257	\$(17,257)
Economic Development	\$49,364	\$(10,357)
Interest on Long Term Debt	\$43,208	\$(43,208)
TOTAL	\$8,332,139	\$(7,002,490)

For comparison in FY ending June, 2014, Total Cost of Services was \$8,385,686 and Net Cost of Services was \$(7,330,402).

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 \$1,904,199, an increase of \$765,689 over the beginning balance of \$1,138,510. This fund balance is twenty-eight percent of total fund revenues.

General Fund Budget Highlights

- Total budgeted revenue was \$6,416,950 and actual revenue was \$6,770,129 a difference of \$353,179
- Actual expenditures were under the budgeted amount by \$585,774.
- Excess of actual revenues over actual expenditures was \$766,275

Street 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 Street Fund was \$1,220,270, an increase of \$651,901 over the beginning balance of \$568,369. The increase in the balance will be used during Fiscal Year 2016 for projects currently under way. This fund balance represents fifty-one percent of Fiscal Year 2015 total revenue. This balance will be used for reserves and committed projects.

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. Police Patrol Cars and Equipment, Fire Equipment, and Civic 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 \$972,816, a decrease of \$1,294,661 over the beginning balance of \$2,267,477. The unrestricted Capital Improvement Fund balance at year-end was \$972,815. This fund has no requirement to have an operational reserve.

Parks and Recreation Fund The Parks Fund was established to maintain the park system that covers over 100 acres. This fund was a part of the other governmental funds last year. Due to the sale of the Nelson Education Center Building, Parks became a Major Fund. At the close of the current fiscal year, the City of Lebanon Parks and Recreation Fund reported an ending fund balance of \$2,485,289, an increase of \$1,934,418 over the beginning balance of \$550,871. This fund balance represents ninety-four percent of the Fiscal Year 2015 total revenue.

Other Governmental Funds The Lodging Tax (Tourism), Airport, and Downtown Business District, 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 \$(19,213) and an ending fund balance of \$15,008, an increase of \$34,221. An individual breakdown of the funds balances beginning and ending balances are listed below.

Fund	Fund Balance	
	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Airport	\$(68,792)	\$(103,823)
Special Revenue Funds		
Downtown Business District	\$16,015	\$33,036
Lodging Tax	\$33,564	\$85,795

Proprietary Funds

Electric Fund This 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 these funds. At the end of the fiscal year, the total net position of the Electric Fund (80) was \$14,132,413 a decrease over the restated net position of \$15,542,353. The operating unrestricted cash is \$8,500,159 this is an increase of \$512,090 from the operating unrestricted cash of \$7,988,069. The Due from Other Funds (accounts receivable) is \$4,731,285. The operating income for Fiscal Year 2015 for the Electric Fund was \$(1,541,968).

Fiber Fund The total net position of the Fiber Fund (83) were \$421,870 a decrease of \$(102,433) over a beginning net position of \$524,303.

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 position of the Water Fund was \$3,462,504 an increase of \$458,198 over the restated net position of \$3,004,306. The unrestricted assets balance in the operating fund at year-end was \$2,112,617. The other assets which make up the total assets are Meter Deposits \$816,513; Restricted Investments \$26,996; and Customer service territory (PWSD #3) \$779,167 and Capital Assets \$1,026,806.

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 \$(1,145,799), an increase of \$730,769 over the restated beginning balance of \$(1,876,568). 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 fund balance. The Total Liabilities are \$3,489,589 and the total restricted and non-restricted assets are \$1,363,333 of that \$1,131,323 are unrestricted assets.

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 2015, the Total Assets of the Economic Development Fund were \$2,269,078 these assets consist of 1) \$146,846 in cash and cash equivalents; and 2) \$2,182,035 in booked capitalized assets. The negative total net position 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 position ending balance is \$(2,395,548), an increase of \$2,544,468 over the beginning balance of \$(4,940,016). The Due to Other Funds balance is \$4,664,626.

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 position of this fund ending Fiscal Year 2015 is \$99,614 an increase of \$105,391 over the restated net position of (\$5,777).

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 cash fund balance; however, assets assigned to this fund will typically show a positive net position. Due to changes with pension reporting the net position shows a negative balance of (\$42,128). The operating expenditures in Fiscal Year 2015 were \$740,672

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 \$258,360 and an ending fund balance of \$345,296 an increase of \$86,936. 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 \$2,425,000 the fund balance should be around \$606,250. The current fund balance of approximately fourteen percent represents an improvement over last year's balance of ten percent, and a step closer to our goal of twenty-five percent.

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 purchase 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

For Fiscal Year June 30, 2015, the City of Lebanon booked \$5,588,335 in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, and electric, water and sewer facilities. The City of Lebanon moved \$2,046,011 out of Construction in Progress, which includes the Detroit Tool Metal Products expansion, as well as water and sewer projects. These are now completed projects that are being depreciated.

City of Lebanon Capital Assets Fiscal Year 2015

	Governmental Activities			Business-type Activities			Total Activities		
	Beginning	Ending	Percent Change	Beginning	Ending	Percent Change	Beginning	Ending	Percent Change
Building	\$469,574	\$1,500,377	220%	\$386,799	\$2,922,102	655%	\$856,373	\$4,422,479	416%
Land	\$125,793	\$814,786	548%	\$19,473	\$19,473	0%	\$145,266	\$834,259	474%
Machine & Equipment	\$214,210	\$287,208	34%	\$459,644	\$550,892	20%	\$673,854	\$838,100	24%
Furniture	\$14,117	\$15,980	13%	\$-	\$-	-%	\$14,117	\$15,980	13%
Vehicle	\$400,330	\$541,232	35%	\$328,317	\$401,973	22%	\$728,647	\$943,205	29%
Infrastructure	\$982,132	\$1,434,844	46%	\$446,218	\$739,110	66%	\$1,428,350	\$2,173,954	52%
Construction in Progress	<u>\$439,110</u>	<u>\$841,033</u>	92%	<u>\$2,236,289</u>	<u>\$451,632</u>	-80%	<u>\$2,675,399</u>	<u>\$1,292,665</u>	-152%
Less Accumulated Depreciation	<u>\$190,243</u>	<u>\$436,429</u>	129%	<u>\$60,770</u>	<u>\$292,641</u>	382%	<u>\$251,013</u>	<u>\$729,070</u>	190%
Total	<u>\$2,455,023</u>	<u>\$4,999,031</u>	104%	<u>\$3,815,970</u>	<u>\$4,792,541</u>	26%	<u>\$6,270,993</u>	<u>\$9,791,572</u>	56%

The City's fiscal year 2016 capital budget calls for spending another \$8.6 million for capital projects. The City has no plans to issue additional debt to finance these projects.

Debt Administration

At the end of the current fiscal year, the City of Lebanon had \$6,765,000 in outstanding debt consisting of revenue bonds, capital leases, notes payable and Certificates of Participation, (COP) 2010, 2014. All of the debt was secured by specific revenue sources. The City of Lebanon has due within one year a total of \$1,460,000 of outstanding obligations.

City of Lebanon Outstanding Debt---June 30, 2015

Governmental Activities	
Certificates of Participation – Series 2014	\$3,010,000
Total Governmental Activities	\$3,010,000
Business-type Activities	
Certificates of Participation – Series 2010A	\$660,000
Certificates of Participation – Series 2010B	\$3,095,000
Total Business-type Activities	\$3,755,000
TOTAL INDEBTEDNESS	\$6,765,000

City of Lebanon Inter-fund Loans---June 30, 2015

<u>Economic Development Activities</u>			
Project	Amount	Due	Payable Fund
Copeland	\$860,971	2016	Electric
DTMP Phase I	\$2,988,460	2025	Electric
DTMP Phase II	\$815,195	2028	Electric
Total Inter-fund loans outstanding for Economic Activities			\$4,664,626
<u>Governmental Activities</u>			
Airport Hangers	\$66,659	2020	Electric
Total Inter-fund loans outstanding for Governmental Activities			\$66,659

Economic Factors and next Year’s Budget and Rates

The City of Lebanon’s priorities continue to focus on 1) planning for the future, 2) investment in public safety and infrastructure, 3) working on economic development activity and 4) internal operations and fiscal oversight. In the Fiscal Year 2016 budget, the City will continue to plan for flat or slightly increasing revenue and will be working towards increasing the fund balances that are under twenty-five percent of operating revenues. As the fund balance has continued to increase the Economic Development fund will not see funding from the PILOT this year. The City will invest most of its Capital fund balance into the Civic Center with additional fund balance proceeds towards Parks, Community Buildings, and Public Safety investments. The FY 2016 budget reflects utility rate changes that would see both an increase in the unit sale and the number of units sold. 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 City will continue to work towards maintaining adequate funding for health insurance to allow for maximum flexibility to offset any increases. The City of Lebanon plans to invest its resources in long term, large scale projects; this investment should allow the City to see savings in operations in future years. The best example of this investment is the City’s planned deployment of smart meters for electric and water utilities.

CITY OF LEBANON, MISSOURI
Government-wide Statement of Net Position - Modified Cash Basis
June 30, 2015 with Comparative Data

	Governmental Activities	Business-Type Activities	Total June 30, 2015	Total June 30, 2014
ASSETS				
Cash and cash equivalents	\$ 7,000,951	\$ 1,131,655	\$ 8,132,606	6,714,363
Short-term Investments		11,909,631	11,909,631	9,728,177
Due from Other Funds		4,731,285	4,731,285	6,634,822
Restricted Assets:				
Investments	1	259,006	259,007	760,007
Capital Assets:				
Building	1,500,377	2,922,101	4,422,478	856,373
Land	814,786	19,473	834,259	145,266
Machine & Equipment	287,208	550,892	838,100	673,854
Furniture	15,980		15,980	14,117
Vehicle	541,232	401,973	943,205	728,647
Infrastructure	1,434,844	739,110	2,173,954	1,428,350
Construction in Progress	841,033	451,632	1,292,665	2,675,399
Accumulated Depreciation	(436,429)	(292,641)	(729,070)	(251,013)
Inventory	52,560		52,560	21,838
Non-current assets:				
Customer service territory, net of amortization		779,167	779,167	800,417
Equity interest in joint venture		550,000	550,000	550,000
TOTAL ASSETS	12,052,543	24,153,284	36,205,827	31,480,617
DEFERRED OUTFLOWS OF RESOURCES				
Pension	558,619	200,827	759,446	
Unamortized deferred loss on refunding	17,406		17,406	24,785
TOTAL OUTFLOWS OF RESOURCES	576,025	200,827	776,852	24,785
LIABILITIES				
Current liabilities				
Accrued expenses	586	89,705	90,291	98,986
Customer deposits		818,070	818,070	798,335
Current portion of long-term debt	1,135,000	325,000	1,460,000	1,445,000
Due to other funds	66,659	4,664,626	4,731,285	6,634,823
Long-term liabilities, net of current portion				
Long-term debt	1,875,000	3,430,000	5,305,000	6,765,000
Net pension liability	543,048	410,138	953,186	
TOTAL LIABILITIES	3,620,293	9,737,539	13,357,832	15,742,144
DEFERRED INFLOW OF RESOURCES				
Pension	282,969	142,689	425,658	
NET POSITION				
Net investment in capital assets	1,989,031	1,037,540	3,026,571	(1,939,007)
Unrestricted	2,042,892	13,436,343	15,479,235	14,334,761
Restricted	4,693,383		4,693,383	3,367,504
TOTAL NET POSITION	\$ 8,725,306	\$ 14,473,883	\$ 23,199,189	\$ 15,763,258

See accompanying notes to financial statements.

CITY OF LEBANON, MISSOURI
Government-wide Statement of Activities - Modified Cash Basis
Year Ended June 30, 2015 with Comparative Data

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Comparative Data June 30, 2014
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Administration	\$ 1,616,146	\$ 307,488			\$ (1,308,658)	\$	\$ (1,330,894)
Public safety	3,729,685	227,109		7,865	(3,494,711)		(3,683,178)
Recreation	1,275,207	82,265			(1,192,942)		(687,062)
Transportation	1,601,272	324,308		341,607	(935,357)		(1,145,774)
Capital outlay	17,257	-			(17,257)		(61,342)
Economic development	49,364	5,891	33,116		(10,357)		(27,342)
Interest on long-term debt	43,208				(43,208)		(394,810)
Total governmental activities	8,332,139	947,061	33,116	349,472	(7,002,490)	-	(7,330,402)
Business-Type activities							
Electric	24,953,676	23,198,334			(1,755,342)		(1,945,789)
Fiber Operations	194,381	91,947			(102,434)		22,824
Water	1,400,042	1,854,947			454,905		636,094
Sewer	1,720,369	2,394,291			673,922		848,321
Economic development	428,143	2,041,176			1,613,033		1,374,785
Total Business-Type activities	28,696,611	29,580,695	-	-	884,084	884,084	936,235
Total primary government	\$ 37,028,750	\$ 30,527,756	\$ 33,116	\$ 349,472	(7,002,490)	884,084	(6,394,167)
General Revenues:							
Taxes					10,689,202		9,767,240
Interest and investment earnings					8,640	326,165	418,148
Transfers in (out)					60,000	(60,000)	-
Sale of property and equipment					1,999,588		1,999,588
Miscellaneous					90,472	1,070,813	142,469
Total General Revenues					12,847,902	1,336,978	10,327,857
Change in Net Position					5,845,412	2,221,062	3,933,690
Net Position at Beginning of Year, previously reported					3,144,834	12,618,424	11,829,568
Restatement					(264,940)	(365,603)	-
Net Position at Beginning of Year, restated					2,879,894	12,252,821	11,829,568
Net Position at End of Year					\$ 8,725,306	\$ 14,473,883	\$ 15,763,258

CITY OF LEBANON, MISSOURI
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2015 with Comparative Data

	General	Capital Improvement	Street	Parks and Recreation	Other Governmental Funds	Total Governmental Funds June 30, 2015	Comparative Data June 30, 2014
ASSETS							
Unrestricted Assets:							
Cash and cash equivalents	\$ 1,904,229	\$ 972,815	\$ 1,220,270	\$ 2,485,289	\$ 41,710	\$ 6,624,313	\$ 4,581,269
Inventory					40,513	40,513	
Total Unrestricted Assets	<u>1,904,229</u>	<u>972,815</u>	<u>1,220,270</u>	<u>2,485,289</u>	<u>82,223</u>	<u>6,664,826</u>	<u>4,581,269</u>
Restricted Assets:							
Investments		1				1	1,273
TOTAL ASSETS	<u>\$ 1,904,229</u>	<u>\$ 972,816</u>	<u>\$ 1,220,270</u>	<u>\$ 2,485,289</u>	<u>\$ 82,223</u>	<u>\$ 6,664,827</u>	<u>\$ 4,582,542</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accrued expenses	\$ 30				\$ 556	586	\$ 702
Due to other funds					66,659	66,659	75,826
TOTAL LIABILITIES	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,215</u>	<u>67,245</u>	<u>76,528</u>
FUND BALANCES:							
Unassigned	1,904,199					1,904,199	1,138,510
Assigned		972,816	1,220,270	2,485,289	15,008	4,693,383	3,367,504
TOTAL FUND BALANCES	<u>1,904,199</u>	<u>972,816</u>	<u>1,220,270</u>	<u>2,485,289</u>	<u>15,008</u>	<u>6,597,582</u>	<u>4,506,014</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,904,229</u>	<u>\$ 972,816</u>	<u>\$ 1,220,270</u>	<u>\$ 2,485,289</u>	<u>\$ 82,223</u>	<u>\$ 6,664,827</u>	<u>\$ 4,582,542</u>

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, 2015 with Comparative Data

	June 30, 2015	June 30, 2014
Total fund balances - governmental funds	\$ 6,597,582	\$ 4,506,014
Amounts reported for <i>governmental activities</i> that the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	4,850,354	2,412,249
Difference between expected and actual experience of the Total Pension Liability (gains) or losses are deferred outflows of resources on the Statement of Net Position	558,619	
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	537,362	336,786
Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this are as follows:		
Bonds Payable	(3,010,000)	(4,135,000)
Deferred outflow-losses on defeased debt	17,406	24,785
Net Pension Liability	(543,048)	
Net difference between projected and actual earnings on pension plan investments are deferred inflows of resources on the Statement of Net Position	(282,969)	
Net position of governmental activities	<u>\$ 8,725,306</u>	<u>\$ 3,144,834</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, 2015 with Comparative Data

	General Fund	Capital Improvement	Street	Parks and Recreation	Other Governmental Funds	Total Governmental Funds June 30, 2015	Comparative Data June 30, 2014
Revenues							
Sales Taxes	\$ 3,409,064	\$1,641,127	\$1,641,578		\$ 124,361	\$ 6,816,130	\$ 6,385,422
Real Estate Taxes	558,886			\$ 558,887	28,912	1,146,685	1,128,598
Franchise Taxes	871,198					871,198	639,399
Pilot Taxes	1,232,331					1,232,331	1,207,439
Other Taxes	62,327		560,531			622,858	599,330
Charges for services	225,588		149,669	82,265	180,530	638,052	456,881
Intergovernmental revenue	7,865				374,723	382,588	82,875
License and permits	81,900					81,900	43,846
Fines and court costs	227,109					227,109	278,737
Investment income	8,640					8,640	20,293
Other	85,221		2,673	1,578	1,000	90,472	142,469
Total Revenues	6,770,129	1,641,127	2,354,451	642,730	709,526	12,117,963	10,985,289
Expenditures							
Administration	1,134,128					1,134,128	1,158,020
Public safety	3,749,239					3,749,239	3,811,889
Recreation	511,181			661,304		1,172,485	1,059,283
Transportation			1,560,037		749,209	2,309,246	1,659,700
Capital outlay		1,765,181				1,765,181	527,983
Economic development	22,760				15,222	37,982	78,776
Debt Service:							
Principal payments		1,125,000				1,125,000	5,765,000
Interest and agent fees		45,609				45,609	465,602
Total Expenditures	5,417,308	2,935,790	1,560,037	661,304	764,431	11,338,870	14,526,253
Excess (Deficit) of Revenues Over Expenditures	1,352,821	(1,294,663)	794,414	(18,574)	(54,905)	779,093	(3,540,964)
Other Financing Sources (Uses)							
Transfers in (out)	(587,132)		(142,513)	(46,596)	89,126	(687,115)	(811,124)
Sale of Property and Equipment				1,999,588		1,999,588	
Debt proceeds		2				2	4,135,000
Total Other Financing Sources (Uses)	(587,132)	2	(142,513)	1,952,992	89,126	1,312,475	3,323,876
Revenues and Other Sources Over (Under) Expenditures and Other Uses	765,689	(1,294,661)	651,901	1,934,418	34,221	2,091,568	(217,088)
Beginning Fund Balance	1,138,510	2,267,477	568,369	550,871	(19,213)	4,506,014	4,723,102
Ending Fund Balance	\$ 1,904,199	\$ 972,816	\$1,220,270	\$2,485,289	\$ 15,008	\$ 6,597,582	\$ 4,506,014

See accompanying notes to financial statements.

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, 2015 with Comparative Data

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Net change in fund balances - total governmental funds	\$ 2,091,568	\$ (217,088)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,438,104	1,336,250
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	205,777	(215,482)
Governmental funds report the payment of the bond and capital lease principal and interest when the current financial resources are available and payments are due, and they report the payment of issuance costs, premiums, discounts, and similar items when debt is first issued. However, on the statement of activities interest is accrued and certain bond-related costs are deferred and amortized. The details of the difference are as follows:		
Net changes of deferred loss	(7,378)	24,785
Principal payments on bonds outstanding	1,125,000	5,765,000
Bond proceeds		(4,135,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense	(7,659)	
Changes in net assets of governmental activities	<u>\$ 5,845,412</u>	<u>\$ 2,558,465</u>

CITY OF LEBANON, MISSOURI
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2015 with Comparative Data

ASSETS	Business-Type Activities - Enterprise Funds						Internal Service Funds	Totals June 30, 2015	Totals June 30, 2014
	Fiber		Meter		Economic Development				
	Electric	Operations	Water	Deposit	Sewer	Totals			
Current assets:									
Cash and cash equivalents	\$ (2,659,557)	\$ 333,829	\$ 1,812,650	\$ 816,513	\$ 681,374	\$ 146,846	\$ 1,131,655	\$ 2,133,094	
Short-term investments	11,159,716		299,966		449,949		11,909,631	9,728,177	
Due from Other Funds	4,731,285						4,731,285	6,634,822	
Inventory							12,047	21,838	
Restricted assets:									
Investments			26,996		232,010		259,006	758,734	
Total current assets	13,231,444	333,829	2,139,612	816,513	1,363,333	146,846	18,031,577	19,276,665	
Capital Assets:									
Building			735,694		23,845	2,162,562	2,922,101	386,799	
Land						19,473	19,473	19,473	
Machine & Equipment	173,263	134,454	109,370		133,805		550,892	469,435	
Vehicle	72,704		22,861		306,408		401,973	360,558	
Infrastructure	409,256		157,430		172,424		739,110	446,218	
Construction in Progress			62,913		388,719		451,632	2,240,295	
Total	655,223	134,454	1,088,268	-	1,025,201	2,182,035	5,085,181	3,922,778	
Less Accumulated Depreciation	(61,216)	(46,413)	(61,462)		(63,747)	(59,803)	(292,641)	(64,034)	
Total capital assets	594,007	88,041	1,026,806	-	961,454	2,122,232	4,792,540	3,858,744	
Noncurrent assets:									
Customer service territory, net of amortization			779,167				779,167	800,417	
Equity interest in joint venture	550,000						550,000	550,000	
Total noncurrent assets	550,000		779,167				1,329,167	1,350,417	
TOTAL ASSETS	14,375,451	421,870	3,945,585	816,513	2,324,787	2,269,078	24,153,284	24,485,826	
DEFERRED OUTFLOW OF RESOURCES									
Pension	87,481		47,704		65,642		200,827	277,610	
LIABILITIES									
Current liabilities:									
Current portion of long term debt	89,705		34,574		290,426		325,000	320,000	
Accrued expenses							89,705	98,284	
Meter deposits payable				818,070			818,070	798,335	
Total current liabilities	89,705		34,574	818,070	290,426		1,232,775	1,216,619	
Noncurrent liabilities:									
Due to other funds						4,664,626	4,664,626	6,558,997	
Long term debt			364,894		3,065,106		3,430,000	3,755,000	
Net pension liability	178,658		97,423		134,057		410,138	566,947	
Total noncurrent liabilities	178,658		462,317		3,199,163	4,664,626	8,504,764	10,313,997	
TOTAL LIABILITIES	268,363		496,891	818,070	3,489,589	4,664,626	9,894,348	11,530,616	
DEFERRED INFLOW OF RESOURCES									
Pension	62,156		33,894		46,639		142,689	197,244	
NET POSITION									
Net Investment in Capital Assets	594,007	88,041	627,338	-	(2,394,078)	2,122,232	1,037,540	1,186,217	
Unrestricted	13,538,406	333,829	2,835,166	(1,557)	1,248,279	(4,517,780)	13,436,343	13,171,466	
TOTAL NET POSITION	\$ 14,132,413	\$ 421,870	\$ 3,462,504	\$ (1,557)	\$ (1,145,799)	\$ (2,395,548)	\$ 14,473,883	\$ 12,955,210	

See accompanying notes to the financial statements.

CITY OF LEBANON, MISSOURI
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
Year Ended June 30, 2015 with Comparative Data

	Business -Type Activities - Enterprise Funds							Internal Service Funds	Totals June 30, 2015	Totals June 30, 2014
	Fiber			Meter		Economic				
	Electric	Operations	Water	Deposit	Sewer	Development	Totals			
Operating revenues										
Charges for services	\$ 23,198,334	\$ 91,947	\$ 1,854,946		\$ 2,394,291	\$ 1,620,471	\$ 29,159,989	\$ 2,621,590	\$ 31,781,579	\$ 31,633,164
Miscellaneous	21,836		1,568		55,974	991,435	1,070,813	-	1,070,813	171,295
Total operating revenues	23,220,170	91,947	1,856,514	-	2,450,265	2,611,906	30,230,802	2,621,590	32,852,392	31,804,459
Operating expenses:										
Personnel costs	1,042,360		344,524		792,338		2,179,222	2,423,460	4,602,682	5,231,374
Operation and maintenance	23,719,778	33,365	938,896		578,659		25,270,698	1,051,591	26,322,289	25,947,767
Economic development						413,440	413,440		413,440	496,475
Total operating expenses	24,762,138	33,365	1,283,420	-	1,370,997	413,440	27,863,360	3,475,051	31,338,411	31,675,616
Operating income (loss)	(1,541,968)	58,582	573,094	-	1,079,268	2,198,466	2,367,442	(853,461)	1,513,981	128,843
Non-Operating revenues (expenses)										
Interest income	45,565		1,726		873		48,164		48,164	41,320
Interest income from internal loans	278,001						278,001		278,001	356,535
Intergovernmental revenue						420,705	420,705		420,705	-
Capital outlay	(109,647)	(122,986)	(14,350)		(87,459)		(334,442)		(334,442)	14,927
Debt service:										
Interest and agent fees	-	-	(19,865)		(166,820)		(186,685)		(186,685)	(193,005)
Total non-operating revenues (expenses)	213,919	(122,986)	(32,489)	-	(253,406)	420,705	225,743	-	225,743	219,777
Income (loss) before transfers	(1,328,049)	(64,404)	540,605	-	825,862	2,619,171	2,593,185	(853,461)	1,739,724	348,620
Operating transfers in (out)	(81,891)	(38,029)	(82,407)		(95,093)	(74,703)	(372,123)	1,059,238	687,115	811,123
Change in net position	(1,409,940)	(102,433)	458,198	-	730,769	2,544,468	2,221,062	205,777	2,426,839	1,159,743
Net position at the beginning of year	15,701,611	524,303	3,091,150	(1,557)	(1,757,067)	(4,940,016)	12,618,424	336,786	12,955,210	11,795,467
Restatement	(159,258)		(86,844)		(119,501)		(365,603)	(139,781)	(505,384)	
Net position at the beginning of year, restated	15,542,353	524,303	3,004,306	(1,557)	(1,876,568)	(4,940,016)	12,252,821	197,005	12,449,826	11,795,467
Net position at end of year	\$ 14,132,413	\$ 421,870	\$ 3,462,504	\$ (1,557)	\$ (1,145,799)	\$ (2,395,548)	\$ 14,473,883	\$ 402,782	\$ 14,876,665	\$ 12,955,210

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

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 City Council 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

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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, 2015

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 three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) 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, 2015

Parks and Recreation – This fund accounts for financial resources restricted for the parks operations and maintenance and the Boswell Aquatic Center.

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

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
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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.

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. Intangibles are capitalized and amortized.

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" and "short-term investments" 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. Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. Under GASB No. 34, small cities have the option to capitalize infrastructure purchased in previous years. The City of Lebanon has chosen not to capitalize existing infrastructure before July 1, 2012, but will capitalize any future infrastructure that it acquires. No long-term capital assets or depreciation are shown in the government funds financial statements.

Capital assets, including public domain infrastructure (e.g. roads, bridges, sidewalks and other assets

CITY OF LEBANON, MISSOURI
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that are immovable and of value only to the City) are defined as assets with an individual cost of more than \$1,000 and an estimated useful life greater than one year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements:	5-40 years
Machine & Equipment:	3-20 years
Furniture:	5-40 years
Vehicle:	3-10 years
Infrastructure:	5-40 years
Land Improvements:	20 years

F. Inventory

Internal Service Fund and Airport inventory consists of fuel and supplies. All inventory is accounted at lower of cost or market using the first-in, first-out method (FIFO).

G. 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.

H. 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.

I. 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.

J. 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

CITY OF LEBANON, MISSOURI
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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.

K. Net Position

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 three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position is placed with constraints on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted.

Generally, the city would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. 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.

M. 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 City Council - the government's

CITY OF LEBANON, MISSOURI
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highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council 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 City Council has 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.

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

As a result of implementing GASB Statement No. 68, the City of Lebanon has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of June 30, 2015 by \$630,543. The decrease was due to recording the Net Pension Liability.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2015, the required deposits had been met.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

Governmental Fund Types

The cash and fund balance have been restricted as follows:

	Restricted Cash
Capital Projects Fund	
Debt Reserve Funds	\$ 1
	\$ 1

Enterprise Fund Types

The cash and net assets have been restricted as follows:

	Restricted Investments
Sewer project funds	\$ 2,351
Sewer debt reserve funds	229,659
Subtotal	232,010
Water project funds	(345)
Water debt reserve funds	27,341
Subtotal	26,996
Total	\$ 259,006

3. Cash, Equivalents and Investments

The City Council 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, 2015

Deposits

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

	June 30, 2015	
	Carrying Amounts	Bank Balance
Petty cash accounts	\$ 3,085	\$ -
U.S. Government Agency securities	7,499,157	7,499,157
Checking & money mkt accounts	12,539,997	12,664,531
Total	\$ 20,042,239	\$ 20,163,688
Held in Trust:		
U.S. Government Agency securities and bonds	259,007	259,007
Total Held in Trust	\$ 259,007	\$ 259,007
Grand Total	\$ 20,301,246	\$ 20,422,695

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, 2015, \$12,664,531 was covered by federal depositary insurance or by collateral securities held by the Custodial bank's safekeeping agent in the City's name. The remaining \$7,758,164 was invested in U.S. Government securities.

To protect the safety of the City deposits, Section 110.020, RSMo 1986, requires depositaries 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 depositary 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 depositaries. The City does have formal depositary 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, 2015

4. Capital Assets

Capital asset activities for the year ended June 30, 2015, were as follows:

	Balance 7/1/2014	Additions	Retirements	Balance 6/30/2015
Governmental activities:				
Building	\$ 469,574	1,030,803		\$ 1,500,377
Land and Improvements	125,793	688,993		814,786
Machine & Equipment	214,210	72,998		287,208
Furniture	14,117	1,863		15,980
Vehicle	400,330	173,519	(32,617)	541,232
Infrastructure	982,132	452,712		1,434,844
Construction in Progress	439,110	401,923		841,033
Total	\$ 2,645,266	\$ 2,822,811	\$ (32,617)	\$ 5,435,460
Less accumulated depreciation for:				
Building	\$ 8,805	10,299		\$ 19,104
Land and Improvements	1,467	39,024		40,491
Machine & Equipment	43,325	45,879		89,204
Furniture	1,836	2,479		4,315
Vehicle	117,828	83,874	(10,872)	190,830
Infrastructure	16,982	75,503		92,485
Total	190,243	257,058	(10,872)	436,429
Net capital assets	\$ 2,455,023	\$ 2,565,753	\$ (21,745)	\$ 4,999,031
Business-type activities:				
Capital assets being depreciated:				
Building	\$ 386,799	2,535,303		\$ 2,922,102
Land and Improvements	19,473	-		19,473
Machine & Equipment	459,644	91,248		550,892
Vehicle	328,317	73,656		401,973
Infrastructure	446,218	292,892		739,110
Construction in Progress	2,236,289	261,354	(2,046,011)	451,632
Total	3,876,740	3,254,453	(2,046,011)	5,085,182
Less accumulated depreciation	60,770	231,871		292,641
Net capital asset	\$ 3,815,970	\$ 3,022,582	\$ (2,046,011)	\$ 4,792,541

5. Customer Service Territory

In 2008, the City was in a lawsuit over boundary issues of its service territory. In 2012 the lawsuit was settled and the City agreed to purchase the service territory plus future rights for specific undeveloped land for \$850,000. This customer service territory is being amortized over 40 years, which is equal to the terms of the agreement.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

6. Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended June 30, 2015:

	Long-term obligations at July 1, 2014	Additions	Deletions	Long-term obligations at June 30, 2015	Due within one year
Governmental Activities					
Bonds and notes payable:					
2014 Refunding certificates of participation	\$ 4,135,000		1,125,000	\$ 3,010,000	\$ 1,135,000
Governmental activities long-term liabilities	<u>\$ 4,135,000</u>	<u>\$ -</u>	<u>1,125,000</u>	<u>\$ 3,010,000</u>	<u>\$ 1,135,000</u>
Business-type Activities					
Bonds and notes payable:					
2010A Water/Sewer Certificates of participation	980,000		320,000	660,000	325,000
2010B Water/Sewer Certificates of participation	3,095,000			3,095,000	-
Business-type activities long-term liabilities	<u>\$ 4,075,000</u>	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ 3,755,000</u>	<u>\$ 325,000</u>

Governmental Activities

A. 2008 and 2014 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 for the 2014 Refunding Certificates of Participation range from .600% to 1.450%. 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:

The annual debt service requirements for the Governmental Activities are:

Year Ending June 30,	Principal	Interest	Total
2016	1,135,000	32,530	1,167,530
2017	1,150,000	23,450	1,173,450
2018	725,000	10,513	735,513
	<u>\$ 3,010,000</u>	<u>\$ 66,493</u>	<u>\$ 3,076,493</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

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

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
2016	325,000	177,755
2017	335,000	169,305
2018	345,000	159,925
2019	355,000	144,400
2020	365,000	127,538
2021-2025	2,030,000	340,474
Total	<u>\$3,755,000</u>	<u>\$1,119,397</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.

7. Advanced Debt Refunding

During the year ended June 30, 2014, the City of Lebanon, Missouri Refunding Certificates of Participation, Series 2014 were issued on March 25, 2014 in the amount of \$4,135,000 to refund the City of Lebanon Certificates of Participation, Series 2008 originally issued in the aggregate principal amount of \$8,965,000. The new bonds bear interest from .600% to 1.450% and are due in annual installments ranging from \$725,000 to \$1,125,000 through May 1, 2018. The amount of bonds defeased is \$4,880,000 and the required cash to service these bonds is \$4,909,516. This resulted in an economic loss of \$29,516 which is being amortized over the remaining term.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
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8. 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, 2015, \$345,296 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.

9. Pension Plans

A. Plan Description

The City of Lebanon, Missouri defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

B. Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

	<u>2/28/2015</u>
	<u>Valuation</u>
Benefit Multiplier:	1.50% for life
Final Average Salary:	5 Years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

	<u>Plan</u>
Retirees and beneficiaries currently receiving benefits	99
Terminated employees entitled to benefits but not yet receiving them	52
Active Employees	<u>145</u>
Total	<u><u>296</u></u>

C. Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. Employer contribution rates are 13.7% General, 13.7% Police, and 10.5% Fire of annual covered payroll.

D. Net Pension Liability

The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015. The roll-forward of total pension liability from February 28, 2015 to June 30, 2015 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

E. Actuarial Assumptions

The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 %
Salary Increase	3.50% including inflation
Investment rate of return	7.25%

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

F. Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

G. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/2014	\$ 18,547,513	\$ 17,916,970	\$ 630,543
Changes for the year:			
Service Cost	487,493		487,493
Interest	1,334,980		1,334,980
Difference between expected and actual experience	(514,580)		(514,580)
Employer Contributions		700,379	(700,379)
Net Investment Income		345,385	(345,385)
Benefit payments, including refunds	(760,255)	(760,255)	-
Administrative expense		(26,283)	26,283
Other (Net Transfer)		(34,231)	34,231
Net Changes	547,638	224,995	322,643
Balances at 6/30/2015	\$ 19,095,151	\$ 18,141,965	\$ 953,186

H. Sensitivity of the net pension liability to changes in the discount rate
The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	Current Single Discount Rate		
	1% Decrease 6.25%	Assumption 7.25%	1% Increase 8.25%
	Total Pension Liability (TPL)	\$ 21,825,245	\$ 19,095,151
Plan Fiduciary Net Position	18,141,965	18,141,965	18,141,965
Net Pension Liability/(Asset) (NPL)	\$ 3,683,280	\$ 953,186	\$ (1,316,817)

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015 the employer recognized pension expense of \$689,234. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows of Resources
Differences in experience		\$ (425,658)	\$ (425,658)
Excess (deficit) investment returns	\$ 759,446		759,446
Total	<u>\$ 759,446</u>	<u>\$ (425,658)</u>	<u>\$ 333,788</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2,016	\$ 100,940
2,017	100,940
2,018	100,940
2,019	100,938
2,020	(69,769)
Thereafter	(201)
Total	<u>\$ 333,788</u>

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions
Last 10 Fiscal Years

Fiscal Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2006	321,432	328,041	(6,609)	4,844,239	6.77%
2007	331,372	479,720	(148,348)	5,070,016	9.46%
2008	311,304	610,765	(299,461)	5,177,953	11.80%
2009	601,141	599,010	2,131	5,118,356	11.70%
2010	563,425	575,826	(12,402)	5,120,023	11.25%
2011	739,510	630,545	108,965	5,379,195	11.72%
2012	740,699	719,627	21,072	5,512,325	13.05%
2013	756,869	734,691	22,179	5,441,024	13.50%
2014	741,081	734,473	6,608	5,511,006	13.33%
2015	703,690	700,391	3,299	5,384,456	13.01%

Schedule of Funding Progress

	(a)	(b)	(b-a) Unfunded	(a/b)	(c)	[(b-a)/c] UAL as a Percentage of Covered
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll	
2/28/2010	5,201,741	8,803,662	3,601,921	59.1%	5,068,313	71%
2/28/2011	5,761,622	9,711,277	3,949,655	59.3%	5,395,231	73%
2/29/2012	6,197,641	9,945,979	3,748,338	62.3%	5,541,802	68%
2/28/2013	6,950,965	10,350,624	3,399,659	67.2%	5,368,725	63%
2/28/2014	7,220,047	10,492,705	3,272,658	68.8%	5,554,006	59%
2/28/2015	8,136,866	10,577,230	2,440,364	76.9%	5,405,930	45%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

Schedule of Changes in Net Pension Liability and Related Ratios

<i>Fiscal year ending June 30,</i>	2015
Total Pension Liability	
Service Cost	\$ 487,493
Interest on the Total Pension Liability	1,334,980
Benefit Changes	-
Difference between expected and actual experience	(514,580)
Assumption Changes	-
Benefit Payments	(760,255)
Refunds	-
Net Change in Total Pension Liability	547,638
Total Pension Liability beginning	18,547,513
Total Pension Liability ending	\$ 19,095,151
 Plan Fiduciary Net Position	
Contributions-employer	\$ 700,379
Contributions-employee	-
Pension Plan Net Investment income	345,385
Benefit Payments	(760,255)
Refunds	-
Pension Plan Administrative expense	(26,283)
Other	(34,231)
Net Change in Plan Fiduciary Net Position	224,995
Plan Fiduciary Net Position beginning	17,916,970
Plan Fiduciary Net Position ending	\$ 18,141,965
 Employer Net Pension Liability	\$ 953,186
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	95.01%
 Covered Employee Payroll	\$ 4,405,930
Employer's Net Pension Liability as a percentage of covered employee payroll	21.63%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

Notes to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	February 28, 2015
Measurement date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	Multiple bases from 14 to 21 years
Asset Valuation method	5-Year smoothed market; 20% corridor
Investment rate of return	7.25%, net of investment and administrative expenses
Projected salary increase	3.50% to 6.8% including wage inflation
Inflation	3.5% wage inflation; 3.0% price inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.
Changes in benefit terms	None

10. 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 Council 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, 2015 were approximately \$2,130,493.

11. Deficit Fund Balance

Airport and Economic Development Funds

At June 30, 2015, the Airport and Economic Development Funds experienced a deficit fund balance of (\$103,823) and (\$2,395,548) due to capital improvements and inter-fund loans.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

Sewer Fund

The Sewer Fund had a deficit retained earnings of (\$1,030,745) resulting from capital improvements to the system and the City expensing capital improvements rather than posting as an asset and calculating depreciation previous to the year ended June 30, 2013.

Meter Deposit Fund

The Meter Deposit Fund has a deficit retained earnings of (\$1,557) resulting from not maintaining a cash balance as large as the meter deposits payable.

12. Interfund Loans

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Project</u>	<u>Due</u>
Electric	Economic Development	\$ 860,971	Copeland Building	2016
Electric	Airport	66,659	Hangers	2020
Electric	Economic Development	2,988,460	Detroit Tool Building	2025
Electric	Economic Development	815,195	Detroit Tool Building	2028
		<u>\$ 4,731,285</u>		

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

13. 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.

CITY OF LEBANON, MISSOURI
Notes to the Financial Statements
June 30, 2015

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, 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.

OTHER INFORMATION

CITY OF LEBANON, MISSOURI
 Budgetary Comparison Schedule - General Fund-Modified Cash Basis
 Year Ended June 30, 2015

	Original Budget	Budget as Amended	Actual	Variance from amended Positive (Negative)
Resources (inflows):				
Sales Taxes	\$ 3,190,000	\$ 3,190,000	\$ 3,409,064	\$ 219,064
Real Estate Taxes	555,000	555,000	558,886	3,886
Franchise Taxes	601,000	601,000	871,198	270,198
Pilot Taxes	1,327,650	1,327,650	1,232,331	(95,319)
Other Taxes	61,400	61,400	62,327	927
Charge for services	263,700	263,700	225,588	(38,112)
Intergovernmental revenue	26,000	26,000	7,865	(18,135)
License and permits	39,600	39,600	81,900	42,300
Fines and forfeitures	260,000	260,000	227,109	(32,891)
Interest income	15,000	15,000	8,640	(6,360)
Miscellaneous income	77,600	77,600	85,221	7,621
Total Resources (inflows)	6,416,950	6,416,950	6,770,129	353,179
Charges to appropriations (outflows):				
Public safety	4,069,154	4,093,979	3,749,239	344,740
Administration	1,340,965	1,290,170	1,134,128	156,042
Recreation	564,515	588,890	511,181	77,709
Economic Development	28,448	30,043	22,760	7,283
Total charges to appropriations	6,003,082	6,003,082	5,417,308	585,774
Other Financing Sources (Uses)				
Transfers in (out)	(664,935)	(664,935)	(586,546)	78,389
Total Other Financing Sources (Uses)	(664,935)	(664,935)	(586,546)	78,389
Net Change in Fund Balances	(251,067)	(251,067)	766,275	1,017,342
Fund Balance, July 1	1,138,510	1,138,510	1,138,510	-
Fund Balance, June 30	\$ 887,443	\$ 887,443	\$ 1,904,785	\$ 1,017,342

CITY OF LEBANON, MISSOURI
 Budgetary Comparison Schedule - Major Special Revenue Funds - Modified Cash Basis
 Year Ended June 30, 2015

Street Fund	Original Budget	Budget as Amended	Actual	Variance from Amended Positive (Negative)
Resources (inflows):				
Sales Tax	\$ 1,525,000	\$ 1,525,000	\$ 1,641,578	\$ 116,578
Other Taxes	520,000	520,000	560,531	40,531
Intergovernmental Revenue	544,731	544,731	149,669	(395,062)
Other			2,673	2,673
Total resources	<u>2,589,731</u>	<u>2,589,731</u>	<u>2,354,451</u>	<u>(235,280)</u>
Charges to appropriations (outflows):				
Transportation	2,456,053	2,323,595	1,560,037	763,558
Total charges to appropriations	<u>2,456,053</u>	<u>2,323,595</u>	<u>1,560,037</u>	<u>763,558</u>
Other Financing Sources (Uses)				
Transfer in (out)	(168,969)	(168,969)	(142,513)	26,456
Total Other Financing Sources (Uses)	<u>(168,969)</u>	<u>(168,969)</u>	<u>(142,513)</u>	<u>26,456</u>
Net Change in Fund Balance	(35,291)	97,167	651,901	554,734
Beginning Fund Balance	568,369	568,369	568,369	-
Ending Fund Balance	<u>\$ 533,078</u>	<u>\$ 665,536</u>	<u>\$ 1,220,270</u>	<u>\$ 554,734</u>

Parks and Recreation Fund	Original Budget	Budget as Amended	Actual	Variance from Amended Positive (Negative)
Resources (inflows):				
Taxes	\$ 540,000	\$ 540,000	\$ 558,887	\$ 18,887
Charge for services	87,550	87,550	82,265	(5,285)
Other	1,000	1,000	2,001,166	2,000,166
Total resources	<u>628,550</u>	<u>628,550</u>	<u>2,642,318</u>	<u>2,013,768</u>
Charges to appropriations (outflows):				
Recreation	872,990	873,125	661,304	211,821
Total charges to appropriations	<u>872,990</u>	<u>873,125</u>	<u>661,304</u>	<u>211,821</u>
Other Financing Sources (Uses)				
Transfer in (out)	(62,322)	(55,000)	(46,596)	8,404
Total Other Financing Sources (Uses)	<u>(62,322)</u>	<u>(55,000)</u>	<u>(46,596)</u>	<u>8,404</u>
Net Change in Fund Balance	(306,762)	(299,575)	1,934,418	2,233,993
Beginning Fund Balance	550,871	550,871	550,871	-
Ending Fund Balance	<u>\$ 244,109</u>	<u>\$ 251,296</u>	<u>\$ 2,485,289</u>	<u>\$ 2,233,993</u>

CITY OF LEBANON, MISSOURI
Notes to Other Information - Budget Comparisons
June 30, 2015

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, 2015 with Comparative Data

	Community Develop.	Employee Benefits	Service Fund	June 30, 2015 Totals	June 30, 2014 Totals
ASSETS					
Unrestricted Assets:					
Cash and cash equivalents	\$ 43,390	\$ 345,296	\$ (12,047)	\$ 376,639	\$ 272,174
Inventory			12,047	12,047	21,838
Total Unrestricted Assets	<u>43,390</u>	<u>345,296</u>	-	<u>388,686</u>	<u>294,012</u>
Capital Assets:					
Machine & Equipment			26,219	26,219	9,791
Vehicle			32,241	32,241	32,241
Construction in Progress	99,969			99,969	4,006
Total	<u>99,969</u>	-	58,460	158,429	46,038
Less Accumulated Depreciation			(9,752)	(9,752)	(3,264)
Total Capital Assets	<u>99,969</u>	-	<u>48,708</u>	<u>148,677</u>	<u>42,774</u>
TOTAL ASSETS	<u>143,359</u>	<u>345,296</u>	<u>48,708</u>	<u>537,363</u>	<u>336,786</u>
DEFERRED OUTFLOW OF RESOURCES					
Pension	<u>24,958</u>		51,825	76,783	
LIABILITIES					
Net pension liability	<u>50,970</u>		105,839	156,809	
DEFERRED INFLOW OF RESOURCES					
Pension	<u>17,733</u>		36,822	54,555	
NET POSITION					
Net Investment in Capital Assets	\$ 99,969		\$ 48,708	\$ 148,677	\$ 42,774
Unrestricted	<u>(355)</u>	<u>\$ 345,296</u>	<u>(90,836)</u>	<u>254,105</u>	<u>294,012</u>
TOTAL NET POSITION	<u>\$ 99,614</u>	<u>\$ 345,296</u>	<u>\$ (42,128)</u>	<u>\$ 402,782</u>	<u>\$ 336,786</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, 2015 with Comparative Data

	Community Develop.	Employee Benefits	Service Fund	June 30, 2015 Total	June 2014 Total
REVENUES					
Charge for services	\$ 111,194	\$ 2,510,396		\$ 2,621,590	\$ 2,492,679
TOTAL REVENUES	<u>111,194</u>	<u>2,510,396</u>	-	<u>2,621,590</u>	<u>2,492,679</u>
EXPENDITURES					
Operations and maintenance	310,919		740,672	1,051,591	1,062,697
Employee benefits		2,423,460		2,423,460	2,750,935
TOTAL EXPENDITURES	<u>310,919</u>	<u>2,423,460</u>	<u>740,672</u>	<u>3,475,051</u>	<u>3,813,632</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(199,725)</u>	<u>86,936</u>	<u>(740,672)</u>	<u>(853,461)</u>	<u>(1,320,953)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	305,116		754,122	1,059,238	1,105,471
Total Other Financing Sources (Uses)	<u>305,116</u>	-	<u>754,122</u>	<u>1,059,238</u>	<u>1,105,471</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	105,391	86,936	13,450	205,777	(215,482)
NET POSTION, Beginning of Period	39,658	258,360	38,768	336,786	552,268
Restatement	(45,435)		(94,346)	(139,781)	
NET POSITION, Beginning of Period, Restated	<u>(5,777)</u>	<u>258,360</u>	<u>(55,578)</u>	<u>197,005</u>	<u>552,268</u>
NET POSITION, End of Period	<u>\$ 99,614</u>	<u>\$ 345,296</u>	<u>\$ (42,128)</u>	<u>\$ 402,782</u>	<u>\$ 336,786</u>

CITY OF LEBANON, MISSOURI
Combining Balance Sheet - Modified Cash Basis
Nonmajor Funds
June 30, 2015 with Comparative Data

	<u>Lodging Tax</u>	<u>Airport</u>	<u>Downtown Business District</u>	<u>June 30, 2015 Totals</u>	<u>June 30, 2014 Totals</u>
ASSETS					
Unrestricted Assets:					
Cash and cash equivalents	\$ 85,795	\$ (77,121)	\$ 33,036	\$ 41,710	\$ 607,484
Inventory		40,513		\$ 40,513	
Total Unrestricted Assets	<u>85,795</u>	<u>(36,608)</u>	<u>33,036</u>	<u>82,223</u>	<u>607,484</u>
TOTAL ASSETS	<u><u>85,795</u></u>	<u><u>(36,608)</u></u>	<u><u>33,036</u></u>	<u><u>82,223</u></u>	<u><u>607,484</u></u>
LIABILITIES:					
Current Liabilities:					
Accrued expenses		556		556	
Due to other funds		66,659	-	66,659	75,826
TOTAL LIABILITIES	<u>-</u>	<u>67,215</u>	<u>-</u>	<u>67,215</u>	<u>75,826</u>
EQUITY:					
Fund balance:					
Assigned	<u>85,795</u>	<u>(103,823)</u>	<u>33,036</u>	<u>15,008</u>	<u>531,658</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 85,795</u></u>	<u><u>\$ (36,608)</u></u>	<u><u>\$ 33,036</u></u>	<u><u>\$ 82,223</u></u>	<u><u>\$ 607,484</u></u>

Note: The June 30, 2014 totals include the Park and Recreation Fund, which is a major fund for June 30, 2015 fiscal year end.

CITY OF LEBANON, MISSOURI

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

Nonmajor Funds

Year Ended June 30, 2015 with Comparative Data

	Lodging Tax	Airport	Downtown Business District	June 30, 2015 Totals	June 30, 2014 Totals
REVENUES					
Sales Taxes	\$ 124,361			\$ 124,361	\$ 104,939
Real Estate Taxes			\$ 28,912	28,912	577,936
Charges for services		\$ 174,639	5,891	180,530	77,580
Intergovernmental revenues	33,116	341,607	-	374,723	73,802
Other		-	1,000	1,000	55,141
TOTAL REVENUES	<u>157,477</u>	<u>516,246</u>	<u>35,803</u>	<u>709,526</u>	<u>889,398</u>
EXPENDITURES					
Recreation				-	475,643
Transportation	159,932	589,277		749,209	221,806
Economic Development			15,222	15,222	23,587
Debt principal payments				-	-
Debt interest payments				-	-
TOTAL EXPENDITURES	<u>159,932</u>	<u>589,277</u>	<u>15,222</u>	<u>764,431</u>	<u>721,036</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,455)</u>	<u>(73,031)</u>	<u>20,581</u>	<u>(54,905)</u>	<u>168,362</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	54,686	38,000	(3,560)	89,126	(74,792)
Total Other Financing Sources (Uses)	<u>54,686</u>	<u>38,000</u>	<u>(3,560)</u>	<u>89,126</u>	<u>(74,792)</u>
EXCESS OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>52,231</u>	<u>(35,031)</u>	<u>17,021</u>	<u>34,221</u>	<u>93,570</u>
FUND BALANCE, Beginning	<u>33,564</u>	<u>(68,792)</u>	<u>16,015</u>	<u>(19,213)</u>	<u>438,088</u>
FUND BALANCE, Ending	<u>\$ 85,795</u>	<u>\$ (103,823)</u>	<u>\$ 33,036</u>	<u>\$ 15,008</u>	<u>\$ 531,658</u>

Note: The June 30, 2014 totals include the Park and Recreation Fund, which is a major fund for June 30, 2015 fiscal year end.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Board of Trustees
Lebanon, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City of Lebanon, Missouri's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Lebanon, Missouri's major federal programs for the year ended June 30, 2015. The City of Lebanon, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lebanon, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Lebanon, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Lebanon, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lebanon, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Lebanon, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lebanon, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lebanon, Missouri's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Officer CPA Firm LLC

Springfield, Missouri

December 11, 2015

CITY OF LEBANON, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - MODIFIED CASH BASIS
 Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Investments for Public Works and Economic Development Facilities	11.300		\$ 24,933
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Partnership	16.607		1,085
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Missouri Department of Transportation			
Airport Improvement Program	20.106	13-064A-1	341,607
Highway Planning and Construction	20.205	STP-3800 (802)	35,148
Highway Planning and Construction	20.205	SRTS-INF-H32D (101)	53,566
Highway Planning and Construction	20.205	STP-9900 (873)	58,535
Subtotal for CFDA 20.205			<u>147,249</u>
DWI Enforcemnet	20.601	14-154-AL-062	459
DWI Enforcemnet	20.601	15-M5HVE-03-035	521
Youth Seatbelt Enforcement	20.601	15-M5HVE-05-027	403
Subtotal for CFDA 20.601			<u>1,383</u>
Youth DWI Enforcement	20.607	14-154-AL-059	3,767
Youth DWI Enforcement	20.607	15-154-AL-103	770
Subtotal for CFDA 20.067			<u>4,537</u>
 Total			 <u><u>\$ 520,794</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the City's federal award programs presented on the modified cash basis of accounting which is consistent with the financial statement presentation.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Board of Trustees
Lebanon, Missouri

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lebanon, Missouri, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Lebanon, Missouri's basic financial statements and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lebanon, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lebanon, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lebanon, Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lebanon, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Officer CPA Firm LLC

Springfield, Missouri
December 11, 2015

CITY OF LEBANON, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Unqualified modified cash basis
 Internal Control over Financial Reporting:
 Material weaknesses identified? Yes No
 Significant deficiencies identified not
 considered to be material weaknesses? Yes None reported
 Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control over Major Programs:
 Significant deficiencies identified? Yes No
 Significant deficiencies identified
 considered to be material weaknesses? Yes No

Type of Auditor's Report Issued on Compliance for
 Major Programs: Qualified

Any audit findings disclosed that required to be reported
 in accordance with section 510(A) of Circular A-133? Yes No

The programs tested as major programs included:

<u>Name</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106

The threshold for distinguishing Types A and B programs was \$300,000.
 The City of Lebanon, Missouri, was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
 AUDIT**

None

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None