



CITY OF LEBANON, MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended June 30, 2016

CITY OF LEBANON, MISSOURI
FINANCIAL REPORT

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITOR'S REPORT

December 12, 2016

Honorable Mayor and Members of the City Council
CITY OF LEBANON, MISSOURI

REPORT ON THE FINANCIAL STATEMENTS

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** (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A-3; 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

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- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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 City'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 City'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.

Basis for Qualified Opinion on Governmental Activities, Business-type Activities, and Proprietary Funds

Management has not recorded all capital assets in governmental activities, business-type activities, and proprietary funds and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America when applied to such modified cash basis of accounting require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities, business-type activities, and proprietary funds. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities, business-type activities, and proprietary funds is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and Business-type Activities" paragraph, 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, as of June 30, 2016, and the respective changes in the modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note A-3.

Basis of Accounting

We draw attention to Note A-3 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 opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of the City as of June 30, 2015 were audited by other auditors whose opinion dated December 11, 2015 was unmodified. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters - Other Information

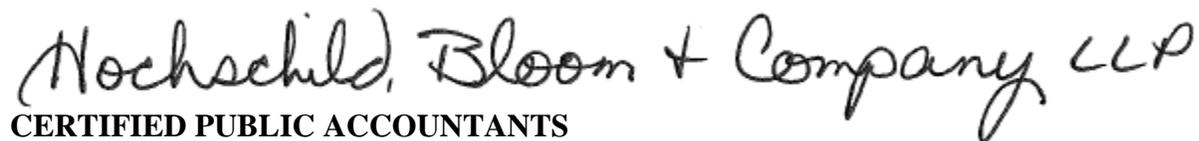
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis and the supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note A-3.

Prior Period Financial Statements Audited by a Predecessor Auditor

As part of our audit of the June 30, 2016 financial statements, we also audited the adjustments described in Note O that were applied to restate certain net position and fund balances amounts in the June 30, 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2015 financial statements of the City other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2015 financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 on our consideration of the City'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 the City's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Management Discussion and Analysis

This section of the City of Lebanon's annual financial report provides readers a narrative overview and analysis of the City's financial performance during the fiscal year that ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's financial statements and notes to the financial statements that follow this section, to enhance their understanding of the activities and financial health of the City of Lebanon.

Financial Highlights

In the 2016 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.

In July 2015, Council approved raising electric utility rates, 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 2016 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, and enterprise-wide hardware as well as general improvements and upgrades. The City's investment in capital assets for the 2016 Fiscal Year was \$4,243,632. Major capital asset investments occurring in the 2016 Fiscal Year included the following:

Improvements to Boswell Park began and installation of ADA compliant playground equipment at Atchley Park was completed, totaling \$523,885 from the Park Fund (79).

At the Cowan Civic Center, two HVAC units were replaced with units fueled by natural gas to improve energy efficiency and lower overall energy costs, totaling \$259,590 from the Capital Improvement Fund (22).

Purchase and installation of radio-read water meters began for a total of \$750,000 from the Water Fund (87).

The airport runway edge lighting and precision approach path indicator lights project began for a cost of \$110,434 from the Airport Fund (73).

Rolling stock replacement was intermittent in the 2016 Fiscal Year. Fleet upgrades were made out of various funds totaling \$589,820. This included a three-quarter-ton truck from the Street Fund (08), a truck from the Parks and Recreation Fund (79), and a 45 ft. telescopic material service truck from the Electric Fund (80). Three (3) Police patrol vehicles were replaced and fully equipped as well as an SUV for Fire using proceeds from the Capital Improvement Fund (22).

Investments in specialized equipment and machinery to help assist staff in the field and better serve patrons were made from various funds totaling \$914,517. Purchases include a curb machine from the Street Fund (08), a mower, playground equipment, and pool equipment from the Parks and Recreation Fund (79), and a biosolids application truck and equipment for managing the City's sewer network from the Sewer Fund (85).

Investments were made in the City's street network. Completed street projects include the mill and overlay of West Fremont and Harwood Avenues, in addition to replacing sidewalks and pedestrian facilities to comply with ADA standards beginning at Bennett Street and extending to Elm along Jefferson. ADA compliant sidewalk curb ramps along Commercial Street and Second Street between Washington and Jackson were also installed. The

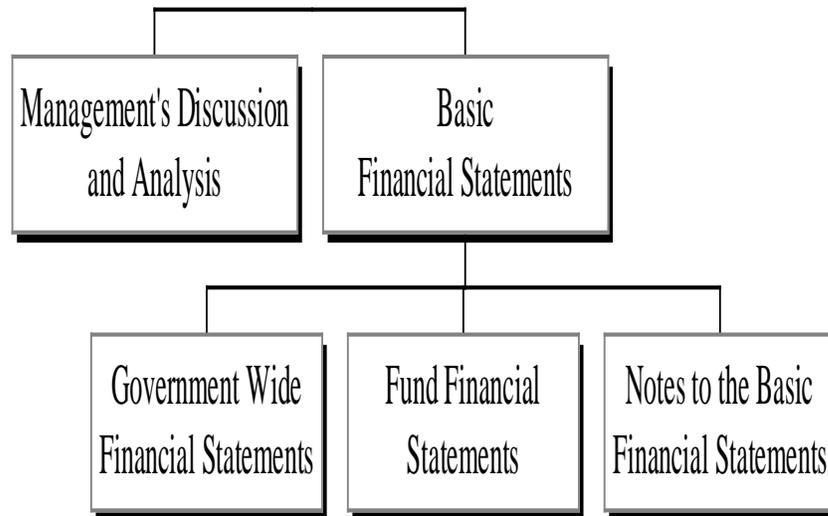
total invested during this fiscal year was \$643,850; of that total, \$119,750 in grant money was received for the ADA compliant sidewalk curb ramps and Jefferson sidewalks.

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, and other supplemental 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 modified cash basis of accounting (including limited capital assets and long-term debt) 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 Position 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 overall financial status.

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

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

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 position and statement of activities, report the City's net position and the resulting changes. Net position is the difference between assets, deferred outflows, liabilities, and deferred inflows, which is one way to measure the City's financial health, or financial position. Over time increases and decreases in the City's net position 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 Fund, Street Fund, and Other Governmental-Special Revenue Funds. 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 Operations, and Electric report this activity.

Fund Financial Statements

The City uses three types of funds to manage its resources: governmental funds, enterprise funds, and internal service 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.

Internal Services Funds - 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 supplemental information concerning budgetary comparison schedules for the major governmental funds and pension information.

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 Director, 401 South Jefferson, Lebanon, Mo 65536 or visit us on the web at www.lebanonmo.org

Government-Wide Financial Analysis

Net position, over time, may serve as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflow of resource by \$38,856,372, which represents an increase of \$15,657,183 from fiscal year 2015's net position.

NET POSITION

The following table reflects the condensed Statement of Net Position as of June 30, 2016

	Governmental Activities	Business-type Activities	June 30, 2016 Totals	June 30, 2015 Totals
City of Lebanon				
Statement of Net Position				
<u>ASSETS</u>				
Current and other assets	\$7,043,644	\$13,253,164	\$20,296,808	\$20,094,797
Restricted assets	\$-	\$257,829	\$257,829	\$259,007
Capital assets	\$8,102,916	\$16,944,366	\$25,047,282	\$9,791,571
Internal balances	(\$57,023)	\$57,023	\$-	\$-
Equity interest in joint venture	\$-	\$-	\$-	\$550,000
Customer service territory net of amortization	\$-	\$321,036	\$321,036	\$779,167
Total Assets	\$15,089,537	\$30,833,418	\$45,922,955	\$31,474,542
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred amounts related to pensions	\$1,668,393	\$639,907	\$2,308,300	\$759,446
Deferred charge on refunding	\$10,027	\$-	\$10,027	\$17,406
Total Outflows of Resources	\$1,678,420	\$639,907	\$2,318,327	\$776,852
<u>LIABILITIES</u>				
Current liabilities	\$2,572	\$102,049	\$104,621	\$90,291
Short-term debt	\$1,150,000	\$335,000	\$1,485,000	\$1,460,000
Customer deposits	\$-	\$837,391	\$837,391	\$818,070
Long-term debt	\$725,000	\$3,095,000	\$3,820,000	\$5,305,000
Net pension liability	\$1,540,635	\$935,842	\$2,476,477	\$953,186
Total Liabilities	\$3,418,207	\$5,305,282	\$8,723,489	\$8,626,547
<u>DEFERRED INFLOW OF RESOURCES</u>				
Deferred amounts related to pensions	\$531,718	\$129,703	\$661,421	\$425,658
<u>NET POSITION</u>				
Net Investment in capital assets	\$6,227,916	\$9,770,597	\$15,998,513	\$3,026,571
Unrestricted	\$2,100,249	\$16,009,914	\$18,110,163	\$15,220,228
Restricted	\$4,489,867	\$257,829	\$4,747,696	\$4,952,390
Total Net Position	\$12,818,032	\$26,038,340	\$38,856,372	\$23,199,189

Total net position for the City was \$38,856,372 with \$12,818,032 attributed to governmental activities and \$26,038,340 attributed to business-type activities. The City's governmental activities saw an increase of \$3,673,838 over FY 2015 and the business-type activities saw an increase of \$887,606 over FY 2015. The unrestricted net position for governmental activities was \$2,100,249 an increase of \$57,357 and for business-type activities was \$16,009,914 and increase of \$2,573,571 over FY 2015. The increase in change in net position compared to prior years was mostly attributable to capitalizing current and prior year capital assets.

The following table reflects the condensed revenue and expenses for the year ended June 30, 2016. These two main components are subtracted to yield the change in net position. The revenues and expenditures include the Governmental Funds (General, Street, Capital Improvement, Other Governmental, Special Revenue, and Internal Service Funds) and Enterprise Funds (Electric, Fiber Operations, Water, Sewer, and Economic Development Funds).

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for services and sales, operating and capital grants and contributions. General revenue includes taxes, PILOT (payment in lieu of taxes), and other unrestricted revenue sources.

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

	Governmental Activities	Business-type Activities	June 30, 2016 Totals	June 30, 2015 Totals
<u>REVENUES</u>				
Program revenue:				
Charges for services	\$828,230	\$28,491,738	\$29,319,968	\$30,527,756
Operating grants & contributions	\$650,526	\$8,755	\$659,281	\$33,116
Capital grants & contributions	\$571,862	\$104,104	\$675,966	\$349,472
General revenue:				
Real estate taxes	\$1,148,649	\$-	\$1,148,649	\$1,146,685
Sales tax	\$7,272,891	\$-	\$7,272,891	\$6,816,130
Franchise tax	\$636,358	\$-	\$636,358	\$871,198
Other taxes	\$60,999	\$-	\$60,999	\$622,858
PILOT	\$1,222,754	\$-	\$1,222,754	\$1,232,331
Interest and investment earnings	\$6,646	\$54,253	\$60,899	\$334,805
Federal interest subsidy	\$-	\$52,168	\$52,168	\$-
Miscellaneous	\$92,749	\$41,358	\$134,107	\$1,161,285
Transfers in (out)	\$60,000	\$(60,000)	\$-	\$-
Gain on sale of capital assets	\$22,120	\$1,474	\$23,594	\$1,999,588
Total Revenues	\$12,573,784	\$28,693,850	\$41,267,634	\$45,095,224
<u>EXPENSES</u>				
General government	\$1,857,717	\$-	\$1,857,717	\$1,616,146
Public safety	\$3,889,155	\$-	\$3,889,155	\$3,729,685
Parks and recreation	\$1,202,681	\$-	\$1,202,681	\$1,275,207
Transportation	\$1,722,234	\$-	\$1,722,234	\$1,601,272
Capital outlay	\$-	\$-	\$-	\$17,257
Economic development	\$61,717	\$-	\$61,717	\$49,364
Community development	\$121,919	\$-	\$121,919	\$-
Interest on long-term debt	\$44,523	\$-	\$44,523	\$43,208
Electric	\$-	\$23,541,912	\$23,541,912	\$24,953,676
Fiber operations	\$-	\$155,471	\$155,471	\$194,381
Water	\$-	\$2,062,911	\$2,062,911	\$1,400,042
Sewer	\$-	\$1,601,778	\$1,601,778	\$1,720,369
Economic development	\$-	\$444,172	\$444,172	\$428,143
Total Expenses	\$8,899,946	\$27,806,244	\$36,706,190	\$37,028,750
INCREASE (DECREASE) IN NET POSITION	\$3,673,838	\$887,606	\$4,561,444	\$8,066,474
NET POSITION, beginning of year	\$8,725,306	\$14,473,883	23,199,189	\$15,763,258
Restatement	\$418,888	\$10,676,851	\$11,095,739	(\$630,543)
NET POSITION, beginning of year restated	\$9,144,194	\$25,150,734	\$34,294,928	\$15,132,715
NET POSITION, end of year	\$12,818,032	\$26,038,340	\$38,856,372	\$23,199,189

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>
General government	\$1,857,717	(\$1,732,653)
Public safety	\$3,889,155	(\$3,689,323)
Parks and recreation	\$1,202,681	(\$890,327)
Transportation	\$1,722,234	(\$676,249)
Economic development	\$61,717	(\$53,914)
Community development	\$121,919	\$237,661
Interest on long-term debt	<u>\$44,523</u>	<u>(\$44,523)</u>
TOTAL	\$8,899,946	\$(6,849,328)

For comparison in FY ending June, 2015, Total Cost of Services was \$8,332,139 and Net Cost of Services was (\$7,002,490).

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 focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. 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 \$2,526,277, an increase of \$622,078 over the beginning balance of \$1,904,199. This fund balance is thirty-seven percent (37%) of total fund revenues.

General Fund Budget Highlights

- The total original revenue budget of \$6,571,350 was increased to \$7,011,350 (an increase of \$440,000) due to an increase in sales tax.
- Total budgeted revenue was \$7,011,350 and actual revenue was \$6,782,659 a difference of (\$228,691).
- Actual expenditures were under the budgeted amount by \$834,606.
- Excess of actual revenues over actual expenditures was \$648,873.

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 \$1,335,737, an increase of \$115,467 over the beginning balance of \$1,220,270. This fund balance represents fifty-three percent (53%) of total revenue. The balance will be used for reserves and committed projects.

Capital Improvement 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 Fund. At the close of the current fiscal year, the City of Lebanon’s Capital Improvement Fund reported an ending fund balance of \$977,046, an increase of \$4,230 over the beginning balance of \$972,816. This fund has no requirement to have an operational reserve.

Other Governmental Funds - The Parks and Recreation, Lodging Tax (Tourism), Airport, and Downtown Business District, are nonmajor funds for the City. 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 \$2,500,297 and an ending fund balance of \$1,913,927, a decrease of \$586,370. An individual breakdown of the funds beginning and ending balances are listed below.

Fund	Fund Balance	Fund Balance
	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Airport	(\$103,823)	(\$263,157)
	Special Revenue Funds	
Downtown Business District	\$33,036	\$18,884
Parks and Recreation	\$2,485,289	\$2,047,981
Lodging Tax	\$85,795	\$110,219

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 \$13,336,917 a decrease of \$240,685 over the restated net position of \$13,577,602. The operating unrestricted cash is \$9,610,434 this is an increase of \$1,110,275 from the operating unrestricted cash of \$8,500,159. The Due from Other Funds is \$566,842 and Advanced to Other Funds is \$3,233,950 for a total accounts receivable of \$3,800,792. Other assets include Capital Assets of \$870,555. The operating loss for Fiscal Year 2016 for the Electric Fund was \$504,777 compared to Fiscal Year 2015 loss of \$1,541,968.

Fiber Operations Fund - The total net position of the Fiber Operations Fund (83) was \$351,424 a decrease of \$70,446 over a beginning net position of \$421,870.

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 \$2,780,561 a decrease of \$247,985 over the restated net position of \$3,028,546. The unrestricted cash balance in the operating fund at year-end was \$1,771,631. The other assets which make up the total assets are Restricted Investments \$26,874; and Customer service territory (PWSD #3) \$321,036 and Capital Assets \$1,310,092.

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 position of the Sewer Fund was \$3,330,309, an increase of \$817,441 over the restated beginning balance of \$2,512,868. The total liabilities are \$3,364,205 and the total unrestricted cash balance is \$1,427,624. Other assets include Restricted Investments \$230,955 and Capital Assets \$4,872,872. The City capitalized improvements to the Treatment Plant from May 2012 in the amount of \$3,956,228 along with the respective depreciation.

Economic Development Fund - The Economic Development Fund is based on rents received. At the end of the Fiscal Year 2016, the total assets of the Economic Development Fund were \$9,982,898 which consists of: 1)

\$162,294 in cash and cash equivalents; and 2) \$9,820,604 in booked capitalized assets. The City capitalized improvements to the DTMP Building from May 2009, the DTMP Building Expansion from July 2011, and the Copeland Building from November of 2005 for a total of \$10,008,691 along with the respective depreciation. The total net position ending balance is \$6,239,129, an increase of \$629,281 over the beginning balance of \$5,609,848. The Due to other funds balance is \$556,713 and the Advance from other funds balance is \$3,187,056.

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 2016 is \$340,772 an increase of \$243,971 over the restated net position of \$96,801.

The Internal Service Fund is made up of the following departments, Garage, Warehouse, Information Technology, Facilities Management, and Janitorial. Charges for services are the offset to the expenses 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 \$74,124. The operating expenditures in Fiscal Year 2016 were \$834,268.

Employee Benefits Fund - 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. This is a balance that should be monitored when reviewing the rates for employee premiums. The fund had a beginning fund balance of \$345,296 and an ending fund balance of \$167,147 a decrease of \$178,149. While the City saw high claims at the end of the fiscal year, reimbursement for these claims was not received until the following fiscal year. This had a negative impact on ending fund balance due to timing of the reimbursement. Based on activity of \$2,696,610, the fund balance should be around \$674,150. The current fund balance is approximately six percent (6%). The City's goal is twenty-five percent (25%).

Capital Asset and Debt Administration

Long-term Contracts

The City of Lebanon as a member of the Missouri Joint Municipal Electric 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

The City of Lebanon's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$3,535,305 in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, and electric, water and sewer facilities. The beginning balance for governmental activities capital assets increased by \$417,300 and business-type activities capital assets increased by \$11,664,907 for purchases in prior years. The City only began capitalizing assets three years ago and as such plan to add assets that still have a useful life from prior years. The City's Fiscal Year 2017 capital budget calls for spending another \$10.1 million for capital projects.

City of Lebanon Capital Assets Fiscal Year 2016

	Governmental Activities			Business-type Activities			Total Activities		
	<u>Beginning</u>	<u>Ending</u>	<u>Percent Change</u>	<u>Beginning</u>	<u>Ending</u>	<u>Percent Change</u>	<u>Beginning</u>	<u>Ending</u>	<u>Percent Change</u>
Land	\$120,000	\$270,441	125.4%	\$-	\$-	-%	\$120,000	\$270,441	125.4%
Building	\$1,832,377	\$2,177,697	18.8%	\$12,197,942	\$12,197,942	-%	\$14,030,319	\$14,375,639	2.5%
Improvements other than buildings	\$814,786	\$817,672	0.4%	\$19,473	\$19,473	-%	\$834,259	\$837,145	0.3%
Machine & Equipment	\$287,208	\$1,049,956	265.6%	\$550,892	\$697,044	26.5%	\$838,100	\$1,747,000	108.4%
Furniture	\$15,980	\$27,112	69.7%	\$-	\$-	-%	\$15,980	\$27,112	69.7%
Vehicle	\$541,232	\$735,845	36.0%	\$401,973	\$797,180	98.3%	\$943,205	\$1,533,025	62.5%
Infrastructure	\$1,434,844	\$1,983,411	38.2%	\$5,428,187	\$5,987,925	10.3%	\$6,863,031	\$7,971,336	16.1%
Construction in Progress	<u>\$841,033</u>	<u>\$1,941,552</u>	130.9%	<u>\$451,632</u>	<u>\$477,941</u>	5.8%	<u>\$1,292,665</u>	<u>\$2,419,493</u>	87.2%
Less Accumulated Depreciation	<u>\$471,129</u>	<u>\$900,770</u>	91.2%	<u>\$2,592,652</u>	<u>\$3,233,139</u>	24.7%	<u>\$3,063,781</u>	<u>\$4,133,909</u>	35.0%
Total	<u>\$5,416,331</u>	<u>\$8,102,916</u>	49.6%	<u>\$16,457,447</u>	<u>\$16,944,366</u>	3.0%	<u>\$21,873,778</u>	<u>\$25,047,282</u>	14.5%

Additional information on the City’s capital assets can be found in Note C in the notes to the basic financial statements.

Debt Administration

At the end of the current fiscal year, the City of Lebanon had \$5,305,000 in outstanding debt consisting of Certificates of Participation (COP) Series 2010 and 2014. All of the debt was secured by specific revenue sources. The City of Lebanon has due within one year a total of \$1,485,000 of outstanding obligations.

City of Lebanon Outstanding Debt---June 30, 2016

Governmental Activities	
Certificates of Participation - Series 2014	\$1,875,000
Total Governmental Activities	\$1,875,000
Business-type Activities	
Certificates of Participation - Series 2010A	\$335,000
Certificates of Participation - Series 2010B	\$3,095,000
Total Business-type Activities	\$3,430,000
TOTAL INDEBTEDNESS	\$5,305,000

Additional information on the city’s long-term debt can be found in Note E in the notes to the basic financial statements.

City of Lebanon Inter-fund Loans---June 30, 2016

Economic Development Activities

Project	Amount	Due	Payable Fund
Copeland	\$240,723	2016	Electric
DTMP Phase I	\$2,733,534	2024	Electric
DTMP Phase II	\$769,512	2028	Electric
Total Inter-fund loans outstanding for Economic Activities			\$3,743,769

Governmental Activities

Airport Hangers	\$57,023	2021	Electric
Total Inter-fund loans outstanding for Governmental Activities			\$57,023

Economic Factors and next Year's Budget and Rates

The City'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 but have been expanded to include: 1) investment in digitizing City services and operations, 2) investment in our workforce, and 3) continued investment in physical assets. Despite continuing uncertainty in the federal and state economic outlooks, the City continues to see development and growth, particularly in the manufacturing sector. In the commercial sector, Lebanon Marketplace (formerly known as Southdale Center) has completed renovations and added new retail tenants which will provide new tax revenues. In the Fiscal Year 2017 budget, the City will continue to plan for slightly increasing, particularly sales tax revenue, or flat revenue and will be working towards increasing the fund balances that are under twenty-five percent (25%) of operating revenues. Modifications to the organization's salary grid as well as a one-percent (1%) COLA for all employees allowed for investment in our workforce. The City will invest most of its Capital Improvement Fund balance into the Civic Center with additional fund balance proceeds towards Police, Fire, and the Fairgrounds. The City regularly monitors the net operating income of its major utilities to ensure fiscal responsibility in the management these public assets. The City still pursues maintaining adequate funding for health insurance to allow for maximum flexibility to offset any increases. The City continues to invest its resources in long-term, large scale projects; such as the conversion of the installation of smart meters for electric and water utilities. These investments should allow the City to see savings in operations in future years. Additionally, the City has begun acquisition of certain capital equipment through lease purchase financing. Finally, with the completion of the design process of flow capacity increases to its wastewater treatment system, the City has planned for the issuance of revenue or lease obligations to finance this improvement.

CITY OF LEBANON, MISSOURI
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	Primary Government		2016 Total	2015 Total
	Governmental Activities	Business-type Activities		
ASSETS				
Cash and cash equivalents	\$ 6,677,916	6,032,648	12,710,564	8,132,606
Investments	300,855	7,220,516	7,521,371	11,909,631
Inventory	64,873	-	64,873	52,560
Restricted investments	-	257,829	257,829	259,007
Customer service territory, net of amortization	-	321,036	321,036	779,167
Equity interest in joint venture	-	-	-	550,000
Internal balances	(57,023)	57,023	-	-
Capital assets:				
Land and construction in progress	2,211,993	477,941	2,689,934	2,126,924
Other capital assets, net of accumulated depreciation	5,890,923	16,466,425	22,357,348	7,664,647
Total Assets	<u>15,089,537</u>	<u>30,833,418</u>	<u>45,922,955</u>	<u>31,474,542</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	10,027	-	10,027	17,406
Deferred amounts related to pensions	1,668,393	639,907	2,308,300	759,446
Total Deferred Outflows Of Resources	<u>1,678,420</u>	<u>639,907</u>	<u>2,318,327</u>	<u>776,852</u>
LIABILITIES				
Due to others	2,572	102,049	104,621	90,291
Customer deposits payable	-	837,391	837,391	818,070
Noncurrent liabilities:				
Due within one year	1,150,000	335,000	1,485,000	1,460,000
Due in more than one year	725,000	3,095,000	3,820,000	5,305,000
Due in more than one year - net pension liability	1,540,635	935,842	2,476,477	953,186
Total Liabilities	<u>3,418,207</u>	<u>5,305,282</u>	<u>8,723,489</u>	<u>8,626,547</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	531,718	129,703	661,421	425,658
NET POSITION				
Net investment in capital assets	6,227,916	9,770,597	15,998,513	3,026,571
Restricted for:				
Debt service	-	257,829	257,829	259,007
Parks and recreation	2,047,981	-	2,047,981	2,485,289
Transportation	1,445,956	-	1,445,956	1,202,242
Economic development	18,884	-	18,884	33,036
Capital improvements	977,046	-	977,046	972,816
Unrestricted	2,100,249	16,009,914	18,110,163	15,220,228
Total Net Position	<u>\$ 12,818,032</u>	<u>26,038,340</u>	<u>38,856,372</u>	<u>23,199,189</u>

CITY OF LEBANON, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	Net Revenues (Expenses) And Changes In Net Position							
	Expenses	Program Revenues			Primary Government			
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	2016 Total	2015 Total
Primary Government								
Governmental Activities								
General government	\$ 1,857,717	75,287	49,777	-	(1,732,653)	-	(1,732,653)	(1,308,658)
Public safety	3,889,155	192,811	7,021	-	(3,689,323)	-	(3,689,323)	(3,494,711)
Parks and recreation	1,202,681	312,354	-	-	(890,327)	-	(890,327)	(1,192,942)
Transportation	1,722,234	239,975	593,728	212,282	(676,249)	-	(676,249)	(952,614)
Economic development	61,717	7,803	-	-	(53,914)	-	(53,914)	(10,357)
Community development	121,919	-	-	359,580	237,661	-	237,661	-
Interest on long-term debt	44,523	-	-	-	(44,523)	-	(44,523)	(43,208)
Total Governmental Activities	8,899,946	828,230	650,526	571,862	(6,849,328)	-	(6,849,328)	(7,002,490)
Business-type Activities								
Electric	23,541,912	23,011,805	-	-	-	(530,107)	(530,107)	(1,755,342)
Fiber operations	155,471	85,025	-	-	-	(70,446)	(70,446)	(102,434)
Water	2,062,911	1,771,800	8,755	23,553	-	(258,803)	(258,803)	454,905
Sewer	1,601,778	2,308,314	-	55,618	-	762,154	762,154	673,922
Economic development	444,172	1,314,794	-	24,933	-	895,555	895,555	1,613,033
Total Business-type Activities	27,806,244	28,491,738	8,755	104,104	-	798,353	798,353	884,084
Total Primary Government	\$ 36,706,190	29,319,968	659,281	675,966	(6,849,328)	798,353	(6,050,975)	(6,118,406)
General Revenues								
Taxes:								
Sales tax					7,272,891	-	7,272,891	6,816,130
Property tax					1,148,649	-	1,148,649	1,146,685
Franchise fees					636,358	-	636,358	871,198
PILOTs					1,222,754	-	1,222,754	1,232,331
Other taxes					60,999	-	60,999	622,858
Investment income					6,646	54,253	60,899	334,805
Federal interest subsidy					-	52,168	52,168	-
Gain on sale of capital assets					22,120	1,474	23,594	1,999,588
Other					92,749	41,358	134,107	1,161,285
Transfers					60,000	(60,000)	-	-
Total General Revenues And Transfers					10,523,166	89,253	10,612,419	14,184,880
CHANGE IN NET POSITION					3,673,838	887,606	4,561,444	8,066,474
NET POSITION, JULY 1, AS RESTATED					9,144,194	25,150,734	34,294,928	15,132,715
NET POSITION, JUNE 30					\$ 12,818,032	26,038,340	38,856,372	23,199,189

See notes to financial statements

CITY OF LEBANON, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	<u>General</u>	<u>Street</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Totals</u>	
					<u>2016</u>	<u>2015</u>
ASSETS						
Cash and cash equivalents	\$ 1,851,315	1,335,737	977,046	2,177,084	6,341,182	6,624,314
Investments	300,855	-	-	-	300,855	-
Due from other funds	375,753	-	-	-	375,753	-
Inventory	-	-	-	34,449	34,449	40,513
	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,449</u>	<u>34,449</u>	<u>40,513</u>
Total Assets	<u>\$ 2,527,923</u>	<u>1,335,737</u>	<u>977,046</u>	<u>2,211,533</u>	<u>7,052,239</u>	<u>6,664,827</u>
LIABILITIES						
Due to others	\$ 1,646	-	-	926	2,572	586
Due to other funds	-	-	-	249,786	249,786	66,659
Advance from other funds	-	-	-	46,894	46,894	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,894</u>	<u>46,894</u>	<u>-</u>
Total Liabilities	<u>1,646</u>	<u>-</u>	<u>-</u>	<u>297,606</u>	<u>299,252</u>	<u>67,245</u>
FUND BALANCES						
Nonspendable:						
Inventory	-	-	-	34,449	34,449	40,513
Restricted for:						
Parks and recreation	-	-	-	2,047,981	2,047,981	2,485,289
Transportation	-	1,335,737	-	110,219	1,445,956	1,306,065
Economic development	-	-	-	18,884	18,884	33,036
Capital improvements	-	-	977,046	-	977,046	972,816
Assigned for:						
Subsequent year's budget - appropriation of fund balance	474,857	-	-	-	474,857	427,042
Unassigned	2,051,420	-	-	(297,606)	1,753,814	1,332,821
	<u>2,526,277</u>	<u>1,335,737</u>	<u>977,046</u>	<u>1,913,927</u>	<u>6,752,987</u>	<u>6,597,582</u>
Total Fund Balances	<u>2,526,277</u>	<u>1,335,737</u>	<u>977,046</u>	<u>1,913,927</u>	<u>6,752,987</u>	<u>6,597,582</u>
Total Liabilities And Fund Balances	<u>\$ 2,527,923</u>	<u>1,335,737</u>	<u>977,046</u>	<u>2,211,533</u>	<u>7,052,239</u>	<u>6,664,827</u>

CITY OF LEBANON, MISSOURI
RECONCILIATION OF THE BALANCE SHEET - MODIFIED
CASH BASIS OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2016

Total Fund Balances - Governmental Funds \$ 6,752,987

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$9,003,686 and the accumulated depreciation is \$900,770. 8,102,916

Internal service funds are used by management to charge the costs of insurance and payroll expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position - modified cash basis. 231,062

Certain amounts are not a use of financial resources and, therefore, are not reported in the governmental funds. These items consist of:

Net pension liability	(1,540,635)
Deferred outflows related to pensions	1,668,393
Deferred inflows related to pensions	(531,718)

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Certificates of participation outstanding	(1,875,000)
Unamortized deferred charges on refunding	10,027

Total Net Position Of Governmental Activities \$ 12,818,032

CITY OF LEBANON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	General	Street	Capital Improvement	Other Governmental Funds	Totals	
					2016	2015
REVENUES						
Sales tax	\$ 3,629,776	1,757,811	1,757,292	128,012	7,272,891	6,816,130
Property tax	560,308	-	-	588,341	1,148,649	1,146,685
Franchise fees	636,358	-	-	-	636,358	871,198
PILOTs	1,222,754	-	-	-	1,222,754	1,232,331
Other taxes	60,999	569,678	-	-	630,677	622,858
Intergovernmental	56,798	151,997	-	84,335	293,130	382,588
Licenses and permits	52,618	-	-	-	52,618	81,900
Fines and forfeitures	191,297	-	-	-	191,297	227,109
Charges for services	274,826	-	-	309,489	584,315	638,052
Investment income	6,646	-	-	-	6,646	8,640
Other	90,279	1,063	-	1,407	92,749	90,472
Total Revenues	<u>6,782,659</u>	<u>2,480,549</u>	<u>1,757,292</u>	<u>1,111,584</u>	<u>12,132,084</u>	<u>12,117,963</u>
EXPENDITURES						
Current:						
General government	1,733,062	-	-	-	1,733,062	1,134,128
Public safety	3,692,708	-	-	-	3,692,708	3,749,239
Parks and recreation	490,373	-	-	495,728	986,101	1,172,485
Transportation	-	1,296,752	-	488,536	1,785,288	2,309,246
Economic development	18,993	-	-	36,713	55,706	37,982
Capital outlay	198,650	1,086,430	584,032	767,213	2,636,325	1,765,179
Debt service:						
Principal	-	-	1,135,000	-	1,135,000	1,125,000
Interest	-	-	34,030	3,114	37,144	45,609
Total Expenditures	<u>6,133,786</u>	<u>2,383,182</u>	<u>1,753,062</u>	<u>1,791,304</u>	<u>12,061,334</u>	<u>11,338,868</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>648,873</u>	<u>97,367</u>	<u>4,230</u>	<u>(679,720)</u>	<u>70,750</u>	<u>779,095</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	3,205	18,100	-	3,350	24,655	1,999,588
Transfers in	-	-	-	90,000	90,000	-
Transfers out	(30,000)	-	-	-	(30,000)	(687,115)
Total Other Financing Sources (Uses)	<u>(26,795)</u>	<u>18,100</u>	<u>-</u>	<u>93,350</u>	<u>84,655</u>	<u>1,312,473</u>
NET CHANGE IN FUND BALANCES	<u>622,078</u>	<u>115,467</u>	<u>4,230</u>	<u>(586,370)</u>	<u>155,405</u>	<u>2,091,568</u>
FUND BALANCES, JULY 1	<u>1,904,199</u>	<u>1,220,270</u>	<u>972,816</u>	<u>2,500,297</u>	<u>6,597,582</u>	<u>4,506,014</u>
FUND BALANCES, JUNE 30	<u>\$ 2,526,277</u>	<u>1,335,737</u>	<u>977,046</u>	<u>1,913,927</u>	<u>6,752,987</u>	<u>6,597,582</u>

CITY OF LEBANON, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

Net Change In Fund Balances - Governmental Funds \$ 155,405

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

Capital outlays are reported in the governmental funds 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 over the capitalization threshold (\$3,120,635) exceeded depreciation (\$431,405) in the current period. 2,689,230

The net effect of various transactions involving capital assets:
 Cost of disposals, net of accumulated depreciation (2,645)

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 funds are reported with governmental activities in the statement of activities - modified cash basis. (194,718)

The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of the differences in the treatment of long-term debt and related items is as follows:

Repayments:
 Amortization (7,379)
 Principal payments on certificates of participation 1,135,000

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 the governmental funds:
 Pension expense (101,055)

Change In Net Position Of Governmental Activities \$ 3,673,838

CITY OF LEBANON, MISSOURI
STATEMENT OF NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUNDS
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	Business-type Activities						Governmental Activities	Totals	
	Electric	Fiber Operations	Water	Sewer	Economic Development	Total Enterprise Funds	Internal Service Funds		
								2016	2015
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 3,142,055	281,181	1,470,776	976,342	162,294	6,032,648	336,734	6,369,382	1,508,294
Investments	6,468,379	-	300,855	451,282	-	7,220,516	-	7,220,516	11,909,631
Due from other funds	566,842	-	-	-	-	566,842	-	566,842	4,731,285
Inventory	-	-	-	-	-	-	30,424	30,424	12,047
Total Current Assets	<u>10,177,276</u>	<u>281,181</u>	<u>1,771,631</u>	<u>1,427,624</u>	<u>162,294</u>	<u>13,820,006</u>	<u>367,158</u>	<u>14,187,164</u>	<u>18,161,257</u>
Noncurrent Assets									
Capital assets:									
Land and construction in progress	56,674	12,078	52,342	356,847	-	477,941	228,483	706,424	551,601
Other capital assets, net of accumulated depreciation	813,881	58,165	1,257,750	4,516,025	9,820,604	16,466,425	135,535	16,601,960	4,389,616
Total Capital Assets	<u>870,555</u>	<u>70,243</u>	<u>1,310,092</u>	<u>4,872,872</u>	<u>9,820,604</u>	<u>16,944,366</u>	<u>364,018</u>	<u>17,308,384</u>	<u>4,941,217</u>
Advance to other funds	3,233,950	-	-	-	-	3,233,950	-	3,233,950	-
Restricted investments	-	-	26,874	230,955	-	257,829	-	257,829	259,006
Customer service territory, net of amortization	-	-	321,036	-	-	321,036	-	321,036	779,167
Equity interest in joint venture	-	-	-	-	-	-	-	-	550,000
Total Noncurrent Assets	<u>4,104,505</u>	<u>70,243</u>	<u>1,658,002</u>	<u>5,103,827</u>	<u>9,820,604</u>	<u>20,757,181</u>	<u>364,018</u>	<u>21,121,199</u>	<u>6,529,390</u>
Total Assets	<u>14,281,781</u>	<u>351,424</u>	<u>3,429,633</u>	<u>6,531,451</u>	<u>9,982,898</u>	<u>34,577,187</u>	<u>731,176</u>	<u>35,308,363</u>	<u>24,690,647</u>
DEFERRED OUTFLOWS OF RESOURCES									
Deferred amounts related to pensions	282,685	-	152,706	204,516	-	639,907	242,475	882,382	277,610
LIABILITIES									
Current Liabilities									
Customer deposits payable	654,785	-	182,606	-	-	837,391	-	837,391	818,070
Due to others	102,049	-	-	-	-	102,049	-	102,049	89,705
Due to other funds	-	-	-	-	556,713	556,713	136,096	692,809	4,664,626
Debt payable - current	-	-	35,638	299,362	-	335,000	-	335,000	325,000
Total Current Liabilities	<u>756,834</u>	<u>-</u>	<u>218,244</u>	<u>299,362</u>	<u>556,713</u>	<u>1,831,153</u>	<u>136,096</u>	<u>1,967,249</u>	<u>5,897,401</u>
Noncurrent Liabilities									
Advance from other funds	-	-	-	-	3,187,056	3,187,056	-	3,187,056	-
Net pension liability	413,417	-	223,327	299,098	-	935,842	354,613	1,290,455	566,947
Debt payable	-	-	329,255	2,765,745	-	3,095,000	-	3,095,000	3,430,000
Total Noncurrent Liabilities	<u>413,417</u>	<u>-</u>	<u>552,582</u>	<u>3,064,843</u>	<u>3,187,056</u>	<u>7,217,898</u>	<u>354,613</u>	<u>7,572,511</u>	<u>3,996,947</u>
Total Liabilities	<u>1,170,251</u>	<u>-</u>	<u>770,826</u>	<u>3,364,205</u>	<u>3,743,769</u>	<u>9,049,051</u>	<u>490,709</u>	<u>9,539,760</u>	<u>9,894,348</u>
DEFERRED INFLOWS OF RESOURCES									
Deferred amounts related to pensions	57,298	-	30,952	41,453	-	129,703	49,147	178,850	197,244
NET POSITION									
Net investment in capital assets	870,555	70,243	945,199	1,807,765	6,076,835	9,770,597	364,018	10,134,615	1,186,217
Restricted for debt service	-	-	26,874	230,955	-	257,829	-	257,829	-
Unrestricted	12,466,362	281,181	1,808,488	1,291,589	162,294	16,009,914	69,777	16,079,691	13,690,448
Total Net Position	<u>\$ 13,336,917</u>	<u>351,424</u>	<u>2,780,561</u>	<u>3,330,309</u>	<u>6,239,129</u>	<u>26,038,340</u>	<u>433,795</u>	<u>26,472,135</u>	<u>14,876,665</u>

CITY OF LEBANON, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities					Total Enterprise Funds	Governmental Activities	Totals	
	Electric	Fiber Operations	Water	Sewer	Economic Development		Internal Service Funds		
								2016	2015
OPERATING REVENUES									
Charges for services	\$ 23,011,805	85,025	1,771,800	2,308,314	1,314,794	28,491,738	4,004,264	32,496,002	31,781,579
Other	25,330	-	2,360	4,509	6,045	38,244	366	38,610	1,070,813
Total Operating Revenues	<u>23,037,135</u>	<u>85,025</u>	<u>1,774,160</u>	<u>2,312,823</u>	<u>1,320,839</u>	<u>28,529,982</u>	<u>4,004,630</u>	<u>32,534,612</u>	<u>32,852,392</u>
OPERATING EXPENSES									
PILOTs	1,135,018	4,296	83,429	-	-	1,222,743	-	1,222,743	-
Personnel costs	1,251,639	30,798	746,919	903,859	-	2,933,215	3,704,829	6,638,044	4,602,682
Operations and maintenance	21,105,852	90,501	1,105,141	363,602	-	22,665,096	269,902	22,934,998	26,656,731
Economic development	-	-	-	-	137,148	137,148	-	137,148	413,440
Depreciation and amortization	49,403	29,876	107,571	167,863	307,024	661,737	15,248	676,985	-
Total Operating Expenses	<u>23,541,912</u>	<u>155,471</u>	<u>2,043,060</u>	<u>1,435,324</u>	<u>444,172</u>	<u>27,619,939</u>	<u>3,989,979</u>	<u>31,609,918</u>	<u>31,672,853</u>
OPERATING INCOME (LOSS)	<u>(504,777)</u>	<u>(70,446)</u>	<u>(268,900)</u>	<u>877,499</u>	<u>876,667</u>	<u>910,043</u>	<u>14,651</u>	<u>924,694</u>	<u>1,179,539</u>
NONOPERATING REVENUES (EXPENSES)									
Investment income	49,753	-	2,108	2,392	-	54,253	-	54,253	48,164
Intergovernmental revenue	-	-	14,305	98,546	24,933	137,784	-	137,784	420,705
Gain (loss) on disposal of capital assets	(1,094)	-	800	1,768	-	1,474	5,970	7,444	-
Interest income (expense) on interfund loan	215,433	-	-	-	(212,319)	3,114	-	3,114	278,001
Interest expense and fees	-	-	(19,851)	(166,454)	-	(186,305)	-	(186,305)	(186,685)
Total Nonoperating Revenues (Expenses)	<u>264,092</u>	<u>-</u>	<u>(2,638)</u>	<u>(63,748)</u>	<u>(187,386)</u>	<u>10,320</u>	<u>5,970</u>	<u>16,290</u>	<u>560,185</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(240,685)</u>	<u>(70,446)</u>	<u>(271,538)</u>	<u>813,751</u>	<u>689,281</u>	<u>920,363</u>	<u>20,621</u>	<u>940,984</u>	<u>1,739,724</u>
Capital contributions	-	-	23,553	3,690	-	27,243	-	27,243	-
Transfers out	-	-	-	-	(60,000)	(60,000)	-	(60,000)	687,115
CHANGE IN NET POSITION	<u>(240,685)</u>	<u>(70,446)</u>	<u>(247,985)</u>	<u>817,441</u>	<u>629,281</u>	<u>887,606</u>	<u>20,621</u>	<u>908,227</u>	<u>2,426,839</u>
NET POSITION, JULY 1, AS RESTATED	<u>13,577,602</u>	<u>421,870</u>	<u>3,028,546</u>	<u>2,512,868</u>	<u>5,609,848</u>	<u>25,150,734</u>	<u>413,174</u>	<u>25,563,908</u>	<u>12,449,826</u>
NET POSITION, JUNE 30	<u>\$ 13,336,917</u>	<u>351,424</u>	<u>2,780,561</u>	<u>3,330,309</u>	<u>6,239,129</u>	<u>26,038,340</u>	<u>433,795</u>	<u>26,472,135</u>	<u>14,876,665</u>

See notes to financial statements

CITY OF LEBANON, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities					Governmental Activities	
	Electric	Fiber Operations	Water	Sewer	Economic Development	Total Enterprise Funds	Internal Service Funds
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS							
Cash flows from operating activities:							
Receipts from customers and users	\$ 23,028,272	85,025	1,773,097	2,308,314	1,314,794	28,509,502	359,580
Receipts from interfund charges	-	-	-	-	-	-	3,644,684
Payments to suppliers	(21,093,508)	(90,501)	(1,105,141)	(363,602)	(137,148)	(22,789,900)	(288,279)
Payments to employees for salaries and benefits	(1,220,975)	(30,798)	(725,671)	(883,722)	-	(2,861,166)	(3,667,733)
Payments to other funds for services provided	(1,135,018)	(4,296)	(83,429)	-	-	(1,222,743)	-
Other receipts	25,330	-	2,360	4,509	6,045	38,244	366
Net Cash Provided By (Used In) Operating Activities	<u>(395,899)</u>	<u>(40,570)</u>	<u>(138,784)</u>	<u>1,065,499</u>	<u>1,183,691</u>	<u>1,673,937</u>	<u>48,618</u>
Cash flows from noncapital financing activities:							
Due to/from other funds	(566,842)	-	-	-	556,713	(10,129)	124,049
Advance to/from other funds	1,497,335	-	-	-	(1,477,570)	19,765	-
Interest received (paid) on advance from other funds	215,433	-	-	-	(212,319)	3,114	-
Transfer to other funds	-	-	-	-	(60,000)	(60,000)	-
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>1,145,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,193,176)</u>	<u>(47,250)</u>	<u>124,049</u>
Cash flows from capital and related financing activities:							
Capital grants received	-	-	14,305	98,546	24,933	137,784	-
Acquisition and construction of capital assets	(348,785)	(12,078)	(345,640)	(416,080)	-	(1,122,583)	(332,183)
Proceeds from sale of capital assets	21,740	-	800	1,768	-	24,308	107,564
Principal payments on long-term debt	-	-	(34,575)	(290,425)	-	(325,000)	-
Interest paid on long-term debt	-	-	(19,851)	(166,454)	-	(186,305)	-
Net Cash Provided By (Used In) Capital And Related Financing Activities	<u>(327,045)</u>	<u>(12,078)</u>	<u>(384,961)</u>	<u>(772,645)</u>	<u>24,933</u>	<u>(1,471,796)</u>	<u>(224,619)</u>
Cash flows from investing activities:							
Investment income	49,753	-	2,108	2,392	-	54,253	-
Change in investments	(19,104)	-	(767)	(278)	-	(20,149)	-
Net Cash Provided By Investing Activities	<u>30,649</u>	<u>-</u>	<u>1,341</u>	<u>2,114</u>	<u>-</u>	<u>34,104</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	453,631	(52,648)	(522,404)	294,968	15,448	188,995	(51,952)
CASH AND CASH EQUIVALENTS, JULY 1	<u>2,688,424</u>	<u>333,829</u>	<u>1,993,180</u>	<u>681,374</u>	<u>146,846</u>	<u>5,843,653</u>	<u>388,686</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 3,142,055</u>	<u>281,181</u>	<u>1,470,776</u>	<u>976,342</u>	<u>162,294</u>	<u>6,032,648</u>	<u>336,734</u>

CITY OF LEBANON, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities					Total	Governmental
	Electric	Fiber Operations	Water	Sewer	Economic Development	Enterprise Funds	Internal
							Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	\$ (504,777)	(70,446)	(268,900)	877,499	876,667	910,043	14,651
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	49,403	29,876	107,571	167,863	307,024	661,737	15,248
(Increase) decrease in:							
Inventory	-	-	-	-	-	-	(18,377)
Deferred outflows - pension related	(192,902)	-	(106,878)	(138,393)	-	(438,173)	(171,622)
Increase (decrease) in:							
Due to others	12,344	-	-	-	-	12,344	-
Customer deposits payable	16,467	-	1,297	-	-	17,764	-
Net pension liability	230,059	-	129,735	164,058	-	523,852	209,913
Deferred inflows - pension related	(6,493)	-	(1,609)	(5,528)	-	(13,630)	(1,195)
Total Adjustments	<u>108,878</u>	<u>29,876</u>	<u>130,116</u>	<u>188,000</u>	<u>307,024</u>	<u>763,894</u>	<u>33,967</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (395,899)</u>	<u>(40,570)</u>	<u>(138,784)</u>	<u>1,065,499</u>	<u>1,183,691</u>	<u>1,673,937</u>	<u>48,618</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES							
Contributions of capital assets	\$ -	-	23,553	3,690	-	27,243	-

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF LEBANON, MISSOURI** (the City) was incorporated in 1877 and established a Mayor/City Council form of government. The City's major operations include general government administration, public safety, parks and recreation, planning and community development, airport, street maintenance, electric, water, and sewer.

The more significant accounting policies consistently applied by the City in the preparation of the accompanying financial statements are summarized below:

1. Reporting Entity

The financial statements of the City include the financial activities of the City and any component units, entities which are financially accountable to the City. The City does not currently have any component units.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position - modified cash basis and the statement of activities - modified cash basis) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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.

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

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus

In the government-wide statement of net position - modified cash basis and the statement of activities - modified cash basis, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

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

- All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position - modified cash basis and statement of activities - modified cash basis and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements and proprietary fund statements. 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 revenues 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.

If the City utilized the basis of accounting recognized as accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

would use the modified accrual basis of accounting while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide statements would be presented on the accrual basis of accounting.

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

Electric Fund -- This fund accounts for the City's electric utility services. The costs (expenses) of providing the services to the general public is financed primarily through user charges.

Water Fund -- This fund accounts for the City's water utility services. The costs (expenses) of providing the services to the general public is financed primarily through user charges.

Sewer Fund -- This fund accounts for the City's sewer utility services. The costs (expenses) of providing the services to the general public is financed primarily through user charges.

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

Additionally, the City reports the following fund types:

Internal Service Funds -- These funds are used to account for services provided to other departments or agencies of the City on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

4. Cash, Cash Equivalents, and Investments

The City maintains a cash money-market pool that is used by all funds except for certain restricted and special funds which have their own accounts. Interest income is allocated to each fund in proportion to each fund's ownership of the pool each month.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. Investments are carried at cost, which approximates fair value.

5. Inventories

Inventories in the Internal Service Fund and Airport Fund are valued at lower of cost or market (first-in, first-out) and the expense is recognized when inventory items are consumed in operations. Inventories consist of fuel and supplies.

6. Restricted Assets

Certain cash and investments are classified as restricted assets on the balance sheet because their use is limited for debt service.

7. Customer Deposits

The City collects a refundable deposit from customers prior to initiating metered utility service.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased and capitalized in the proprietary fund statements. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The City has chosen not to capitalize existing infrastructure before July 1, 2012, but will capitalize any future infrastructure that it acquires.

Capital assets are defined by the City as assets with an initial individual cost of \$1,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset or that significantly increase the efficiency of capacity or an asset are capitalized. Other costs, such as capital outlays incurred for repairs and maintenance, are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Assets	Years
Building and improvements	5 - 40
Machinery and equipment	3 - 20
Furniture and fixtures	5 - 40
Vehicles	3 - 10
Infrastructure	5 - 40

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows related to the pension and charges on refunding of long-term debt on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to the pension reported on the statement of net position.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

11. 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.

12. Property Taxes

The City's property taxes are levied September 1 based on the assessed valuation as of the previous January 1. Taxes are due upon receipt of billing and become delinquent after December 31. Taxes paid after December 31 are subject to penalties. Laclede County bills and collects the City's property taxes.

The assessed value at January 1, 2015 upon which the 2015 levy was based for real estate, personal property, and railroads and utilities taxes was \$145,974,590.

The City's tax rate was levied at 0.5204 per \$100 of assessed valuation which is used 50% for General Fund operations and 50% Parks and Recreation Fund operations.

13. Interfund Transactions

The City has the following types of transactions among funds:

Transfers -- Transfers of resources from a fund receiving revenue to the fund through which resources are to be expended are recorded as transfers. Such transfers are reported as other financing sources (uses).

Due To/From Other Funds -- Current portions of long-term interfund loans receivable/payable are considered "available spendable resources" and are reported as assets and liabilities of the appropriate funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Interfund Transactions (Continued)

Advance To/From Other Funds -- Long-term portions of interfund loans receivable/payable are reported as assets and liabilities of the appropriate funds.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

14. Fund Balance Policies

The fund balance amounts are reported in the following applicable categories listed from the most restrictive to the least restrictive:

Nonspendable -- The portion of fund balance that is not in a spendable form or is required to be maintained intact.

Restricted -- The portion of fund balance that is subject to external restrictions and constrained to specific purposes imposed by agreement, through constitutional provisions, or by enabling legislation.

Committed -- The portion of fund balance with constraints or limitations by formal action (ordinance) of the City Council, the highest level of decision-making authority.

Assigned -- The portion of fund balance that the City intends to use for a specific purpose as determined by the City Council. Intent can be expressed by the City Council in the form of a motion. Action by the City Council must occur prior to year-end.

Unassigned -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available, the City will spend the most restrictive amounts before the least restricted.

15. Use of Estimates

Financial statements prepared on the modified cash basis of accounting requires the City to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

16. 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

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Pensions (Continued)

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. LAGERS' investments are reported at fair value.

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation. As of June 30, 2016, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

2. Investments

As of June 30, 2016, the City had the following investments:

Investments	Fair Value	Maturities					Credit Risk
		No Maturity	Less Than One Year	1 - 5 Years	6 - 10 Years	More Than 10 Years	
Primary Government							
Money market funds	\$ 2,547,463	2,547,463	-	-	-	-	Not rated
Government securities:							
Federal Home Loan Bank	501,270	-	-	501,270	-	-	AAA
Federal Home Loan Mortgage Corporation	2,495,627	-	994,212	1,501,415	-	-	AAA
Federal National Mortgage Association	2,234,840	-	-	249,812	1,509,315	475,713	AAA
Total Investments	<u>\$ 7,779,200</u>	<u>2,547,463</u>	<u>994,212</u>	<u>2,252,497</u>	<u>1,509,315</u>	<u>475,713</u>	

Investment Policies

The City's formal investment policies are as follows:

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes credit risk by diversifying the portfolio to reduce potential losses on individual securities.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City minimizes concentration of credit risk by diversifying the investment portfolio.

Concentration of credit risk is required to be disclosed by the City for investments in any one issuer that represent 5% or more of total investments (investments issued by or explicitly guaranteed by the United States Government, investments in mutual funds, investments in external investment pools, and investments in other pooled investments are exempt). At June 30, 2016, the City had the following investment concentrations:

Investments	Fair Value	Percent Of Total Investments
Primary Government		
Money market funds	\$ 2,547,463	32.75 %
Federal Home Loan Bank	501,270	6.44
Federal Home Loan Mortgage Corporation	2,495,627	32.08
Federal National Mortgage Association	2,234,840	28.73

3. Fair Value Measurements

The City classifies its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The inputs and methodologies used for valuing investment securities are not necessarily an indication of the risk associated with investing in those securities.

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

3. Fair Value Measurements (Continued)

The City has the following recurring fair value level measurements:

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Primary Government				
Investments by fair value level:				
Money market funds	\$ 2,547,463	2,547,463	-	-
Government securities:				
Federal Home Loan Bank	501,270	-	501,270	-
Federal Home Loan				
Mortgage Corporation	2,495,627	-	2,495,627	-
Federal National Mortgage				
Association	2,234,840	-	2,234,840	-
Total	\$ 7,779,200	2,547,463	5,231,737	-

NOTE C - CAPITAL ASSETS

Capital asset activity for governmental activities was as follows:

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended June 30, 2016			Balance June 30 2016
	Balance June 30 2015	Increases	Decreases	
	Governmental Activities			
Capital assets not being depreciated:				
Land	\$ 120,000	150,441	-	270,441
Construction in progress	841,033	1,274,718	174,199	1,941,552
Total Capital Assets Not Being Depreciated	<u>961,033</u>	<u>1,425,159</u>	<u>174,199</u>	<u>2,211,993</u>
Capital assets being depreciated:				
Buildings	1,832,377	345,320	-	2,177,697
Improvements other than buildings	814,786	2,886	-	817,672
Vehicles	541,232	194,613	-	735,845
Infrastructure	1,434,844	548,567	-	1,983,411
Furniture and fixtures	15,980	11,132	-	27,112
Machinery and equipment	287,208	767,157	4,409	1,049,956
Total Capital Assets Being Depreciated	<u>4,926,427</u>	<u>1,869,675</u>	<u>4,409</u>	<u>6,791,693</u>
Less - Accumulated depreciation for:				
Buildings	53,804	89,425	-	143,229
Improvements other than buildings	40,491	40,884	-	81,375
Vehicles	190,830	94,078	-	284,908
Infrastructure	92,485	86,579	-	179,064
Furniture and fixtures	4,315	3,105	-	7,420
Machinery and equipment	89,204	117,334	1,764	204,774
Total Accumulated Depreciation	<u>471,129</u>	<u>431,405</u>	<u>1,764</u>	<u>900,770</u>
Total Capital Assets Being Depreciated, Net	<u>4,455,298</u>	<u>1,438,270</u>	<u>2,645</u>	<u>5,890,923</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,416,331</u>	<u>2,863,429</u>	<u>176,844</u>	<u>8,102,916</u>

The beginning balance for governmental activities capital assets was increased \$417,300 to reflect a prior period adjustment for assets that were purchased in prior years. The City only began capitalizing their assets three years ago and they plan to add some assets that were previously purchased each year. Depreciation expense was charged to functions/programs of the governmental activities as follows:

	For The Year Ended June 30 2016
Governmental Activities	
General government	\$ 21,315
Public safety	98,226
Parks and recreation	155,937
Transportation	151,406
Economic development	4,521
Total	<u>\$ 431,405</u>

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities was as follows:

	For The Year Ended June 30, 2016			Balance June 30 2016
	Balance June 30 2015	Increases	Decreases	
Business-type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 451,632	187,713	161,404	477,941
Capital assets being depreciated:				
Buildings	12,197,942	-	-	12,197,942
Improvements other than buildings	19,473	-	-	19,473
Vehicles	401,973	395,207	-	797,180
Infrastructure	5,428,187	583,359	23,621	5,987,925
Machinery and equipment	550,892	147,360	1,208	697,044
Total Capital Assets Being Depreciated	<u>18,598,467</u>	<u>1,125,926</u>	<u>24,829</u>	<u>19,699,564</u>
Less - Accumulated depreciation for:				
Buildings	2,063,819	307,385	-	2,371,204
Improvements other than buildings	1,947	974	-	2,921
Vehicles	52,097	68,469	-	120,566
Infrastructure	370,247	180,225	787	549,685
Machinery and equipment	104,542	84,710	489	188,763
Total Accumulated Depreciation	<u>2,592,652</u>	<u>641,763</u>	<u>1,276</u>	<u>3,233,139</u>
Total Capital Assets Being Depreciated, Net	<u>16,005,815</u>	<u>484,163</u>	<u>23,553</u>	<u>16,466,425</u>
Business-type Activities Capital Assets, Net	<u>\$ 16,457,447</u>	<u>671,876</u>	<u>184,957</u>	<u>16,944,366</u>

The beginning balance for business-type activities capital assets was increased \$11,664,907 to reflect a prior period adjustment for assets that were purchased in prior years. The City only began capitalizing their assets three years ago and they plan to add some assets that were previously purchased each year. Depreciation expense was charged to functions/programs of the business-type activities as follows:

	For The Year Ended June 30 2016
Business-type Activities	
Electric	\$ 49,403
Fiber operations	29,876
Sewer	167,863
Water	87,597
Economic development	307,024
Total	<u>\$ 641,763</u>

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - 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.

NOTE E - LONG-TERM DEBT

A summary of changes in long-term debt is as follows:

	For The Year Ended June 30, 2016			Balance June 30 2016	Amounts Due Within One Year
	Balance June 30 2015	Additions	Reductions		
Governmental Activities					
Certificates of participation	\$ 3,010,000	-	1,135,000	1,875,000	1,150,000
Business-type Activities					
Certificates of participation	\$ 3,755,000	-	325,000	3,430,000	335,000

Governmental Activities

2014 Certificates of Participation

In March 2014, the City issued \$4,135,000 in certificates of participation to refund the Series 2008 certificates of participation. The debt is funded out of capital improvement sales tax revenues. The certificates are due in varying amounts through May 1, 2018 with interest rates ranging from 0.600% to 1.450%.

The annual debt service requirements are as follows:

For The Years Ending June 30	Governmental Activities Certificates Of Participation		
	Principal	Interest	Total
2017	\$ 1,150,000	23,450	1,173,450
2018	725,000	10,513	735,513
Total	\$ 1,875,000	33,963	1,908,963

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM DEBT (Continued)

Business-Type Activities

2010 Certificates of Participation

In October 2010, the City issued \$5,140,000 in certificates of participation (Series 2010 A and B) to fund certain improvements to the City’s sewer treatment plant and the City’s waterworks system. The debt is funded out of water and sewer user fees. The certificates are due in varying amounts through May 1, 2025 with interest rates ranging from 0.875% to 5.625%. The Series 2010B were issued through the Build America Bonds program that provides 35% in federal subsidies on the total interest requirements. The subsidy is paid to the City on a semi-annual basis corresponding with the interest payments dates.

The annual debt service requirements are as follows:

For The Years Ending June 30	Business-type Activities Certificates Of Participation		
	Principal	Interest	Total
2017	\$ 335,000	169,305	504,305
2018	345,000	159,925	504,925
2019	355,000	144,400	499,400
2020	365,000	127,538	492,538
2021	380,000	109,288	489,288
2022 - 2025	1,650,000	231,187	1,881,187
Total	\$ 3,430,000	941,643	4,371,643

NOTE F - PENSION PLAN

Plan Description

The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City participates in the LAGERS. LAGERS is an agent multiple-employer, state-wide 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.

NOTE F - PENSION PLAN (Continued)

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the City, 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.

2016 Valuation

Benefit multiplier	1.5% for life
Final average salary	5 years
Member contributions	Noncontributory for employees

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.

Employees Covered By Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	102
Inactive employees entitled to but not yet receiving benefits	56
Active employees	<u>139</u>
Total	<u>297</u>

Contributions

The City 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 do not contribute to the pension plan. The City contribution rates are 13.2% (General), 14.1% (Police) and 8.7% (Fire) of annual covered payroll.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.25% wage inflation, 2.5% price inflation
Salary increase	3.25% to 7.15% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses

The healthy retiree mortality tables for post-retirement mortality were RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The new assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate Of Return</u>
Equity	43.00 %	5.00 %
Fixed income	26.00	3.00
Real assets	21.00	3.25
Strategic assets	10.00	5.60

Discount Rate

The discount rate used to measure the total pension asset 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 rate 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

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - PENSION PLAN (Continued)

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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2015	\$ 19,095,151	18,141,965	953,186
Changes for the year:			
Service cost	476,033	-	476,033
Interest	1,372,505	-	1,372,505
Difference between expected and actual experience	(389,970)	-	(389,970)
Contributions - employer	-	697,196	(697,196)
Net investment income	-	(21,201)	21,201
Changes of assumptions	816,527	-	816,527
Benefit payments, including refunds	(809,971)	(809,971)	-
Administrative expense	-	(24,227)	24,227
Other	-	100,036	(100,036)
Net Changes	<u>1,465,124</u>	<u>(58,167)</u>	<u>1,523,291</u>
Balances at June 30, 2016	<u>\$ 20,560,275</u>	<u>18,083,798</u>	<u>2,476,477</u>

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% point lower (6.25%) or 1% point higher (8.25%) than the current rate.

	Current Single Discount		
	1% Decrease	Rate Assumption	1% Increase
Net pension liability	\$ 5,577,890	2,476,477	(67,799)

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

For the year ended June 30, 2016, the City recognized pension expense of \$907,396. The reported deferred outflows and inflows of resources related to the following sources:

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - PENSION PLAN (Continued)

	Outflows	Inflows	Net Outflows
Difference in experience	\$ -	(661,421)	(661,421)
Changes of assumptions	670,575	-	670,575
Excess (deficit) investment returns	1,637,725	-	1,637,725
Total	\$ 2,308,300	(661,421)	1,646,879

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

For The Years Ending June 30			
2017		\$	448,642
2018			448,642
2019			448,640
2020			277,934
2021			26,439
Thereafter			(3,418)
		\$	1,646,879

NOTE G - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

The City offers its employees a deferred compensation plan under IRS Code Section 457. Participation is on a voluntary payroll deduction basis. 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. In accordance with the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets and liabilities of the deferred compensation plan are not included in the City's basic financial statements.

NOTE H - DEFICIT BALANCES

At June 30, 2016, the Airport Fund's accumulated deficit of \$263,157 and the Service Fund's accumulated deficit of \$74,124 are the result of expenditures which exceeded revenues in 2016 plus prior years. The accumulated deficits will be offset by future revenues received by the funds.

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE I - INTERFUND TRANSACTIONS

Interfund transfers are as follows:

Transfers In	Transfers Out	For The Year Ended June 30 2016
Airport Fund	General Fund	\$ 30,000
Tourism Fund	Economic Development Fund	60,000
Total		\$ 90,000

Interfund transfers were used to: 1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance other funds in accordance with budgetary authorization, or 3) move revenues in excess of current year expenditures to other funds.

NOTE J - INTERFUND ASSETS/LIABILITIES

Individual interfund assets and liabilities balances are as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	June 30 2016
Electric Fund	Economic Development Fund	\$ 240,723
Electric Fund	Economic Development Fund	315,990
Electric Fund	Airport Fund	10,129
General Fund	Airport Fund	239,657
General Fund	Service Fund	136,096
Total		\$ 942,595

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2017.

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE J - INTERFUND ASSETS/LIABILITIES (Continued)

Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30 2016</u>
Electric Fund	Economic Development Fund	\$ 3,187,056
Electric Fund	Airport Fund	46,894
Total		\$ 3,233,950

To improve cash flow and minimize financing fees, the City has loaned money between funds for capital projects. The City charges a 5% interest rate on each loan and loans are to be paid in monthly installments. The amount due within one year is included in the due to/from balances and the long-term portion is included in the advances from/to other funds. At June 30, 2016, the interfund loans were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30 2016</u>	<u>Project</u>	<u>Maturity</u>
Electric Fund	Economic Development Fund	\$ 240,723	Copeland Building	10/01/16
Electric Fund	Airport Fund	57,023	Hangers	06/15/21
Electric Fund	Economic Development Fund	2,733,534	Detroit Tool Building	11/15/24
Electric Fund	Economic Development Fund	769,512	Detroit Tool Building	06/01/28
Total		\$ 3,800,792		

The annual payment requirements are as follows:

<u>For The Years Ending June 30</u>	<u>Interfund Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 566,842	173,278	740,120
2018	342,803	153,912	496,715
2019	360,342	136,374	496,716
2020	378,778	117,938	496,716
2021	399,081	98,559	497,640
2022 - 2026	1,590,719	198,056	1,788,775
2027 - 2028	162,227	8,584	170,811
Total	\$ 3,800,792	886,701	4,687,493

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE K - OPERATING LEASES

The City owns various properties that are leased to businesses. The City currently has two such leases in the Economic Development Fund. The leases expire on December 31, 2020 and January 31, 2021. The properties have a capitalized cost of \$11,811,144 and accumulated depreciation of \$2,343,635 at June 30, 2016. The rent income for these leases for the year ended June 30, 2016 amounted to \$1,314,794. The future minimum lease income is as follows:

**For The
Years Ending
June 30**

2017	\$ 1,081,135
2018	1,179,419
2019	1,179,420
2020	1,179,419
2021	<u>636,154</u>
Total	<u><u>\$ 5,255,547</u></u>

NOTE L - 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 includes amounts required to fund MoPEP capital and/or operating reserves as may be established from time to time by the Pool Committee.

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

NOTE L - LONG-TERM CONTRACTS (Continued)

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: 1) power purchased under long-term firm energy contracts, unit-contingent energy contracts and interruptible contracts, 2) MJMEUC owned generation, 3) member capacity; and 4) 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.

NOTE M - 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, 2016, \$167,147 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; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims resulting in these risks have not exceeded coverage in the past three years.

NOTE N - RESTRICTED NET POSITION

The government-wide statements of net position reports \$4,747,696 of restricted net position, of which \$4,489,867 is restricted by enabling legislation.

CITY OF LEBANON, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE O - RESTATEMENT OF NET POSITION

The previously stated net position has been adjusted as follows:

	<u>Total</u>	<u>Internal Service Funds</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Community</u> <u>Development</u>	<u>Service</u> <u>Fund</u>
Net position, June 30, 2015, as previously reported	\$ 8,725,306	99,614	(42,128)
Restatement for:			
GASB 68 allocation	1,588	(2,813)	13,205
Capital assets	452,000	-	-
Accumulated depreciation	(34,700)	-	-
	<u>418,888</u>	<u>(2,813)</u>	<u>13,205</u>
Net Position, June 30, 2015, As Restated	<u>\$ 9,144,194</u>	<u>96,801</u>	<u>(28,923)</u>

	<u>Business-type Activities</u>				
	<u>Electric</u>	<u>Water</u>	<u>Meter</u> <u>Deposits</u>	<u>Sewer</u>	<u>Economic</u> <u>Development</u>
Net position, June 30, 2015, as previously reported	\$ 14,132,413	3,462,504	(1,557)	(1,145,799)	(2,395,548)
Restatement for:					
Meter deposits	(778)	(779)	1,557	-	-
Customer service territory	-	(436,467)	-	-	-
Equity interest in joint venture	(550,000)	-	-	-	-
GASB 68 allocation	(4,033)	3,288	-	(844)	-
Capital assets	-	-	-	3,956,228	10,008,691
Accumulated depreciation	-	-	-	(296,717)	(2,003,295)
	<u>(554,811)</u>	<u>(433,958)</u>	<u>1,557</u>	<u>3,658,667</u>	<u>8,005,396</u>
Net Position, June 30, 2015, As Restated	<u>\$ 13,577,602</u>	<u>3,028,546</u>	<u>-</u>	<u>2,512,868</u>	<u>5,609,848</u>

NOTE P - FUTURE ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) has issued statements not yet implemented by the City. The Statements which might impact the City are as follows:

- GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:
 - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients,
 - The gross dollar amount of taxes abated during the period, and
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This Statement is effective for financial statements for periods beginning after December 15, 2015.

Management has not yet determined the effect, if any, this Statement will have in the City's future financial statements.

SUPPLEMENTAL INFORMATION SECTION

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDI-
TURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
MODIFIED CASH BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
REVENUES				
Sales tax	\$ 3,190,000	3,630,000	3,629,776	(224)
Property tax	555,000	555,000	560,308	5,308
Franchise fees	648,900	648,900	636,358	(12,542)
PILOTS	1,393,150	1,393,150	1,222,754	(170,396)
Other taxes	58,000	58,000	60,999	2,999
Intergovernmental	52,000	52,000	56,798	4,798
Licenses and permits	50,000	50,000	52,618	2,618
Fines and forfeitures	267,000	267,000	191,297	(75,703)
Charges for services	271,700	271,700	274,826	3,126
Investment income	7,500	7,500	6,646	(854)
Other	78,100	78,100	90,279	12,179
Total Revenues	<u>6,571,350</u>	<u>7,011,350</u>	<u>6,782,659</u>	<u>(228,691)</u>
EXPENDITURES				
Current:				
General government	1,992,346	1,897,801	1,733,062	(164,739)
Public safety	4,144,532	4,146,027	3,692,708	(453,319)
Parks and recreation	566,064	552,969	490,373	(62,596)
Economic development	27,750	27,750	18,993	(8,757)
Capital outlay	237,700	343,845	198,650	(145,195)
Total Expenditures	<u>6,968,392</u>	<u>6,968,392</u>	<u>6,133,786</u>	<u>(834,606)</u>
REVENUES OVER (UNDER) EXPEN-	<u>(397,042)</u>	<u>42,958</u>	<u>648,873</u>	<u>605,915</u>
DITURES				
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	3,205	3,205
Transfers out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(26,795)</u>	<u>3,205</u>
NET CHANGE IN FUND BALANCE	<u>\$ (427,042)</u>	<u>12,958</u>	622,078	<u>609,120</u>
FUND BALANCE, JULY 1			1,904,199	
FUND BALANCE, JUNE 30			<u>\$ 2,526,277</u>	

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDI-
TURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
MODIFIED CASH BASIS - STREET FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Over
	Original	Final		(Under)
				Budget
REVENUES				
Sales tax	\$ 1,600,000	1,600,000	1,757,811	157,811
Other taxes	560,000	560,000	569,678	9,678
Intergovernmental	738,512	738,512	151,997	(586,515)
Other	-	-	1,063	1,063
Total Revenues	<u>2,898,512</u>	<u>2,898,512</u>	<u>2,480,549</u>	<u>(417,963)</u>
EXPENDITURES				
Current:				
Transportation	1,552,834	1,552,834	1,296,752	(256,082)
Capital outlay	1,929,459	1,857,259	1,086,430	(770,829)
Total Expenditures	<u>3,482,293</u>	<u>3,410,093</u>	<u>2,383,182</u>	<u>(1,026,911)</u>
REVENUES OVER (UNDER) EXPEN-	(583,781)	(511,581)	97,367	608,948
DITURES				
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	18,100	18,100
NET CHANGE IN FUND BALANCE	<u>\$ (583,781)</u>	<u>(511,581)</u>	115,467	<u>627,048</u>
FUND BALANCE, JULY 1			<u>1,220,270</u>	
FUND BALANCE, JUNE 30			<u>\$ 1,335,737</u>	

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDI-
TURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
MODIFIED CASH BASIS - CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Sales tax	\$ 1,580,000	1,580,000	1,757,292	177,292
Investment income	10,000	10,000	-	(10,000)
Total Revenues	<u>1,590,000</u>	<u>1,590,000</u>	<u>1,757,292</u>	<u>167,292</u>
EXPENDITURES				
Capital outlay	895,000	842,005	584,032	(257,973)
Debt service:				
Principal	1,135,000	1,135,000	1,135,000	-
Interest	34,030	34,035	34,030	(5)
Total Expenditures	<u>2,064,030</u>	<u>2,011,040</u>	<u>1,753,062</u>	<u>(257,978)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (474,030)</u></u>	<u><u>(421,040)</u></u>	4,230	<u><u>425,270</u></u>
FUND BALANCE, JULY 1			<u>972,816</u>	
FUND BALANCE, JUNE 30			<u><u>\$ 977,046</u></u>	

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - COMBINING BALANCE SHEET -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	Parks And Recreation	Tourism	Airport	Downtown Business District	Totals	
					2016	2015
ASSETS						
Cash and cash equivalents	\$ 2,047,981	110,219	-	18,884	2,177,084	41,710
Inventory	-	-	34,449	-	34,449	40,513
	<u>-</u>	<u>-</u>	<u>34,449</u>	<u>-</u>	<u>34,449</u>	<u>40,513</u>
Total Assets	<u>\$ 2,047,981</u>	<u>110,219</u>	<u>34,449</u>	<u>18,884</u>	<u>2,211,533</u>	<u>82,223</u>
LIABILITIES						
Due to others	\$ -	-	926	-	926	556
Due to other funds	-	-	249,786	-	249,786	66,659
Advance from other funds	-	-	46,894	-	46,894	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>297,606</u>	<u>-</u>	<u>297,606</u>	<u>67,215</u>
FUND BALANCES (DEFICIT)						
Nonspendable:						
Inventory	-	-	34,449	-	34,449	-
Restricted for:						
Parks and recreation	2,047,981	-	-	-	2,047,981	-
Transportation	-	110,219	-	-	110,219	85,795
Economic development	-	-	-	18,884	18,884	33,036
Unassigned	-	-	(297,606)	-	(297,606)	(103,823)
Total Fund Balances (Deficit)	<u>2,047,981</u>	<u>110,219</u>	<u>(263,157)</u>	<u>18,884</u>	<u>1,913,927</u>	<u>15,008</u>
Total Liabilities And Fund Balances	<u>\$ 2,047,981</u>	<u>110,219</u>	<u>34,449</u>	<u>18,884</u>	<u>2,211,533</u>	<u>82,223</u>

Note: The June 30, 2016 totals include the Parks and Recreation Fund, which was a major for the June 30, 2015 fiscal year-end.

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Parks And Recreation</u>	<u>Tourism</u>	<u>Airport</u>	<u>Downtown Business District</u>	<u>Totals</u>	
					<u>2016</u>	<u>2015</u>
REVENUES						
Sales tax	\$ -	128,012	-	-	128,012	124,361
Property tax	560,308	-	-	28,033	588,341	28,912
Intergovernmental	-	24,050	60,285	-	84,335	374,723
Charges for services	61,711	-	239,975	7,803	309,489	180,530
Other	197	-	210	1,000	1,407	1,000
Total Revenues	<u>622,216</u>	<u>152,062</u>	<u>300,470</u>	<u>36,836</u>	<u>1,111,584</u>	<u>709,526</u>
EXPENDITURES						
Current:						
Parks and recreation	495,728	-	-	-	495,728	-
Transportation	-	187,638	300,898	-	488,536	749,209
Economic development	-	-	-	36,713	36,713	15,222
Capital outlay	564,996	-	187,942	14,275	767,213	-
Debt service:						
Interest	-	-	3,114	-	3,114	-
Total Expenditures	<u>1,060,724</u>	<u>187,638</u>	<u>491,954</u>	<u>50,988</u>	<u>1,791,304</u>	<u>764,431</u>
REVENUES UNDER EXPENDITURES	<u>(438,508)</u>	<u>(35,576)</u>	<u>(191,484)</u>	<u>(14,152)</u>	<u>(679,720)</u>	<u>(54,905)</u>
OTHER FINANCING SOURCES						
Sale of capital assets	1,200	-	2,150	-	3,350	-
Transfers in	-	60,000	30,000	-	90,000	89,126
Total Other Financing Sources	<u>1,200</u>	<u>60,000</u>	<u>32,150</u>	<u>-</u>	<u>93,350</u>	<u>89,126</u>
NET CHANGE IN FUND BALANCES	<u>(437,308)</u>	<u>24,424</u>	<u>(159,334)</u>	<u>(14,152)</u>	<u>(586,370)</u>	<u>34,221</u>
FUND BALANCES (DEFICIT), JULY 1	<u>2,485,289</u>	<u>85,795</u>	<u>(103,823)</u>	<u>33,036</u>	<u>2,500,297</u>	<u>(19,213)</u>
FUND BALANCES (DEFICIT), JUNE 30	<u>\$ 2,047,981</u>	<u>110,219</u>	<u>(263,157)</u>	<u>18,884</u>	<u>1,913,927</u>	<u>15,008</u>

Note: The June 30, 2016 totals include the Parks and Recreation Fund, which was a major for the June 30, 2015 fiscal year-end.

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDI-
TURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
MODIFIED CASH BASIS - PARKS AND RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Property tax	\$ 550,000	558,000	560,308	2,308
Charges for services	66,750	66,750	61,711	(5,039)
Other	1,000	1,000	197	(803)
Total Revenues	<u>617,750</u>	<u>625,750</u>	<u>622,216</u>	<u>(3,534)</u>
EXPENDITURES				
Current:				
Parks and recreation	621,045	533,215	495,728	(37,487)
Capital outlay	496,800	593,830	564,996	(28,834)
Total Expenditures	<u>1,117,845</u>	<u>1,127,045</u>	<u>1,060,724</u>	<u>(66,321)</u>
REVENUES UNDER EXPENDITURES	(500,095)	(501,295)	(438,508)	62,787
OTHER FINANCING SOURCES				
Sale of capital assets	-	1,200	1,200	-
NET CHANGE IN FUND BALANCE	<u><u>\$ (500,095)</u></u>	<u><u>(500,095)</u></u>	<u><u>(437,308)</u></u>	<u><u>62,787</u></u>
FUND BALANCE, JULY 1			<u>2,485,289</u>	
FUND BALANCE, JUNE 30			<u><u>\$ 2,047,981</u></u>	

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDI-
TURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
MODIFIED CASH BASIS - TOURISM FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Sales tax	\$ 115,000	115,000	128,012	13,012
Intergovernmental	32,000	32,000	24,050	(7,950)
Total Revenues	<u>147,000</u>	<u>147,000</u>	<u>152,062</u>	<u>5,062</u>
EXPENDITURES				
Current:				
Transportation	<u>204,057</u>	<u>204,057</u>	<u>187,638</u>	<u>(16,419)</u>
REVENUES UNDER EXPENDITURES	(57,057)	(57,057)	(35,576)	21,481
OTHER FINANCING SOURCES				
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 2,943</u>	<u>2,943</u>	24,424	<u>21,481</u>
FUND BALANCE, JULY 1			<u>85,795</u>	
FUND BALANCE, JUNE 30			<u>\$ 110,219</u>	

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDI-
TURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
MODIFIED CASH BASIS - AIRPORT FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	Budget
REVENUES				
Intergovernmental	\$ 595,468	595,468	60,285	(535,183)
Charges for services	343,406	343,406	239,975	(103,431)
Other	-	-	210	210
Total Revenues	938,874	938,874	300,470	(638,404)
EXPENDITURES				
Current:				
Transportation	384,735	370,300	300,898	(69,402)
Capital outlay	661,631	656,066	187,942	(468,124)
Debt service:				
Interest	12,750	12,750	3,114	(9,636)
Total Expenditures	1,059,116	1,039,116	491,954	(547,162)
REVENUES UNDER EXPENDITURES	(120,242)	(100,242)	(191,484)	(91,242)
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	2,150	2,150
Transfers in	30,000	30,000	30,000	-
Total Other Financing Sources	30,000	30,000	32,150	2,150
NET CHANGE IN FUND BALANCE	\$ (90,242)	(70,242)	(159,334)	(89,092)
FUND BALANCE (DEFICIT), JULY 1			(103,823)	
FUND BALANCE (DEFICIT), JUNE 30			\$ (263,157)	

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDI-
TURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
MODIFIED CASH BASIS - DOWNTOWN BUSINESS DISTRICT FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$ 27,000	30,600	28,033	(2,567)
Intergovernmental	4,140	4,140	-	(4,140)
Charges for services	5,400	7,800	7,803	3
Other	1,000	1,000	1,000	-
Total Revenues	<u>37,540</u>	<u>43,540</u>	<u>36,836</u>	<u>(6,704)</u>
EXPENDITURES				
Current:				
Economic development	14,942	39,932	36,713	(3,219)
Capital outlay	16,900	14,275	14,275	-
Total Expenditures	<u>31,842</u>	<u>54,207</u>	<u>50,988</u>	<u>(3,219)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 5,698</u>	<u>(10,667)</u>	(14,152)	<u>(3,485)</u>
FUND BALANCE, JULY 1			<u>33,036</u>	
FUND BALANCE, JUNE 30			<u>\$ 18,884</u>	

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF NET POSITION -
MODIFIED CASH BASIS - INTERNAL SERVICE FUNDS
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	<u>Community Development</u>	<u>Employee Benefits</u>	<u>Service Fund</u>	<u>Totals</u>	
				<u>2016</u>	<u>2015</u>
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 169,587	167,147	-	336,734	376,639
Inventory	-	-	30,424	30,424	12,047
Total Current Assets	<u>169,587</u>	<u>167,147</u>	<u>30,424</u>	<u>367,158</u>	<u>388,686</u>
Noncurrent Assets					
Capital assets:					
Land and construction in progress	228,483	-	-	228,483	99,969
Other capital assets, net of accumulated depreciation	-	-	135,535	135,535	48,708
Total Capital Assets	<u>228,483</u>	<u>-</u>	<u>135,535</u>	<u>364,018</u>	<u>148,677</u>
Total Assets	<u>398,070</u>	<u>167,147</u>	<u>165,959</u>	<u>731,176</u>	<u>537,363</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts related to pensions	<u>86,141</u>	<u>-</u>	<u>156,334</u>	<u>242,475</u>	<u>76,783</u>
LIABILITIES					
Current Liabilities					
Due to other funds	-	-	136,096	136,096	-
Noncurrent Liabilities					
Net pension liability	<u>125,979</u>	<u>-</u>	<u>228,634</u>	<u>354,613</u>	<u>156,809</u>
Total Liabilities	<u>125,979</u>	<u>-</u>	<u>364,730</u>	<u>490,709</u>	<u>156,809</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts related to pensions	<u>17,460</u>	<u>-</u>	<u>31,687</u>	<u>49,147</u>	<u>54,555</u>
NET POSITION					
Net investment in capital assets	228,483	-	135,535	364,018	148,677
Unrestricted	<u>112,289</u>	<u>167,147</u>	<u>(209,659)</u>	<u>69,777</u>	<u>254,105</u>
Total Net Position	<u>\$ 340,772</u>	<u>167,147</u>	<u>(74,124)</u>	<u>433,795</u>	<u>402,782</u>

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Community Development</u>	<u>Employee Benefits</u>	<u>Service Fund</u>	<u>Totals</u>	
				<u>2016</u>	<u>2015</u>
OPERATING REVENUES					
Charges for services:					
Internal	\$ 343,382	2,518,461	782,841	3,644,684	3,264,518
Subdivision revenue	359,580	-	-	359,580	111,194
Other	-	-	366	366	-
Total Operating Revenues	<u>702,962</u>	<u>2,518,461</u>	<u>783,207</u>	<u>4,004,630</u>	<u>3,375,712</u>
OPERATING EXPENSES					
Personnel costs	316,325	2,696,610	691,894	3,704,829	2,423,460
Operations and maintenance	142,776	-	127,126	269,902	739,987
Depreciation	-	-	15,248	15,248	6,488
Total Operating Expenses	<u>459,101</u>	<u>2,696,610</u>	<u>834,268</u>	<u>3,989,979</u>	<u>3,169,935</u>
OPERATING INCOME (LOSS)	243,861	(178,149)	(51,061)	14,651	205,777
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets	110	-	5,860	5,970	-
CHANGE IN NET POSITION	243,971	(178,149)	(45,201)	20,621	205,777
NET POSITION, JULY 1, AS RESTATED	<u>96,801</u>	<u>345,296</u>	<u>(28,923)</u>	<u>413,174</u>	<u>197,005</u>
NET POSITION, JUNE 30	<u>\$ 340,772</u>	<u>167,147</u>	<u>(74,124)</u>	<u>433,795</u>	<u>402,782</u>

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF CASH FLOWS -
MODIFIED CASH BASIS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Community Development	Employee Benefits	Service Fund	Total
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash flows from operating activities:				
Receipts from customers and users	\$ 359,580	-	-	359,580
Receipts from interfund charges	343,382	2,518,461	782,841	3,644,684
Payments to suppliers	(142,776)	-	(145,503)	(288,279)
Payments to employees for salaries and benefits	(305,585)	(2,696,610)	(665,538)	(3,667,733)
Other receipts	-	-	366	366
Net Cash Provided By (Used In) Operating Activities	<u>254,601</u>	<u>(178,149)</u>	<u>(27,834)</u>	<u>48,618</u>
Cash flows from noncapital financing activities:				
Due to other funds	-	-	124,049	124,049
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(230,108)	-	(102,075)	(332,183)
Proceeds from sale of capital assets	101,704	-	5,860	107,564
Net Cash Provided By (Used In) Capital And Related Financing Activities	<u>(128,404)</u>	<u>-</u>	<u>(96,215)</u>	<u>(224,619)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,197	(178,149)	-	(51,952)
CASH AND CASH EQUIVALENTS, JULY 1	<u>43,390</u>	<u>345,296</u>	<u>-</u>	<u>388,686</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 169,587</u>	<u>167,147</u>	<u>-</u>	<u>336,734</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 243,861	(178,149)	(51,061)	14,651
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	15,248	15,248
(Increase) decrease in:				
Inventory	-	-	(18,377)	(18,377)
Deferred outflows - pension related	(59,579)	-	(112,043)	(171,622)
Increase (decrease) in:				
Net pension liability	71,732	-	138,181	209,913
Deferred inflows - pension related	(1,413)	-	218	(1,195)
Total Adjustments	<u>10,740</u>	<u>-</u>	<u>23,227</u>	<u>33,967</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 254,601</u>	<u>(178,149)</u>	<u>(27,834)</u>	<u>48,618</u>

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - NOTES TO SCHEDULES OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

Budgetary Data

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

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.

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF CHANGES
IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30

	2016	2015
Total Pension Liability		
Service cost	\$ 476,033	487,493
Interest on the total pension liability	1,372,505	1,334,980
Difference between expected and actual experience	(389,970)	(514,580)
Changes of assumptions	816,527	-
Benefit payments, including refunds	(809,971)	(760,255)
Net Change In Total Pension Liability	1,465,124	547,638
Total Pension Liability Beginning	19,095,151	18,547,513
Total Pension Liability (a)	\$ 20,560,275	19,095,151
Plan Fiduciary Net Position		
Contributions - employer	\$ 697,196	700,379
Pension plan net investment income	(21,201)	345,385
Benefit payments, including refunds	(809,971)	(760,255)
Administrative expense	(24,227)	(26,283)
Other	100,036	(34,231)
Net Change In Plan Fiduciary Net Position	(58,167)	224,995
Plan Fiduciary Net Position Beginning	18,141,965	17,916,970
Plan Fiduciary Net Position Ending (b)	\$ 18,083,798	18,141,965
Net Pension Liability (a-b)	\$ 2,476,477	953,186
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.96 %	95.01
Covered Employee Payroll	\$ 5,281,969	4,405,930
Net Pension Liability as a Percentage of Covered Employee Payroll	46.89 %	21.63

Note: Information is not available for fiscal years prior to 2015.

CITY OF LEBANON, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	For The Years Ended June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined pension contribution	\$ 697,227	703,834	741,081	756,869	740,700	496,554	566,744	597,825	630,175	504,097
Contributions in relation to the actuarially determined contribution	697,227	700,535	734,473	734,691	719,627	435,348	566,718	597,825	630,174	504,096
Contribution Deficiency	\$ -	3,299	6,608	22,178	21,073	61,206	26	-	1	1
Covered Employee Payroll	\$ 5,415,542	5,385,555	5,511,006	5,441,024	5,512,325	3,611,203	5,146,687	5,094,754	5,411,063	4,142,619
Contributions as a Percentage of Covered Employee Payroll	12.87 %	13.01	13.33	13.50	13.05	12.06	11.01	11.73	11.65	12.17

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of February 29, 2016 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

<ul style="list-style-type: none"> Actuarial cost method Amortization method Remaining amortization period Asset valuation method Inflation Salary increases Investment rate of return Retirement age Mortality 	<ul style="list-style-type: none"> Entry Age Normal and modified terminal funding Level percent of payroll, closed Multiple bases from 13 to 20 years 5 years smoothed market; 20% corridor 3.25% wage inflation; 2.5% price inflation 3.25% to 7.15% including wage inflation 7.25%, net of investment and administrative expenses Experience-based table of rates that are specific to the type of eligibility condition The healthy retiree mortality tables for post-retirement mortality were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
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Other information:

There were no benefit changes during the year.
 New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.