



## **CITY OF LEBANON, MISSOURI**

### **FINANCIAL REPORT** (Audited)

Year Ended June 30, 2019

# 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 5, 2019

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, 2019, 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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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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, 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.

## **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 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.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 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 mat-

ters. 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.

*Hochschild, Bloom & Company LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**

*Chesterfield, Missouri*

## **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, 2019. 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 2019 Fiscal Year the City continued to see an increase in economic development activity, including expansions in several manufacturing facilities. New commercial and retail developments opened their doors and are anticipated to increase tax revenues in the coming year. In addition, the City continues to show recovery in the housing market as the construction of custom homes and multi-family developments are gradually increasing.

During the 2019 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 2019 Fiscal Year was approximately \$5.3 million. Major capital asset investments occurring in the 2019 Fiscal Year included the following:

- The Park Fund (79) saw multiple projects this year. Improvements to Atchley Park included installation of a sprinkler system for the infield and outfield of field 2 for a total of \$18,750. Gasconade Park saw improvements for a total of \$67,388 including construction of a new covered shelter, picnic tables, and playground equipment.
- At the Cowan Civic Center, a new LED Display Billboard sign was installed to provide unified signage and allow visitors to easily navigate the facility, totaling \$49,300. An additional LED sign, totaling \$21,850 was also installed at the Ag Arena to inform the citizens of future events. Funding came from the Capital Improvement Fund (22).
- The Electric Fund (80) saw improvements to the electrical system this year that included \$211,235 for electric line extension and replacing conductors to increase capacity limits, \$69,800 for replacement of 69kv steel poles and \$28,000 for the LED streetlight replacements.
- Capital purchases made from the Wastewater fund (85) include improvements to Goodwin Hollow Watershed, a multi-year funding project, that consisted of lining the pipes and manholes and creating a new design standard at a cost of \$783,546. Marathon lift station received a new pump and motor totaling \$23,370. Sewer line extensions totaling \$18,842 were installed on Oak and Catlin Street to provide city wastewater services to additional city residents. PVC sewer line was installed at Emerald Gate eliminating the need for the existing lift station at a cost of \$15,191.
- Capital purchases made from the Water Fund (87) include \$14,261 to modify the location of the water line at the Stave Mill. The modifications to the Glencastle Tower were completed in fiscal year 2019 at a cost of \$63,625.
- The airport invested \$44,327 towards the airport terminal remodel from the Airport Fund (73).
- Rolling stock replacement was steady in the 2019 fiscal year. Fleet upgrades were made from various funds totaling \$823,524. This included four trucks, three SUV's – one from General Fund (01), one from the Street Fund (08), one from the Community Development Fund (50), one from the Internal Services Fund (60), one from the Parks and Recreation Fund (79), one from the Electric Fund (80) and one from the Water Fund (87).

One (1) Police Charger and two (2) Ford Explorers were purchased and fully equipped using proceeds from the Capital Improvement Fund (22). In addition, Fund (22) also purchased one Fire Engine.

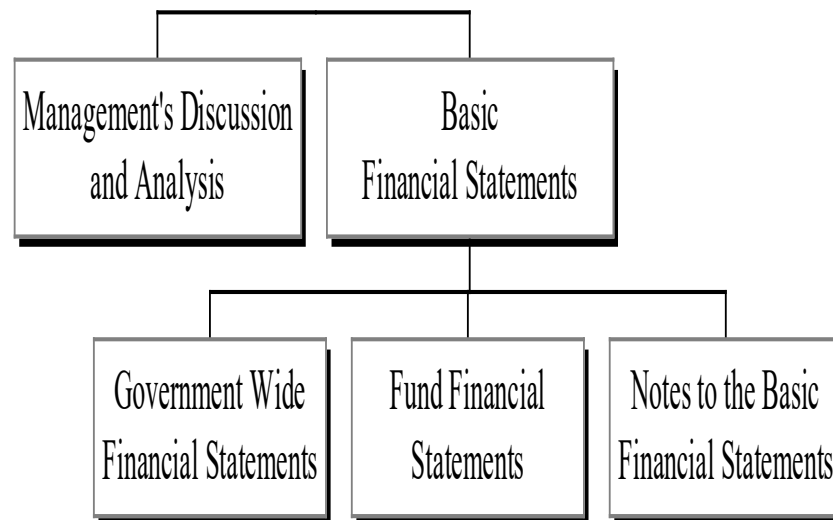
- Investments in specialized equipment and machinery to help assist staff in the field and better serve patrons were made from various funds totaling \$429,381. Purchases include a skid steer unit and mobile radios out of the General Fund (01), a skid steer jackhammer and dump truck from the Street Fund (08), an HVAC unit from the Service Fund (60), a mower, utility vehicle, and playground equipment from the Parks and Recreation Fund (79) trip savers from the Electric Department (80), an easement cleaning machine from the Wastewater Fund (85) and a backhoe from the Water Fund (87).
- Investments were made in the City's street network for approximately \$360,000. These include the mill and overlay of Clara, Pierce, Hayes, McPhail, Woodhill, Hogan, Fremont, and Catherine. In addition, improvements to Van Buren, Owens, and Bland were also made.

### **Overview of Financial Statements**

The financial reports consist of the management's discussion and analysis, the basic financial statements, and other supplemental information.

The 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 do state all known liabilities (including long-term debt). Additionally, certain eliminations 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 basis of 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 position and the statement of revenues, expenses, and changes in net position. 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 Supplemental 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.

## 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 inflows of resources by \$102,902,075, which represents an increase of \$3,852,210 from fiscal year 2018's net position.

### NET POSITION

The following table reflects the condensed Statement of Net Position as of June 30, 2019.

<b>City of Lebanon Statement of Net Position</b>				
	Governmental Activities	Business-type Activities	June 30, 2019 Totals	June 30, 2018 Totals
<u>ASSETS</u>				
Current and other assets	\$8,164,561	\$15,937,983	\$24,102,544	\$21,814,788
Restricted assets	\$-	\$158,683	\$158,683	\$157,152
Capital assets	\$39,493,077	\$43,799,326	\$83,292,403	\$82,280,209
Internal balances	\$(336,964)	\$336,964	\$-	\$-
Net pension asset	\$379,826	\$-	\$379,826	\$33,779
Customer service territory net of amortization	\$-	\$289,300	\$289,300	\$299,780
<b>Total Assets</b>	<b>\$47,700,500</b>	<b>\$60,522,256</b>	<b>\$108,222,756</b>	<b>\$104,585,708</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred amounts related to pensions	\$243,153	\$69,034	\$312,187	\$480,077
<u>LIABILITIES</u>				
Current liabilities	\$72,133	\$51,703	\$123,836	\$107,180
Short-term debt	\$63,816	\$482,595	\$546,411	\$538,872
Customer deposits	\$2,680	\$849,728	\$852,408	\$847,220
Long-term debt	\$125,829	\$2,235,600	\$2,361,429	\$2,907,742
Net pension liability	\$-	\$389,194	\$389,194	\$392,021
<b>Total Liabilities</b>	<b>\$264,458</b>	<b>\$4,008,820</b>	<b>\$4,273,278</b>	<b>\$4,793,035</b>
<u>DEFERRED INFLOW OF RESOURCES</u>				
Deferred amounts related to pensions	\$1,106,640	\$252,950	\$1,359,590	\$1,222,885
<u>NET POSITION</u>				
Net investment in capital assets	\$39,303,432	\$38,575,381	\$77,878,813	\$75,978,695
Unrestricted	\$3,182,458	\$17,595,456	\$20,777,914	\$19,470,353
Restricted	\$4,086,665	\$158,683	\$4,245,348	\$3,600,817
<b>Total Net Position</b>	<b>\$46,572,555</b>	<b>\$56,329,520</b>	<b>\$102,902,075</b>	<b>\$99,049,865</b>

Total net position for the City was \$102,902,075 with \$46,572,555 attributed to governmental activities and \$56,329,520 attributed to business-type activities. The City's governmental activities saw an increase of \$2,087,775 over FY 2018 and the business-type activities saw an increase of \$1,764,435 over FY 2018. The unrestricted net position for governmental activities was \$3,182,458 an increase of \$652,860 and for business-type activities was \$17,595,456 an increase of \$654,701 over FY 2018. The increase in change in net position compared to prior years was attributed to an increase in cash and capitalizing current year capital assets.

The following table reflects the condensed revenue and expenses for the year ended June 30, 2019. These two main components are subtracted to yield the change in net position. The revenues and expenses 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, 2019 Totals	June 30, 2018 Totals
<b><u>REVENUES</u></b>				
Program revenue:				
Charges for services	\$976,541	\$31,270,560	\$32,247,101	\$31,369,509
Operating grants & contributions	\$706,107	\$-	\$706,107	\$750,566
Capital grants & contributions	\$68,072	\$6,927	\$74,999	\$586,513
General revenue:				
Property taxes	\$1,291,662	\$-	\$1,291,662	\$1,264,341
Sales tax	\$7,545,563	\$-	\$7,545,563	\$7,326,315
Franchise tax	\$648,840	\$-	\$648,840	\$628,717
Other taxes	\$63,190	\$-	\$63,190	\$59,948
PILOTs	\$1,365,538	\$-	\$1,365,538	\$1,321,959
Interest and investment earnings	\$12,122	\$165,579	\$177,701	\$106,516
Federal interest subsidy	\$-	\$47,306	\$47,306	\$52,196
Miscellaneous	\$516,068	\$115,995	\$632,063	\$170,916
Transfers in (out)	\$320,181	\$(320,181)	\$-	\$-
Gain on sale of capital assets	\$13,712	\$89,072	\$102,784	\$69,453
Total Revenues	\$13,527,596	\$31,375,258	\$44,902,854	\$43,706,949
<b><u>EXPENSES</u></b>				
General government	\$1,998,822	\$-	\$1,998,822	\$1,944,898
Public safety	\$4,412,722	\$-	\$4,412,722	\$4,160,942
Parks and recreation	\$1,971,205	\$-	\$1,971,205	\$1,428,135
Transportation	\$2,916,550	\$-	\$2,916,550	\$2,279,092
Economic development	\$99,848	\$-	\$99,848	\$60,126
Community development	\$34,526	\$-	\$34,526	\$215,453
Interest on long-term debt	\$6,148	\$-	\$6,148	\$20,997
Electric	\$-	\$24,701,910	\$24,701,910	\$24,233,900
Fiber operations	\$-	\$73,902	\$73,902	\$118,090
Water	\$-	\$1,769,440	\$1,769,440	\$1,975,581
Sewer	\$-	\$2,239,831	\$2,239,831	\$1,969,350
Economic development	\$-	\$825,740	\$825,740	\$469,865
Total Expenses	\$11,439,821	\$29,610,823	\$41,050,644	\$38,876,429
INCREASE (DECREASE) IN NET POSITION	\$2,087,775	\$1,764,435	\$3,852,210	\$4,830,520
NET POSITION, beginning of year	\$20,023,744	\$29,758,063	\$49,781,807	\$44,951,287
Restatement	\$24,461,036	\$24,807,022	\$49,268,058	\$49,268,058
NET POSITION, beginning of year restated	\$44,484,780	\$54,565,085	\$99,049,865	\$94,219,345
NET POSITION, end of year	\$46,572,555	\$56,329,520	\$102,902,075	\$99,049,865

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	\$1,998,822	(\$1,933,911)
Public safety	\$4,412,722	(\$4,230,614)
Parks and recreation	\$1,971,205	(\$1,584,304)
Transportation	\$2,916,550	(\$1,938,177)
Economic development	\$99,848	(\$94,827)
Community development	\$34,526	\$98,880
Interest on long-term debt	\$6,148	(\$6,148)
<b>TOTAL</b>	<b>\$11,439,821</b>	<b>\$ (9,689,101)</b>

For comparison in FY ending June 30, 2018, Total Cost of Services was \$10,109,643 and Net Cost of Services was \$(8,075,314).

### **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 \$2,901,231, an increase of \$66,528 over the beginning balance of \$2,834,703. This fund balance is thirty-nine percent (39%) of total fund revenues.

#### **General Fund Budget Highlights**

- Total amended budgeted revenue was \$7,264,769 and actual revenue was \$7,189,582 a difference of (\$75,187).
- Actual expenditures were under the amended budgeted amount by \$53,675.
- Excess of actual revenues over actual expenditures was \$208,465.

**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 \$1,812,783, an increase of \$201,375 over the beginning balance of \$1,611,408. This fund balance represents seventy-three percent (73%) 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 \$1,189,231, an increase of \$520,555 over the beginning balance of \$668,676. This fund has no requirement to have an operational reserve.

**Other Governmental Funds** - The Parks and Recreation, Tourism (Lodging Tax), 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 \$1,163,831 and an ending fund balance of \$1,089,295, a decrease of \$74,536. An individual breakdown of the funds beginning and ending balances are listed below.

Fund	Fund Balance	Fund Balance
	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Airport	\$-	\$-
	<b>Special Revenue Funds</b>	
Downtown Business District	\$33,139	\$37,778
Parks and Recreation	\$927,649	\$857,796
Tourism (Lodging Tax)	\$203,043	\$193,721

#### **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 \$24,157,212 an increase of \$1,232,613 over the restated beginning net position of \$22,924,599. The operating unrestricted cash, cash equivalents, and investments is \$13,397,682 an increase of \$1,398,078 from fiscal year 2018 ending operating unrestricted cash, cash equivalents, and investments of \$11,999,604. The Due from Other Funds is \$378,778 and Advanced to Other Funds is \$2,152,027 for a total accounts receivable of \$2,530,805. Other assets include Capital Assets of \$9,325,747. The operating income for Fiscal Year 2019 for the Electric Fund was \$947,758 compared to Fiscal Year 2018 of \$765,471.

**Fiber Operations Fund** - The total net position of the Fiber Operations Fund (83) was \$308,369 an increase of \$31,190 over a beginning restated net position of \$277,179.

**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 \$6,693,016 an increase of \$94,858 over the restated beginning net position of \$6,598,158. The unrestricted cash, cash equivalents, and investments balance in the operating fund at year-end was \$932,637 a decrease from fiscal year 2018 cash, cash equivalents, and investments balance of \$933,289. The other assets which make up the total assets are Restricted Investments \$16,283; Customer service territory (PWSD #3) \$289,300; and Capital Assets \$6,085,476.

**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 \$10,329,502, an increase of \$212,389 over the restated beginning balance of \$10,117,113. The total liabilities are \$2,409,233 and the total unrestricted cash, cash equivalents, and investments balance is \$902,642. Other assets include Restricted Investments \$142,400 and Capital Assets \$11,749,494.

**Economic Development Fund** - The Economic Development Fund is based on rents received. At the end of the Fiscal Year 2019, the total assets of the Economic Development Fund were \$17,035,262 which consists of: 1) \$520,067 in cash and cash equivalents; and 2) \$16,515,195 in capitalized assets. The total net position ending balance is \$14,529,512, a decrease of \$39,419 over the beginning restated balance of \$14,568,931. The Due to other funds balance is \$367,013 and the Advance from other funds balance is \$2,138,737.

## **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. Additionally, charges for services will offset any expenditures and subsequent charges to other funds. The net position of this fund ending Fiscal Year 2019 is \$89,934 an increase of \$74,657 over the restated net position of \$15,277.

The Internal Service Fund (Fund 60) 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 and pension liabilities are assigned to this fund which will impact the net position either positively or negatively. The net position shows a fund balance of \$657,270. The operating expenditures in Fiscal Year 2019 were \$1,012,203 which represents an increase over last year's operating expenditures of \$829,244.

***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 have a net position, 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 net position of \$433,647 and an ending net position of \$1,159,347 an increase of \$725,700. The City again saw a lower amount of claim utilization this year which has continued to have a positive impact on the net position. Based on activity of \$3,378,703, the net position should be around \$845,000. The current net position is approximately thirty-four (34%) percent. 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 resource's 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, 2019 amounts to approximately \$5.3 million. This covers a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, and electric, water and sewer facilities. The City's Fiscal Year 2019 capital budget calls for spending another \$16.2 million for capital projects.

**City of Lebanon Capital Assets Fiscal Year 2019**

	<b>Governmental</b>			<b>Business-type</b>			<b>Total</b>		
	<b>Activities</b>			<b>Activities</b>			<b>Activities</b>		
	<u>Beginning</u>	<u>Ending</u>	<u>% Change</u>	<u>Beginning</u>	<u>Ending</u>	<u>% Change</u>	<u>Beginning</u>	<u>Ending</u>	<u>% Change</u>
Buildings	\$34,442,477	\$34,489,870	0.1%	\$49,270,812	\$49,297,662	0.1%	\$83,713,289	\$83,787,532	0.1%
Improvements other than buildings	\$4,840,016	\$5,107,688	5.5%	\$695,778	\$708,644	1.8%	\$5,535,794	\$5,816,332	5.1%
Land	\$346,341	\$346,341	0.0%	\$88,173	\$88,173	0.0%	\$434,514	\$434,514	0.0%
Machinery & equipment	\$2,210,189	\$2,355,763	6.6%	\$4,680,034	\$4,834,376	3.3%	\$6,890,223	\$7,190,139	4.4%
Vehicles	\$14,745,957	\$15,824,107	7.3%	\$14,824,739	\$15,119,428	2.0%	\$29,570,696	\$30,943,535	4.6%
Infrastructure	\$4,846,079	\$5,205,413	7.4%	\$3,361,581	\$3,419,182	1.7%	\$8,207,660	\$8,624,595	5.1%
Construction in progress	<u>\$2,021,734</u>	<u>\$2,926,755</u>	44.8%	<u>\$708,210</u>	<u>\$2,624,726</u>	270.6%	<u>\$2,729,944</u>	<u>\$5,551,481</u>	103.4%
Less Accumulated Depreciation	<u>\$24,686,868</u>	<u>\$26,762,860</u>	8.4%	<u>\$30,115,043</u>	<u>\$32,292,865</u>	7.2%	<u>\$54,801,911</u>	<u>\$59,055,725</u>	7.8%
<b>Total</b>	<u>\$38,765,925</u>	<u>\$39,493,077</u>	1.9%	<u>\$43,514,284</u>	<u>\$43,799,326</u>	0.7%	<u>\$82,280,209</u>	<u>\$83,292,403</u>	1.2%

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 \$2,907,840 in outstanding debt consisting of Certificates of Participation (COP) Series 2010 and six capital leases. All the debt was secured by specific revenue sources. The City of Lebanon has due within one year a total of \$546,411 of outstanding obligations.

**City of Lebanon Outstanding Debt---June 30, 2019**

<b>Governmental Activities</b>	
Capital Lease	\$189,645
Total Governmental Activities	\$189,645
<b>Business-type Activities</b>	
Certificates of Participation - Series 2010B	\$2,395,000
Capital Lease	\$323,195
Total Business-type Activities	\$2,718,195
<b>TOTAL INDEBTEDNESS</b>	<b>\$2,907,840</b>

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, 2019

#### Economic Development Activities

Project	Amount	Due	Payable Fund
DTMP Phase I	\$1,887,796	2024	Economic Development
DTMP Phase II	\$617,954	2028	Economic Development
<b>Total Inter-fund loans outstanding for Economic Activities</b>			<b>\$2,505,750</b>

#### Governmental Activities

Airport Hangers	\$25,055	2021	Airport
<b>Total Inter-fund loans outstanding for Governmental Activities</b>			<b>\$25,055</b>

### Economic Factors and next Year's Budget and Rates

The City's priorities focus on: 1) addressing traffic flow, 2) improving code enforcement services, and 3) maintenance of city streets and buildings. Lebanon's manufacturing base continues to grow and thrive. Fiscal Year 2019 saw a \$55 million business expansion at Emerson, new businesses opening downtown, and an expansion at the Durham Company. We have also been engaged by other manufactures who are exploring significant expansions. The housing market continues to see a gradual increase in the construction of custom homes and multi-family developments. In the Fiscal Year 2020 budget, the City is planning conservatively, given the uncertainty with the federal and state economies, by projecting either a slight increase in revenue, particularly sales tax revenue, or flat revenues and will be working towards increasing the fund balances that are under twenty-five percent (25%) of operating revenues. Fiscal Year 2020 will also see a new tax, a half (1/2) cent Public Safety Tax, which will support the continued increasing costs of public safety delivery and expanding fire services. The Capital Improvement plan will experience a measurable shift during the 2020 fiscal year as we prepare to deliver projects, which the Community supported as part of the Capital Improvement Sales Tax renewal, while remaining mindful of ongoing capital needs. The City regularly monitors the net operating income of its major utilities to ensure fiscal responsibility in the management of these public assets. The City pursues maintaining adequate funding for health insurance to allow for maximum flexibility to offset any increases. The Fiscal Year 2020 budget reflects continued improvement of the health of the fund balance. The City continues to invest its resources in long-term, large scale projects; such as the investments in system improvements for electric, wastewater and water utilities, street improvements and expansion of our public safety resources. These investments should allow the City to see savings in operations and improved services in future years. Additionally, the City will continue the acquisition of certain capital equipment through lease purchase financing. Finally, the issuance of revenue or lease obligations to finance the improvement of flow capacity increases to our wastewater treatment system that has been planned for the past three fiscal years is now in process for the upcoming fiscal year along with an adjusted sewer rate to offset the cost. As we continue to form clear Council goals, formed through community engagement, and look at our financials on a long-term outlook, our ability to deliver the services our customers desire will vastly improve.

### 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 Kat Gill, Director of Finance, 401 South Jefferson, Lebanon, Mo 65536 or visit us on the web at [www.lebanonmo.org](http://www.lebanonmo.org)



**CITY OF LEBANON, MISSOURI**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**JUNE 30, 2019**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2018**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>2019 Total</b>	<b>2018 Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,762,453	8,459,199	16,221,652	13,918,069
Investments	311,616	7,478,784	7,790,400	7,805,529
Inventory	90,492	-	90,492	91,190
Restricted investments	-	158,683	158,683	157,152
Customer service territory, net of amortization	-	289,300	289,300	299,780
Internal balances	(336,964)	336,964	-	-
Net pension asset	379,826	-	379,826	33,779
Capital assets:				
Land and construction in progress	3,273,096	2,712,899	5,985,995	3,164,458
Other capital assets, net of accumulated depreciation	36,219,981	41,086,427	77,306,408	79,115,751
Total Assets	<u>47,700,500</u>	<u>60,522,256</u>	<u>108,222,756</u>	<u>104,585,708</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	<u>243,153</u>	<u>69,034</u>	<u>312,187</u>	<u>480,077</u>
<b>LIABILITIES</b>				
Due to others	72,133	51,703	123,836	107,180
Customer deposits payable	2,680	849,728	852,408	847,220
Noncurrent liabilities:				
Due within one year	63,816	482,595	546,411	538,872
Due in more than one year	125,829	2,235,600	2,361,429	2,907,742
Due in more than one year - net pension liability	-	389,194	389,194	392,021
Total Liabilities	<u>264,458</u>	<u>4,008,820</u>	<u>4,273,278</u>	<u>4,793,035</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts related to pensions	<u>1,106,640</u>	<u>252,950</u>	<u>1,359,590</u>	<u>1,222,885</u>
<b>NET POSITION</b>				
Net investment in capital assets	39,303,432	38,575,381	77,878,813	75,978,695
Restricted for:				
Debt service	-	158,683	158,683	157,152
Parks and recreation	853,152	-	853,152	927,399
Transportation	2,006,504	-	2,006,504	1,814,451
Economic development	37,778	-	37,778	33,139
Capital improvements	1,189,231	-	1,189,231	668,676
Unrestricted	<u>3,182,458</u>	<u>17,595,456</u>	<u>20,777,914</u>	<u>19,470,353</u>
Total Net Position	<u>\$ 46,572,555</u>	<u>56,329,520</u>	<u>102,902,075</u>	<u>99,049,865</u>

**CITY OF LEBANON, MISSOURI**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenues (Expenses) And Changes In Net Position			
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government			
					Governmental Activities	Business-type Activities	2019 Total	2018 Total
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government	\$ 1,998,822	27,385	37,526	-	(1,933,911)	-	(1,933,911)	(1,897,220)
Public safety	4,412,722	153,796	28,312	-	(4,230,614)	-	(4,230,614)	(3,904,326)
Parks and recreation	1,971,205	386,901	-	-	(1,584,304)	-	(1,584,304)	(1,048,006)
Transportation	2,916,550	270,032	640,269	68,072	(1,938,177)	-	(1,938,177)	(1,051,429)
Economic development	99,848	5,021	-	-	(94,827)	-	(94,827)	(55,203)
Community development	34,526	133,406	-	-	98,880	-	98,880	(98,133)
Interest on long-term debt	6,148	-	-	-	(6,148)	-	(6,148)	(20,997)
Total Governmental Activities	11,439,821	976,541	706,107	68,072	(9,689,101)	-	(9,689,101)	(8,075,314)
<b>Business-type Activities</b>								
Electric	24,701,910	25,740,611	-	-	-	1,038,701	1,038,701	843,546
Water	1,769,440	1,835,330	-	-	-	65,890	65,890	(123,903)
Sewer	2,239,831	2,456,551	-	6,927	-	223,647	223,647	523,279
Economic development	825,740	1,132,976	-	-	-	307,236	307,236	709,555
Fiber operations	73,902	105,092	-	-	-	31,190	31,190	(47,004)
Total Business-type Activities	29,610,823	31,270,560	-	6,927	-	1,666,664	1,666,664	1,905,473
Total Primary Government	<u>\$ 41,050,644</u>	<u>32,247,101</u>	<u>706,107</u>	<u>74,999</u>	<u>(9,689,101)</u>	<u>1,666,664</u>	<u>(8,022,437)</u>	<u>(6,169,841)</u>
<b>General Revenues</b>								
Taxes:								
Sales tax					7,545,563	-	7,545,563	7,326,315
Property tax					1,291,662	-	1,291,662	1,264,341
Franchise fees					648,840	-	648,840	628,717
PILOTs					1,365,538	-	1,365,538	1,321,959
Other taxes					63,190	-	63,190	59,948
Investment income					12,122	165,579	177,701	106,516
Federal interest subsidy					-	47,306	47,306	52,196
Gain on sale of capital assets					13,712	89,072	102,784	69,453
Other					516,068	115,995	632,063	170,916
<b>Transfers</b>					320,181	(320,181)	-	-
Total General Revenues And Transfers					<u>11,776,876</u>	<u>97,771</u>	<u>11,874,647</u>	<u>11,000,361</u>
<b>CHANGE IN NET POSITION</b>					2,087,775	1,764,435	3,852,210	4,830,520
NET POSITION, JULY 1, AS RESTATED					<u>44,484,780</u>	<u>54,565,085</u>	<u>99,049,865</u>	<u>94,219,345</u>
<b>NET POSITION, JUNE 30</b>					<u>\$ 46,572,555</u>	<u>56,329,520</u>	<u>102,902,075</u>	<u>99,049,865</u>

**CITY OF LEBANON, MISSOURI**  
**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2018**

	<b>General</b>	<b>Street</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Totals</b>	
					<b>2019</b>	<b>2018</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,461,957	1,812,783	1,189,231	1,084,663	6,548,634	5,640,306
Investments	311,616	-	-	-	311,616	453,564
Due from other funds	195,144	-	-	-	195,144	185,907
Inventory	-	-	-	55,791	55,791	40,875
Total Assets	<u>\$ 2,968,717</u>	<u>1,812,783</u>	<u>1,189,231</u>	<u>1,140,454</u>	<u>7,111,185</u>	<u>6,320,652</u>
<b>LIABILITIES</b>						
Due to others	\$ 67,486	-	-	2,314	69,800	2,602
Customer deposit payable	-	-	-	2,680	2,680	2,015
Due to other funds	-	-	-	32,875	32,875	12,362
Advance from other funds	-	-	-	13,290	13,290	25,055
Total Liabilities	<u>67,486</u>	<u>-</u>	<u>-</u>	<u>51,159</u>	<u>118,645</u>	<u>42,034</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Inventory	-	-	-	55,791	55,791	40,875
Restricted for:						
Parks and recreation	-	-	-	853,152	853,152	927,399
Transportation	-	1,812,783	-	193,721	2,006,504	1,814,451
Economic development	-	-	-	37,778	37,778	33,139
Capital improvements	-	-	1,189,231	-	1,189,231	668,676
Assigned for:						
Subsequent year's budget - appropriation of fund balance	835,497	-	-	-	835,497	1,066,881
Unassigned	<u>2,065,734</u>	<u>-</u>	<u>-</u>	<u>(51,147)</u>	<u>2,014,587</u>	<u>1,727,197</u>
Total Fund Balances	<u>2,901,231</u>	<u>1,812,783</u>	<u>1,189,231</u>	<u>1,089,295</u>	<u>6,992,540</u>	<u>6,278,618</u>
Total Liabilities And Fund Balances	<u>\$ 2,968,717</u>	<u>1,812,783</u>	<u>1,189,231</u>	<u>1,140,454</u>	<u>7,111,185</u>	<u>6,320,652</u>

See notes to financial statements

**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, 2019**

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Total Fund Balances - Governmental Funds	\$ 6,992,540
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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 \$66,255,937 and the accumulated depreciation is \$26,762,860.	39,493,077
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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.	760,244
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Certain amounts are not a use of financial resources and, therefore, are not reported in the governmental funds. These items consist of:	
Net pension asset	379,826
Deferred outflows related to pensions	243,153
Deferred inflows related to pensions	(1,106,640)

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:	
Capital leases	<u>(189,645)</u>

Total Net Position Of Governmental Activities	<u><u>\$ 46,572,555</u></u>
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**CITY OF LEBANON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018**

	General	Street	Capital Improvement	Other Governmental Funds	Totals	
					2019	2018
<b>REVENUES</b>						
Sales tax	\$ 3,775,695	1,811,781	1,811,070	147,017	7,545,563	7,326,315
Property tax	632,189	-	-	659,473	1,291,662	1,264,341
Franchise fees	648,840	-	-	-	648,840	628,717
PILOTs	1,365,538	-	-	-	1,365,538	1,321,959
Other taxes	63,190	579,793	-	-	642,983	644,112
Intergovernmental	65,838	68,072	-	17,276	151,186	526,781
Licenses and permits	26,518	-	-	-	26,518	31,610
Fines and forfeitures	153,046	-	-	-	153,046	125,246
Charges for services	252,678	-	-	410,893	663,571	573,308
Investment income	11,557	565	-	-	12,122	8,717
Other	194,493	1,194	43,450	13,209	252,346	105,507
Total Revenues	<u>7,189,582</u>	<u>2,461,405</u>	<u>1,854,520</u>	<u>1,247,868</u>	<u>12,753,375</u>	<u>12,556,613</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,936,633	-	-	-	1,936,633	2,087,493
Public safety	4,257,915	-	-	-	4,257,915	4,103,543
Parks and recreation	503,682	-	-	692,551	1,196,233	1,148,344
Transportation	-	1,598,519	-	649,711	2,248,230	2,143,399
Economic development	34,572	-	-	27,666	62,238	57,614
Capital outlay	248,315	600,412	1,629,311	429,982	2,908,020	2,698,047
Debt service:						
Principal	-	64,763	-	-	64,763	758,801
Interest	-	4,590	-	1,558	6,148	18,349
Total Expenditures	<u>6,981,117</u>	<u>2,268,284</u>	<u>1,629,311</u>	<u>1,801,468</u>	<u>12,680,180</u>	<u>13,015,590</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>208,465</u>	<u>193,121</u>	<u>225,209</u>	<u>(553,600)</u>	<u>73,195</u>	<u>(458,977)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of capital lease	-	-	-	-	-	146,900
Sale of capital assets	2,058	8,254	-	3,400	13,712	-
Insurance recoveries	11,488	-	295,346	-	306,834	9,806
Transfers in	-	-	-	475,664	475,664	467,796
Transfers out	(155,483)	-	-	-	(155,483)	(92,922)
Total Other Financing Sources (Uses)	<u>(141,937)</u>	<u>8,254</u>	<u>295,346</u>	<u>479,064</u>	<u>640,727</u>	<u>531,580</u>
<b>NET CHANGE IN FUND BALANCES</b>	66,528	201,375	520,555	(74,536)	713,922	72,603
<b>FUND BALANCES, JULY 1</b>	<u>2,834,703</u>	<u>1,611,408</u>	<u>668,676</u>	<u>1,163,831</u>	<u>6,278,618</u>	<u>6,206,015</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 2,901,231</u>	<u>1,812,783</u>	<u>1,189,231</u>	<u>1,089,295</u>	<u>6,992,540</u>	<u>6,278,618</u>

See notes to financial statements

**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, 2019**

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Net Change In Fund Balances - Governmental Funds	\$ 713,922
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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 (\$2,831,994) exceeded depreciation (\$2,104,842) in the current period.	727,152
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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.	511,672
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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:

Principal payments on capital leases	64,763
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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	70,266
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Change In Net Position Of Governmental Activities	<u>\$ 2,087,775</u>
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**CITY OF LEBANON, MISSOURI**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUNDS**  
**JUNE 30, 2019**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2018**

	Business-type Activities						Governmental Activities	Totals	
	Electric	Water	Sewer	Economic Development	Nonmajor - Fiber Operations	Total Enterprise Funds	Internal Service Funds	2019	2018
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash and cash equivalents	\$ 6,697,939	621,021	435,217	520,067	184,955	8,459,199	1,213,819	9,673,018	8,277,763
Investments	6,699,743	311,616	467,425	-	-	7,478,784	-	7,478,784	7,351,965
Due from other funds	378,778	-	-	-	-	378,778	-	378,778	360,342
Inventory	-	-	-	-	-	-	34,701	34,701	50,315
Total Current Assets	13,776,460	932,637	902,642	520,067	184,955	16,316,761	1,248,520	17,565,281	16,040,385
<b>Noncurrent Assets</b>									
Capital assets:									
Land and construction in progress	964,172	143,264	1,389,481	182,609	33,373	2,712,899	21,952	2,734,851	818,335
Other capital assets, net of accumulated depreciation	8,361,575	5,942,212	10,360,013	16,332,586	90,041	41,086,427	1,006,123	42,092,550	43,767,823
Total Capital Assets	9,325,747	6,085,476	11,749,494	16,515,195	123,414	43,799,326	1,028,075	44,827,401	44,586,158
Advance to other funds	2,152,027	-	-	-	-	2,152,027	-	2,152,027	2,530,805
Restricted investments	-	16,283	142,400	-	-	158,683	-	158,683	157,152
Customer service territory, net of amortization	-	289,300	-	-	-	289,300	-	289,300	299,780
Total Noncurrent Assets	11,477,774	6,391,059	11,891,894	16,515,195	123,414	46,399,336	1,028,075	47,427,411	47,573,895
Total Assets	25,254,234	7,323,696	12,794,536	17,035,262	308,369	62,716,097	2,276,595	64,992,692	63,614,280
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Deferred amounts related to pensions	32,533	15,556	20,945	-	-	69,034	23,329	92,363	147,793
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Customer deposits payable	661,829	187,899	-	-	-	849,728	-	849,728	845,205
Due to others	51,703	-	-	-	-	51,703	2,333	54,036	104,578
Due to other funds	-	-	-	367,013	-	367,013	174,034	541,047	533,887
Debt payable - current	27,147	52,918	402,530	-	-	482,595	-	482,595	474,100
Total Current Liabilities	740,679	240,817	402,530	367,013	-	1,751,039	176,367	1,927,406	1,957,770
<b>Noncurrent Liabilities</b>									
Advance from other funds	-	-	-	2,138,737	-	2,138,737	-	2,138,737	2,505,750
Net pension liability	183,412	87,699	118,083	-	-	389,194	131,524	520,718	518,558
Debt payable	86,258	260,722	1,888,620	-	-	2,235,600	-	2,235,600	2,718,106
Total Noncurrent Liabilities	269,670	348,421	2,006,703	2,138,737	-	4,763,531	131,524	4,895,055	5,742,414
Total Liabilities	1,010,349	589,238	2,409,233	2,505,750	-	6,514,570	307,891	6,822,461	7,700,184
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred amounts related to pensions	119,206	56,998	76,746	-	-	252,950	85,482	338,432	370,035
<b>NET POSITION</b>									
Net investment in capital assets	9,212,342	5,771,836	9,458,344	14,009,445	123,414	38,575,381	1,028,075	39,603,456	38,539,052
Restricted for debt service	-	16,283	142,400	-	-	158,683	-	158,683	157,152
Unrestricted	14,944,870	904,897	728,758	520,067	184,955	17,283,547	878,476	18,162,023	16,995,650
Total Net Position	\$ 24,157,212	6,693,016	10,329,502	14,529,512	308,369	56,017,611	1,906,551	57,924,162	55,691,854
Adjustment to reflect the consolidation of the Internal Service Funds' activities related to Enterprise Funds	144,969	71,951	94,989	-	-	311,909			
Net Position Of Business-type Activities	\$ 24,302,181	6,764,967	10,424,491	14,529,512	308,369	56,329,520			

See notes to financial statements

**CITY OF LEBANON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**MODIFIED CASH BASIS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018**

	Business-type Activities						Governmental Activities	Totals	
	Electric	Water	Sewer	Economic Development	Nonmajor - Fiber Operations	Total Enterprise Funds	Internal Service Funds	2019	2018
<b>OPERATING REVENUES</b>									
Charges for services	\$ 25,740,611	1,835,330	2,456,551	1,132,976	105,092	31,270,560	4,682,250	35,952,810	35,093,841
Licenses and permits	-	-	-	-	-	-	72,032	72,032	52,724
Other	20,320	6,487	1,991	19,270	-	48,068	2,342	50,410	49,472
Total Operating Revenues	<u>25,760,931</u>	<u>1,841,817</u>	<u>2,458,542</u>	<u>1,152,246</u>	<u>105,092</u>	<u>31,318,628</u>	<u>4,756,624</u>	<u>36,075,252</u>	<u>35,196,037</u>
<b>OPERATING EXPENSES</b>									
PILOTs	1,274,274	87,374	-	-	3,890	1,365,538	-	1,365,538	1,321,959
Personnel costs	1,746,187	812,384	1,024,633	14,974	35,753	3,633,931	3,715,740	7,349,671	7,010,747
Operations and maintenance	21,095,272	596,590	576,294	-	28,715	22,296,871	233,219	22,530,090	23,293,360
Economic development	-	-	-	207,041	-	207,041	-	207,041	143,948
Depreciation	697,440	299,871	571,242	603,725	5,544	2,177,822	111,334	2,289,156	948,994
Total Operating Expenses	<u>24,813,173</u>	<u>1,796,219</u>	<u>2,172,169</u>	<u>825,740</u>	<u>73,902</u>	<u>29,681,203</u>	<u>4,060,293</u>	<u>33,741,496</u>	<u>32,719,008</u>
<b>OPERATING INCOME</b>	<u>947,758</u>	<u>45,598</u>	<u>286,373</u>	<u>326,506</u>	<u>31,190</u>	<u>1,637,425</u>	<u>696,331</u>	<u>2,333,756</u>	<u>2,477,029</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>									
Investment income	147,283	6,909	11,387	-	-	165,579	-	165,579	97,799
Intergovernmental revenue	-	5,033	49,200	-	-	54,233	-	54,233	52,196
Insurance recoveries	2,564	63,805	-	-	-	66,369	-	66,369	5,209
Gain (loss) on disposal/transfer of capital assets	-	-	-	89,072	-	89,072	4,346	93,418	(311,396)
Interest income (expense) on interfund loan	136,374	-	-	(134,816)	-	1,558	-	1,558	2,103
Interest expense and fees	(1,366)	(26,487)	(134,571)	-	-	(162,424)	-	(162,424)	(177,107)
Total Nonoperating Revenues (Expenses)	<u>284,855</u>	<u>49,260</u>	<u>(73,984)</u>	<u>(45,744)</u>	<u>-</u>	<u>214,387</u>	<u>4,346</u>	<u>218,733</u>	<u>(331,196)</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>1,232,613</u>	<u>94,858</u>	<u>212,389</u>	<u>280,762</u>	<u>31,190</u>	<u>1,851,812</u>	<u>700,677</u>	<u>2,552,489</u>	<u>2,145,833</u>
Capital contributions	-	-	-	-	-	-	-	-	150,234
Transfers in	-	-	-	-	-	-	-	-	485,577
Transfers out	-	-	-	(320,181)	-	(320,181)	-	(320,181)	(860,451)
<b>CHANGE IN NET POSITION</b>	<u>1,232,613</u>	<u>94,858</u>	<u>212,389</u>	<u>(39,419)</u>	<u>31,190</u>	<u>1,531,631</u>	<u>700,677</u>	<u>2,232,308</u>	<u>1,921,193</u>
<b>NET POSITION, JULY 1, AS RESTATED</b>	<u>22,924,599</u>	<u>6,598,158</u>	<u>10,117,113</u>	<u>14,568,931</u>	<u>277,179</u>	<u>54,485,980</u>	<u>1,205,874</u>	<u>55,691,854</u>	<u>53,770,661</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 24,157,212</u>	<u>6,693,016</u>	<u>10,329,502</u>	<u>14,529,512</u>	<u>308,369</u>	<u>56,017,611</u>	<u>1,906,551</u>	<u>57,924,162</u>	<u>55,691,854</u>
Adjustment to reflect the consolidation of the Internal Service Funds' activities related to Enterprise Funds	<u>112,629</u>	<u>53,266</u>	<u>66,909</u>	<u>-</u>	<u>-</u>	<u>232,804</u>			
Change In Net Position Of Business-type Activities	<u>\$ 1,345,242</u>	<u>148,124</u>	<u>279,298</u>	<u>(39,419)</u>	<u>31,190</u>	<u>1,764,435</u>			



**CITY OF LEBANON, MISSOURI**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Business-type Activities					Governmental Activities	
	Electric	Water	Sewer	Economic Development	Nonmajor - Fiber Operations	Total Enterprise Funds	Internal Service Funds
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
<b>Cash flows from operating activities:</b>							
Receipts from customers and users	\$ 25,700,230	1,838,769	2,456,551	1,122,976	105,092	31,223,618	133,406
Receipts from interfund charges	-	-	-	-	-	-	4,620,876
Payments to suppliers	(21,095,272)	(596,590)	(576,294)	(207,041)	(28,715)	(22,503,912)	(217,605)
Payments to employees for salaries and benefits	(1,725,004)	(814,025)	(1,031,071)	(15,000)	(35,753)	(3,620,853)	(3,701,908)
Payments to other funds for services provided	(1,274,274)	(87,374)	-	-	(3,890)	(1,365,538)	-
Other receipts	20,320	6,487	1,991	19,270	-	48,068	2,342
Net Cash Provided By (Used In) Operating Activities	1,626,000	347,267	851,177	920,205	36,734	3,781,383	837,111
<b>Cash flows from noncapital financing activities:</b>							
Due to/from other funds	(18,436)	-	-	17,863	-	(573)	(10,703)
Advance to/from other funds	378,778	-	-	(367,013)	-	11,765	-
Interest received (paid) on advance from other funds	136,374	-	-	(134,816)	-	1,558	-
Transfer to other funds	-	-	-	(320,181)	-	(320,181)	-
Net Cash Provided By (Used In) Noncapital Financing Activities	496,716	-	-	(804,147)	-	(307,431)	(10,703)
<b>Cash flows from capital and related financing activities:</b>							
Insurance recoveries	2,564	63,805	-	-	-	66,369	-
Intergovernmental grants received	-	5,033	49,200	-	-	54,233	-
Acquisition and construction of capital assets	(844,049)	(354,632)	(1,122,533)	(86,420)	(55,230)	(2,462,864)	(67,535)
Proceeds from sale of capital assets	-	-	-	89,072	-	89,072	4,346
Principal payments on long-term debt	(29,070)	(52,852)	(392,089)	-	-	(474,011)	-
Interest paid on long-term debt	(1,366)	(16,007)	(134,571)	-	-	(151,944)	-
Net Cash Provided By (Used In) Capital And Related Financing Activities	(871,921)	(354,653)	(1,599,993)	2,652	(55,230)	(2,879,145)	(63,189)
<b>Cash flows from investing activities:</b>							
Investment income	147,283	6,909	11,387	-	-	165,579	-
Change in investments	(113,650)	(5,391)	(9,309)	-	-	(128,350)	-
Net Cash Provided By Investing Activities	33,633	1,518	2,078	-	-	37,229	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,284,428	(5,868)	(746,738)	118,710	(18,496)	632,036	763,219
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	5,413,511	626,889	1,181,955	401,357	203,451	7,827,163	450,600
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	\$ 6,697,939	621,021	435,217	520,067	184,955	8,459,199	1,213,819

**CITY OF LEBANON, MISSOURI**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS - PROPRIETARY FUNDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Business-type Activities						Governmental Activities
	Electric	Water	Sewer	Economic Development	Nonmajor - Fiber Operations	Total Enterprise Funds	Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>							
Operating income	\$ 947,758	45,598	286,373	326,506	31,190	1,637,425	696,331
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation	697,440	299,871	571,242	603,725	5,544	2,177,822	111,334
(Increase) decrease in:							
Inventory	-	-	-	-	-	-	15,614
Deferred outflows related to pensions	17,125	10,535	15,030	5	-	42,695	12,735
Increase (decrease) in:							
Due to others	(41,465)	-	-	(10,000)	-	(51,465)	923
Customer deposits payable	1,084	3,439	-	-	-	4,523	-
Net pension liability	9,181	(3,848)	(8,142)	(18)	-	(2,827)	4,987
Deferred inflows related to pensions	(5,123)	(8,328)	(13,326)	(13)	-	(26,790)	(4,813)
Total Adjustments	678,242	301,669	564,804	593,699	5,544	2,143,958	140,780
Net Cash Provided By (Used In) Operating Activities	\$ 1,626,000	347,267	851,177	920,205	36,734	3,781,383	837,111
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Amortization of customer service territory	\$ -	(10,279)	-	-	-	(10,279)	-

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The **CITY OF LEBANON, MISSOURI** (the City) was incorporated in 1877 and established as 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 balance, 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 is 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 Funds 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 Funds and governmental funds 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 \$5,000 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:

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

**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 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 discount 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, 2018 upon which the 2018 levy was based for real estate, personal property, and railroads and utilities taxes was \$212,398,220.

The City's tax rate was levied at 0.5614 per \$100 of assessed valuation which is used 50% for General Fund operations and 50% for 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).



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**13. Interfund Transactions (Continued)**

**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.

**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.

# CITY OF LEBANON, MISSOURI

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 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, 2019, 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, 2019, the City had the following investments:

Investments	Fair Value	Maturities				Credit Risk
		No Maturity	Less Than One Year	1 - 5 Years	6 - 10 Years	
<b>Primary Government</b>						
Money market funds	\$ 1,989,867	-	1,989,867	-	-	Not rated
Government securities:						
Federal Home Loan Mortgage Corporation	1,977,423	-	993,641	983,782	-	AAA
Federal National Mortgage Association	3,981,793	-	-	3,483,043	498,750	AAA
Total Investments	<u>\$ 7,949,083</u>	<u>-</u>	<u>2,983,508</u>	<u>4,466,825</u>	<u>498,750</u>	

**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

**Investment Policies**

The City's formal investment policies are as follows:

**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, 2019, the City had the following investment concentrations:

<b>Investments</b>	<b>Fair Value</b>	<b>Percent Of Total Investments</b>
<b>Primary Government</b>		
Money market funds - certain banks greater than 5%	\$ 1,831,184	23.04 %
Federal Home Loan Mortgage Corporation	1,977,423	24.88
Federal National Mortgage Association	3,981,793	50.09

**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; and Level 3 inputs are significant unobservable inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**CITY OF LEBANON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH AND INVESTMENTS (Continued)**

**3. Fair Value Measurements (Continued)**

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

The City has the following recurring fair value level measurements:

		June 30, 2018			
		Total	Level 1	Level 2	Level 3
Primary Government					
Investments by fair value level:					
Government securities:					
Federal Home Loan					
Mortgage Corporation		\$ 1,977,423	-	1,977,423	-
Federal National Mortgage Association		3,981,793	-	3,981,793	-
Total Investments By Fair Value Level		5,959,216	-	5,959,216	-
Investments not subject to fair value classification:					
Money market funds		1,989,867			
Total		\$ 7,949,083			

**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, 2019**

	<b>Balance June 30 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30 2019</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 346,341	-	-	346,341
Construction in progress	2,021,734	2,088,805	1,183,784	2,926,755
Total Capital Assets Not Being Depreciated	2,368,075	2,088,805	1,183,784	3,273,096
Capital assets being depreciated:				
Buildings	34,442,477	47,393	-	34,489,870
Improvements other than buildings	4,840,016	267,672	-	5,107,688
Vehicles	14,745,957	1,078,150	-	15,824,107
Infrastructure	4,846,079	388,184	28,850	5,205,413
Machinery and equipment	2,210,189	145,574	-	2,355,763
Total Capital Assets Being Depreciated	61,084,718	1,926,973	28,850	62,982,841
Less - Accumulated depreciation for:				
Buildings	13,992,732	893,528	-	14,886,260
Improvements other than buildings	1,481,740	220,374	-	1,702,114
Vehicles	4,106,737	540,468	-	4,647,205
Infrastructure	4,097,506	272,666	28,850	4,341,322
Machinery and equipment	1,008,153	177,806	-	1,185,959
Total Accumulated Depreciation	24,686,868	2,104,842	28,850	26,762,860
Total Capital Assets Being Depreciated, Net	36,397,850	(177,869)	-	36,219,981
Governmental Activities Capital Assets, Net	<u>\$ 38,765,925</u>	<u>1,910,936</u>	<u>1,183,784</u>	<u>39,493,077</u>

The beginning balance for governmental activities capital assets increased \$24,461,036 to reflect a prior period adjustment for assets purchased in prior years. Depreciation expense was charged to functions/programs of the governmental activities as follows:

	<b>For The Year Ended June 30 2019</b>
<b>Governmental Activities</b>	
General government	\$ 204,924
Public safety	251,108
Parks and recreation	827,686
Transportation	774,435
Community development	11,810
Economic development	34,879
Total	<u>\$ 2,104,842</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, 2019		
	Balance June 30 2018	Increases	Decreases
<b>Business-type Activities</b>			
Capital assets not being depreciated:			
Land	\$ 88,173	-	-
Construction in progress	708,210	2,084,151	167,635
Total Capital Assets Not Being Depreciated	796,383	2,084,151	167,635
Capital assets being depreciated:			
Buildings	49,270,812	26,850	-
Improvements other than buildings	695,778	12,866	-
Vehicles	14,824,739	294,689	-
Infrastructure	3,361,581	57,601	-
Machinery and equipment	4,680,034	154,342	-
Total Capital Assets Being Depreciated	72,832,944	546,348	-
Less - Accumulated depreciation for:			
Buildings	19,430,303	1,191,759	-
Improvements other than buildings	358,053	33,918	-
Vehicles	7,094,566	549,702	-
Infrastructure	2,153,621	221,476	-
Machinery and equipment	1,078,500	180,967	-
Total Accumulated Depreciation	30,115,043	2,177,822	-
Total Capital Assets Being Depreciated, Net	42,717,901	(1,631,474)	-
Business-type Activities Capital Assets, Net	\$ 43,514,284	452,677	167,635

The beginning balance for business-type activities capital assets increased \$24,807,022 to reflect a prior period adjustment for assets purchased in prior years. Depreciation expense was charged to functions/programs of the business-type activities as follows:

	For The Year Ended June 30 2019
<b>Business-type Activities</b>	
Electric	\$ 697,440
Fiber operations	5,544
Sewer	571,242
Water	299,871
Economic development	603,725
Total	\$ 2,177,822

**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. From January 1, 2010 through June 30, 2013, the City imposed a rate increase for customers to help pay legal costs incurred. The City decreased the customer service territory asset by the revenues received from the rate increase. The customer service territory asset is being amortized over 35 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, 2019			Amounts Due Within One Year
	Balance June 30 2018	Additions	Reductions	Balance June 30 2019
<b>Governmental Activities</b>				
Capital leases	\$ 254,408	-	64,763	189,645
<b>Business-type Activities</b>				
Certificates of participation	\$ 2,750,000	-	355,000	2,395,000
Capital leases	442,206	-	119,011	323,195
Total Business-type Activities	\$ 3,192,206	-	474,011	2,718,195

**Governmental Activities**

***Capital Leases***

In October 2016, the City entered into a capital lease agreement to finance a street sweeper. The lease is for 5 years requiring annual installments of \$37,972 through January 2021. The original cost of the street sweeper is \$197,709 and the accumulated depreciation is \$51,075 as of June 30, 2019.

In March 2018, the City entered into a capital lease agreement to finance a dump truck. The lease is for 5 years requiring annual installments of \$31,381 through July 2022, interest rate at 2.9%. The original cost of the dump truck is \$146,900 and the accumulated depreciation is \$12,242 as of June 30, 2019.

The future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

**CITY OF LEBANON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - LONG-TERM DEBT (Continued)**

**For The  
Years Ending  
June 30**

2020	\$ 69,353
2021	69,353
2022	31,381
2023	<u>31,381</u>
Total Minimum Lease Payments	201,468
Less - Amount representing interest	<u>11,823</u>
 Present Value Of Future Minimum Lease Payments	 <u><u>\$ 189,645</u></u>

**Business-type Activities**

***2010 Certificates of Participation***

In October 2010, the City issued \$5,140,000 in certificates of participation (Series 2010A 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:

<b>For The Years Ending June 30</b>	<b>Business-type Activities Certificates Of Participation</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 365,000	127,538	492,538
2021	380,000	109,288	489,288
2022	390,000	89,813	479,813
2023	405,000	69,338	474,338
2024	420,000	47,568	467,568
2025	<u>435,000</u>	<u>24,469</u>	<u>459,469</u>
Total	<u><u>\$ 2,395,000</u></u>	<u><u>468,014</u></u>	<u><u>2,863,014</u></u>



**CITY OF LEBANON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE E - LONG-TERM DEBT (Continued)**

***Capital Leases***

In July 2016, the City entered into a capital lease agreement to finance a sewer truck. The lease is for 5 years requiring annual installments of \$79,274 through October 2020, interest rate 1.89%. The original cost of the sewer truck is \$377,076 and the accumulated depreciation is \$103,696 as of June 30, 2019.

In March 2018, the City entered into a capital lease agreement to finance a mini excavator, mini digger with a trailer, and a compact track loader for the Electric and Water Funds. The lease is for 5 years requiring annual installments of \$46,231 through July 2022, interest rate 2.9%. The original cost of the equipment is \$216,414 and the accumulated depreciation is \$24,130 as of June 30, 2019.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2019, is as follows:

<b>For The Years Ending June 30</b>	
2020	\$ 125,505
2021	122,461
2022	46,231
2023	<u>46,231</u>
Total Minimum Lease Payments	340,428
Less - Amount representing interest	<u>17,233</u>
Present Value Of Future Minimum Lease Payments	<u>\$ 323,195</u>

**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 Missouri Local Government Employees Retirement System (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 supplemental information. This report may be obtained by accessing the LAGERS' website at [www.molagers.org](http://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 employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u><b>2019 Valuation</b></u>
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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	114
Inactive employees entitled to but not yet receiving benefits	72
Active employees	<u>143</u>
Total	<u>329</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 of the City do not contribute to the pension plan. The City contribution rates are 13.3% (General), 13.3% (Police), and 4.4% (Fire) of annual covered payroll.

***Net Pension Liability***

The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2019.

# CITY OF LEBANON, MISSOURI

## NOTES TO FINANCIAL STATEMENTS

### NOTE F - PENSION PLAN (Continued)

#### *Actuarial Assumptions*

The total pension liability in the February 28, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation, 2.50% price inflation
Salary increase	3.25% to 7.15% including wage inflation
Investment rate of return	7.25%, net of investment 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 actuarial assumptions used in the February 28, 2019 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>Weighted Average Long-term Expected Real Rate Of Return</u>
Alpha	15.00 %	3.67 %
Equity	35.00	4.78
Fixed income	31.00	1.41
Real assets	36.00	3.29
Strategic assets	8.00	5.25
Cash	10.00	-
Leverage	(35.00)	(0.51)

**CITY OF LEBANON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - PENSION PLAN (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined 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 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**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
<b>Balances at June 30, 2018</b>	<u>\$ 22,391,764</u>	<u>22,033,522</u>	<u>358,242</u>
<b>Changes for the year:</b>			
Service cost	527,876	-	527,876
Interest	1,609,614	-	1,609,614
Difference between expected and actual experience	(504,839)	-	(504,839)
Contributions - employer	-	748,080	(748,080)
Net investment income	-	1,417,646	(1,417,646)
Benefit payments, including refunds	(915,035)	(915,035)	-
Administrative expense	-	(36,708)	36,708
Other	-	(147,493)	147,493
Net Changes	<u>717,616</u>	<u>1,066,490</u>	<u>(348,874)</u>
<b>Balances at June 30, 2019</b>	<u>\$ 23,109,380</u>	<u>23,100,012</u>	<u>9,368</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City'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.

	<b>1% Decrease</b>	<b>Current Single Discount Rate Assumption</b>	<b>1% Increase</b>
Net pension liability (asset)	<u>\$ 3,461,538</u>	<u>9,368</u>	<u>(2,816,108)</u>

**CITY OF LEBANON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - PENSION PLAN (Continued)**

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

For the year ended June 30, 2019, the City recognized pension expense of \$703,800. Reported deferred outflows and inflows of resources are related to pensions from the following sources:

	<u>Outflows</u>	<u>Inflows</u>	<u>Net Outflows</u>
Difference in experience	\$ 79,468	(829,462)	(749,994)
Changes of assumptions	232,719	(8,200)	224,519
Excess (deficit) investment returns	<u>-</u>	<u>(521,928)</u>	<u>(521,928)</u>
Total	<u>\$ 312,187</u>	<u>(1,359,590)</u>	<u>(1,047,403)</u>

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

<u>For The Plan Years Ending June 30</u>	
2020	\$ (203,673)
2021	(455,101)
2022	(284,780)
2023	(40,985)
2024	<u>(62,864)</u>
Total	<u>\$ (1,047,403)</u>

**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.

**CITY OF LEBANON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE H - INTERFUND TRANSACTIONS**

Interfund transfers are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>For The Year Ended June 30 2019</u>
Tourism Fund	Economic Development Fund	\$ 60,000
Airport Fund	Economic Development Fund	260,181
Airport Fund	General Fund	<u>155,483</u>
Total		<u>\$ 475,664</u>

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 I - INTERFUND ASSETS/LIABILITIES**

Individual interfund assets and liabilities balances are as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30 2019</u>
Electric Fund	Economic Development Fund	\$ 367,013
Electric Fund	Airport Fund	11,765
General Fund	Service Fund	174,034
General Fund	Airport Fund	<u>21,110</u>
Total		<u>\$ 573,922</u>

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, 2020.

**Advances From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30 2019</u>
Electric Fund	Economic Development Fund	\$ 2,138,737
Electric Fund	Airport Fund	<u>13,290</u>
Total		<u>\$ 2,152,027</u>

**CITY OF LEBANON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE I - INTERFUND ASSETS/LIABILITIES (Continued)**

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, 2019, the interfund loans were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30 2019</u>	<u>Project</u>	<u>Maturity</u>
Electric Fund	Airport Fund	\$ 25,055	Hangers	06/15/21
Electric Fund	Economic Development Fund	1,887,796	Detroit Tool Building	11/15/24
Electric Fund	Economic Development Fund	617,954	Detroit Tool Building	06/01/28
Total		<u>\$ 2,530,805</u>		

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>
2020	\$ 378,778	117,938	496,716
2021	399,081	98,559	497,640
2022	405,528	78,438	483,966
2023	426,276	57,690	483,966
2024	448,084	35,881	483,965
2025 - 2028	473,058	34,631	507,689
Total	<u>\$ 2,530,805</u>	<u>423,137</u>	<u>2,953,942</u>

**NOTE J - 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 \$3,179,572 at June 30, 2019. The rent income for these leases for the year ended June 30, 2019 amounted to \$1,179,420. The future minimum lease income is as follows:

<u>For The Years Ending June 30</u>	
2020	\$ 1,127,578
2021	636,154
Total	<u>\$ 1,763,732</u>

**NOTE K - 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.

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 has no plans or intentions to begin cancellation proceedings.



**CITY OF LEBANON, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE L - 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 \$1,813,149 aggregate and \$70,000 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, 2019, \$0 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 M - COMMITMENTS AND CONTINGENCIES**

The City is subject to various lawsuits. Although the outcome of these lawsuits is not presently determinable, the City believes the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**NOTE N - RESTRICTED NET POSITION**

The government-wide statements of net position reports \$4,245,348 of restricted net position, of which \$4,086,665 is restricted by enabling legislation.

**NOTE O - RESTATEMENT OF NET POSITION**

The previously stated net position has been restated as follows:

	<b>Total Governmental Activities</b>	<b>Community Development Fund</b>	<b>Service Fund</b>
Net position, June 30, 2018, as previously reported	\$ 20,023,744	-	-
Restatement for capital assets	<u>24,461,036</u>	<u>15,277</u>	<u>756,950</u>
Net Position, June 30, 2018, As Restated	<u><u>\$ 44,484,780</u></u>	<u><u>15,277</u></u>	<u><u>756,950</u></u>

# CITY OF LEBANON, MISSOURI

## NOTES TO FINANCIAL STATEMENTS

### NOTE O - RESTATEMENT OF NET POSITION (Continued)

	Total Business-type Activities	Business-type Activities				
		Electric	Water	Sewer	Economic Development	Fiber Operations
Net position, June 30, 2018, as previously reported	\$ 29,758,063	15,756,341	2,266,258	4,490,684	6,906,675	259,000
Restatement for capital assets	<u>24,807,022</u>	<u>7,168,258</u>	<u>4,331,900</u>	<u>5,626,429</u>	<u>7,662,256</u>	<u>18,179</u>
Net Position, June 30, 2018, As Restated	<u>\$ 54,565,085</u>	<u>22,924,599</u>	<u>6,598,158</u>	<u>10,117,113</u>	<u>14,568,931</u>	<u>277,179</u>

### NOTE P - TAX ABATEMENT AGREEMENTS

The City utilizes two types of tax abatement programs to attract jobs and industrial investments in the City. They are Enhanced Enterprise Zone and Chapter 353.

**Enhanced Enterprise Zone** -- Under Chapter 135 of the Revised Statutes of Missouri (RSMo), real property tax abatement is available through an Enhanced Enterprise Zone program. The purpose is to encourage business development and job creation. Zone boundaries are established in conjunction with the Missouri Department of Economic Development and are based on areas of low income and high unemployment, the potential to create sustainable jobs in a targeted industry and the impact on local industry cluster development.

The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The business receives a 50% abatement level for 10 years for meeting the minimum qualifications of two new full-time employees and \$100,000 minimum in capital investment in the community. The amount of the abatement is deducted from the recipient's property tax bill. This gave the City the ability to maintain and expand business located in the City and create new jobs by abating to reduce assessed valuation of the property. The amount of tax abated for June 30, 2019 for this program was \$10,584.

**Chapter 353** -- Under Chapter 353 of the Revised Statutes of Missouri (RSMo), real property tax abatement is available within "blighted areas". Under this program, an eligible city or county may approve a redevelopment plan that provides for tax abatement for up to 25 years, thus encouraging the redevelopment of the blighted area. To be eligible an Urban Redevelopment Corporation must be formed and must take title to the property to be redeveloped. During the terms of the program, a certain percentage of the property tax amount for the assessed value of the eligible property is abated. At June 30, 2019, the City had two active Chapter 353 projects. The taxes can be abated up to 100% but the City abates 50% to 80% of the taxes for a period of 10 to 15 years. For the fiscal year ended June 30, 2019, \$5,268 of City real estate property taxes was abated through the Chapter 353 Program.

**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, 2019**

	<b>Budgeted Amounts</b>			<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Sales tax	\$ 3,550,000	3,775,695	3,775,695	-
Property tax	615,000	632,190	632,189	(1)
Franchise fees	600,000	656,338	648,840	(7,498)
PILOTs	1,268,750	1,365,668	1,365,538	(130)
Other taxes	59,000	63,190	63,190	-
Intergovernmental	20,540	65,838	65,838	-
Licenses and permits	25,000	26,518	26,518	-
Fines and forfeitures	145,000	153,043	153,046	3
Charges for services	235,500	317,167	252,678	(64,489)
Investment income	8,000	11,558	11,557	(1)
Other	83,000	197,564	194,493	(3,071)
Total Revenues	<u>6,609,790</u>	<u>7,264,769</u>	<u>7,189,582</u>	<u>(75,187)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,315,279	1,976,812	1,936,633	(40,179)
Public safety	4,531,559	4,263,404	4,257,915	(5,489)
Parks and recreation	353,165	508,075	503,682	(4,393)
Economic development	39,100	37,295	34,572	(2,723)
Capital outlay	266,570	249,206	248,315	(891)
Total Expenditures	<u>7,505,673</u>	<u>7,034,792</u>	<u>6,981,117</u>	<u>(53,675)</u>
<b>REVENUES OVER (UNDER) EXPEN-</b>				
<b>DITURES</b>	<u>(895,883)</u>	<u>229,977</u>	<u>208,465</u>	<u>(21,512)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	2,058	2,058	-
Insurance recoveries	-	11,489	11,488	(1)
Transfers out	<u>(90,000)</u>	<u>(90,000)</u>	<u>(155,483)</u>	<u>(65,483)</u>
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>(76,453)</u>	<u>(141,937)</u>	<u>(65,484)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (985,883)</u>	<u>153,524</u>	66,528	<u>(86,996)</u>
<b>FUND BALANCE, JULY 1</b>			<u>2,834,703</u>	
<b>FUND BALANCE, JUNE 30</b>			<u>\$ 2,901,231</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, 2019**

	<b>Budgeted Amounts</b>			<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Sales tax	\$ 1,750,000	1,843,805	1,811,781	(32,024)
Other taxes	583,000	547,770	579,793	32,023
Intergovernmental	105,000	68,073	68,072	(1)
Investment income	-	565	565	-
Other	-	1,200	1,194	(6)
Total Revenues	<u>2,438,000</u>	<u>2,461,413</u>	<u>2,461,405</u>	<u>(8)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	1,825,189	1,681,101	1,598,519	(82,582)
Capital outlay	952,186	600,420	600,412	(8)
Debt service:				
Principal	64,763	64,763	64,763	-
Interest	4,594	4,594	4,590	(4)
Total Expenditures	<u>2,846,732</u>	<u>2,350,878</u>	<u>2,268,284</u>	<u>(82,594)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(408,732)</u>	<u>110,535</u>	<u>193,121</u>	<u>82,586</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	-	8,255	8,254	(1)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (408,732)</u>	<u>118,790</u>	<u>201,375</u>	<u>82,585</u>
<b>FUND BALANCE, JULY 1</b>			<u>1,611,408</u>	
<b>FUND BALANCE, JUNE 30</b>			<u>\$ 1,812,783</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, 2019**

	<b>Budgeted Amounts</b>			<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Sales tax	\$ 1,725,000	1,811,075	1,811,070	(5)
Other	-	43,450	43,450	-
Total Revenues	1,725,000	1,854,525	1,854,520	(5)
<b>EXPENDITURES</b>				
Capital outlay	1,661,900	1,629,322	1,629,311	(11)
<b>REVENUES OVER EXPENDITURES</b>	63,100	225,203	225,209	6
<b>OTHER FINANCING SOURCES</b>				
Insurance recoveries	-	295,345	295,346	1
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 63,100</u>	<u>520,548</u>	520,555	<u>7</u>
FUND BALANCE, JULY 1			<u>668,676</u>	
<b>FUND BALANCE, JUNE 30</b>			<u><u>\$ 1,189,231</u></u>	

**CITY OF LEBANON, MISSOURI**  
**SUPPLEMENTAL INFORMATION - COMBINING BALANCE SHEET -**  
**MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2018**

	<b>Parks And Recreation</b>	<b>Tourism</b>	<b>Airport</b>	<b>Downtown Business District</b>	<b>Totals</b>	
					<b>2019</b>	<b>2018</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 853,164	193,721	-	37,778	1,084,663	1,163,656
Inventory	4,644	-	51,147	-	55,791	40,875
Total Assets	<u>\$ 857,808</u>	<u>193,721</u>	<u>51,147</u>	<u>37,778</u>	<u>1,140,454</u>	<u>1,204,531</u>
<b>LIABILITIES</b>						
Due to others	12	-	2,302	-	2,314	1,268
Customer deposits payable	-	-	2,680	-	2,680	2,015
Due to other funds	-	-	32,875	-	32,875	12,362
Advance from other funds	-	-	13,290	-	13,290	25,055
Total Liabilities	<u>12</u>	<u>-</u>	<u>51,147</u>	<u>-</u>	<u>51,159</u>	<u>40,700</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Inventory	4,644	-	51,147	-	55,791	40,875
Restricted for:						
Parks and recreation	853,152	-	-	-	853,152	927,399
Transportation	-	193,721	-	-	193,721	203,043
Economic development	-	-	-	37,778	37,778	33,139
Unassigned	-	-	(51,147)	-	(51,147)	(40,625)
Total Fund Balances	<u>857,796</u>	<u>193,721</u>	<u>-</u>	<u>37,778</u>	<u>1,089,295</u>	<u>1,163,831</u>
Total Liabilities And Fund Balances	<u>\$ 857,808</u>	<u>193,721</u>	<u>51,147</u>	<u>37,778</u>	<u>1,140,454</u>	<u>1,204,531</u>

**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, 2019**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Parks And Recreation</b>	<b>Tourism</b>	<b>Airport</b>	<b>Downtown Business District</b>	<b>Totals</b>	
					<b>2019</b>	<b>2018</b>
<b>REVENUES</b>						
Sales tax	\$ -	147,017	-	-	147,017	138,667
Property tax	632,189	-	-	27,284	659,473	647,148
Intergovernmental	-	17,276	-	-	17,276	86,058
Charges for services	135,840	-	270,032	5,021	410,893	339,210
Other	12,806	113	290	-	13,209	14,099
Total Revenues	<u>780,835</u>	<u>164,406</u>	<u>270,322</u>	<u>32,305</u>	<u>1,247,868</u>	<u>1,225,182</u>
<b>EXPENDITURES</b>						
Current:						
Parks and recreation	692,551	-	-	-	692,551	632,966
Transportation	-	232,699	417,012	-	649,711	569,951
Economic development	-	-	-	27,666	27,666	35,029
Capital outlay	160,937	1,029	268,016	-	429,982	193,117
Debt service:						
Interest	-	-	1,558	-	1,558	2,103
Total Expenditures	<u>853,488</u>	<u>233,728</u>	<u>686,586</u>	<u>27,666</u>	<u>1,801,468</u>	<u>1,433,166</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(72,653)</u>	<u>(69,322)</u>	<u>(416,264)</u>	<u>4,639</u>	<u>(553,600)</u>	<u>(207,984)</u>
<b>OTHER FINANCING SOURCES</b>						
Sale of capital assets	2,800	-	600	-	3,400	-
Transfers in	-	60,000	415,664	-	475,664	467,796
Total Other Financing Sources	<u>2,800</u>	<u>60,000</u>	<u>416,264</u>	<u>-</u>	<u>479,064</u>	<u>467,796</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(69,853)</u>	<u>(9,322)</u>	<u>-</u>	<u>4,639</u>	<u>(74,536)</u>	<u>259,812</u>
<b>FUND BALANCES, JULY 1</b>	<u>927,649</u>	<u>203,043</u>	<u>-</u>	<u>33,139</u>	<u>1,163,831</u>	<u>904,019</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 857,796</u>	<u>193,721</u>	<u>-</u>	<u>37,778</u>	<u>1,089,295</u>	<u>1,163,831</u>



**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, 2019**

	<b>Budgeted Amounts</b>			<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property tax	\$ 615,000	632,190	632,189	(1)
Charges for services	68,300	135,982	135,840	(142)
Other	9,000	12,965	12,806	(159)
Total Revenues	<u>692,300</u>	<u>781,137</u>	<u>780,835</u>	<u>(302)</u>
<b>EXPENDITURES</b>				
Current:				
Parks and recreation	702,694	733,696	692,551	(41,145)
Capital outlay	<u>175,152</u>	<u>160,944</u>	<u>160,937</u>	<u>(7)</u>
Total Expenditures	<u>877,846</u>	<u>894,640</u>	<u>853,488</u>	<u>(41,152)</u>
<b>REVENUES UNDER EXPENDITURES</b>	(185,546)	(113,503)	(72,653)	40,850
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	<u>1,000</u>	<u>2,800</u>	<u>2,800</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (184,546)</u></u>	<u><u>(110,703)</u></u>	<u>(69,853)</u>	<u><u>40,850</u></u>
FUND BALANCE, JULY 1			<u>927,649</u>	
<b>FUND BALANCE, JUNE 30</b>			<u><u>\$ 857,796</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, 2019**

	<b>Budgeted Amounts</b>			<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Sales tax	\$ 130,000	147,020	147,017	(3)
Intergovernmental	15,000	17,280	17,276	(4)
Other	65	115	113	(2)
Total Revenues	<u>145,065</u>	<u>164,415</u>	<u>164,406</u>	<u>(9)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	245,608	224,423	232,699	8,276
Capital outlay	<u>1,034</u>	<u>1,034</u>	<u>1,029</u>	<u>(5)</u>
Total Expenditures	<u>246,642</u>	<u>225,457</u>	<u>233,728</u>	<u>8,271</u>
<b>REVENUES UNDER EXPENDITURES</b>	(101,577)	(61,042)	(69,322)	(8,280)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (41,577)</u></u>	<u><u>(1,042)</u></u>	<u>(9,322)</u>	<u><u>(8,280)</u></u>
FUND BALANCE, JULY 1			<u>203,043</u>	
<b>FUND BALANCE, JUNE 30</b>			<u><u>\$ 193,721</u></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, 2019**

	<b>Budgeted Amounts</b>			<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Intergovernmental	\$ 535,517	-	-	-
Charges for services	314,270	290,129	270,032	(20,097)
Other	5,315	349	290	(59)
Total Revenues	<u>855,102</u>	<u>290,478</u>	<u>270,322</u>	<u>(20,156)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	431,798	440,067	417,012	(23,055)
Capital outlay	765,734	268,019	268,016	(3)
Debt service:				
Interest	12,750	12,750	1,558	(11,192)
Total Expenditures	<u>1,210,282</u>	<u>720,836</u>	<u>686,586</u>	<u>(34,250)</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(355,180)</u>	<u>(430,358)</u>	<u>(416,264)</u>	<u>14,094</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	5,000	600	600	-
Transfers in	<u>350,181</u>	<u>350,181</u>	<u>415,664</u>	<u>65,483</u>
Total Other Financing Sources	<u>355,181</u>	<u>350,781</u>	<u>416,264</u>	<u>65,483</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 1</u>	<u>(79,577)</u>	<u>-</u>	<u>79,577</u>
<b>FUND BALANCE , JULY 1</b>			<u>-</u>	
<b>FUND BALANCE, JUNE 30</b>			<u>\$ -</u>	

**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, 2019**

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	<b>Budgeted Amounts</b>			<b>Over (Under) Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property tax	\$ 28,400	27,593	27,284	(309)
Charges for services	5,200	5,200	5,021	(179)
Total Revenues	33,600	32,793	32,305	(488)
<b>EXPENDITURES</b>				
Current:				
Economic development	40,612	28,562	27,666	(896)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (7,012)</u>	<u>4,231</u>	4,639	<u>408</u>
FUND BALANCE, JULY 1			<u>33,139</u>	
<b>FUND BALANCE, JUNE 30</b>			<u>\$ 37,778</u>	

**CITY OF LEBANON, MISSOURI**  
**SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF NET POSITION -**  
**MODIFIED CASH BASIS - INTERNAL SERVICE FUNDS**  
**JUNE 30, 2019**  
**WITH COMPARATIVE TOTALS FOR JUNE 30, 2018**

	<b>Community Development</b>	<b>Employee Benefits</b>	<b>Service Fund</b>	<b>Totals</b>	
				<b>2019</b>	<b>2018</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 52,139	1,161,680	-	1,213,819	450,600
Inventory	22,989	-	11,712	34,701	50,315
Total Current Assets	75,128	1,161,680	11,712	1,248,520	500,915
<b>Noncurrent Assets</b>					
Capital assets:					
Land and construction in progress	21,952	-	-	21,952	21,952
Other capital assets, net of accumulated depreciation	56,962	-	949,161	1,006,123	1,049,922
Total Capital Assets	78,914	-	949,161	1,028,075	1,071,874
Total Assets	154,042	1,161,680	960,873	2,276,595	1,572,789
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amounts related to pensions	7,722	-	15,607	23,329	36,064
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Due to others	-	2,333	-	2,333	1,410
Due to other funds	-	-	174,034	174,034	184,737
Total Current Liabilities	-	2,333	174,034	176,367	186,147
<b>Noncurrent Liabilities</b>					
Net pension liability	43,535	-	87,989	131,524	126,537
Total Liabilities	43,535	2,333	262,023	307,891	312,684
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred amounts related to pensions	28,295	-	57,187	85,482	90,295
<b>NET POSITION</b>					
Net investment in capital assets	78,914	-	949,161	1,028,075	1,071,874
Unrestricted	11,020	1,159,347	(291,891)	878,476	134,000
Total Net Position	\$ 89,934	1,159,347	657,270	1,906,551	1,205,874

**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, 2019**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Community Development</b>	<b>Employee Benefits</b>	<b>Service Fund</b>	<b>Totals</b>	
				<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUES</b>					
Licenses and permits	\$ 72,032	-	-	72,032	52,724
Charges for services:					
Internal	336,250	3,378,703	905,923	4,620,876	4,507,220
Service charges and fees	22,009	-	-	22,009	33,972
Subdivision revenue	39,365	-	-	39,365	30,624
Other	88	-	2,254	2,342	1,370
Total Operating Revenues	<u>469,744</u>	<u>3,378,703</u>	<u>908,177</u>	<u>4,756,624</u>	<u>4,625,910</u>
<b>OPERATING EXPENSES</b>					
Personnel costs	325,125	2,653,003	737,612	3,715,740	3,668,536
Operations and maintenance	58,151	-	175,068	233,219	238,683
Depreciation	11,811	-	99,523	111,334	55,221
Total Operating Expenses	<u>395,087</u>	<u>2,653,003</u>	<u>1,012,203</u>	<u>4,060,293</u>	<u>3,962,440</u>
<b>OPERATING INCOME (LOSS)</b>	74,657	725,700	(104,026)	696,331	663,470
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain (loss) on disposal/transfer of capital assets	<u>-</u>	<u>-</u>	<u>4,346</u>	<u>4,346</u>	<u>(380,849)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	74,657	725,700	(99,680)	700,677	282,621
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,577</u>
<b>CHANGE IN NET POSITION</b>	74,657	725,700	(99,680)	700,677	768,198
NET POSITION, JULY 1, AS RESTATED	<u>15,277</u>	<u>433,647</u>	<u>756,950</u>	<u>1,205,874</u>	<u>437,676</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 89,934</u>	<u>1,159,347</u>	<u>657,270</u>	<u>1,906,551</u>	<u>1,205,874</u>

**CITY OF LEBANON, MISSOURI**  
**SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF CASH FLOWS -**  
**MODIFIED CASH BASIS - INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Community Development</b>	<b>Employee Benefits</b>	<b>Service Fund</b>	<b>Total</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 133,406	-	-	133,406
Receipts from interfund charges	336,250	3,378,703	905,923	4,620,876
Payments to suppliers	(53,242)	-	(164,363)	(217,605)
Payments to employees for salaries and benefits	(334,614)	(2,652,080)	(715,214)	(3,701,908)
Other receipts	88	-	2,254	2,342
Net Cash Provided By Operating Activities	<u>81,888</u>	<u>726,623</u>	<u>28,600</u>	<u>837,111</u>
<b>Cash flows used in noncapital financing activities:</b>				
Due to other funds	-	-	(10,703)	(10,703)
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	(45,292)	-	(22,243)	(67,535)
Proceeds from sale of capital assets	-	-	4,346	4,346
Net Cash Used In Capital And Related Financing Activities	<u>(45,292)</u>	<u>-</u>	<u>(17,897)</u>	<u>(63,189)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>36,596</u>	<u>726,623</u>	<u>-</u>	<u>763,219</u>
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>15,543</u>	<u>435,057</u>	<u>-</u>	<u>450,600</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 52,139</u>	<u>1,161,680</u>	<u>-</u>	<u>1,213,819</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 74,657	725,700	(104,026)	696,331
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	11,811	-	99,523	111,334
(Increase) decrease in:				
Inventory	4,909	-	10,705	15,614
Deferred outflows related to pensions	6,961	-	5,774	12,735
Increase (decrease) in:				
Due to others	-	923	-	923
Net pension liability	(7,983)	-	12,970	4,987
Deferred inflows related to pensions	(8,467)	-	3,654	(4,813)
Total Adjustments	<u>7,231</u>	<u>923</u>	<u>132,626</u>	<u>140,780</u>
Net Cash Provided By Operating Activities	<u>\$ 81,888</u>	<u>726,623</u>	<u>28,600</u>	<u>837,111</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, 2019**

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**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 Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made several times throughout the year.

**Expenditures Exceeding Appropriations**

For the year ended June 30, 2019, expenditures exceeded appropriations in the Tourism Fund by \$8,271.



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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>					
Service cost	\$ 527,876	501,368	478,534	476,033	487,493
Interest on the total pension liability	1,609,614	1,530,581	1,470,428	1,372,505	1,334,980
Difference between expected and actual experience	(504,839)	(82,807)	(209,391)	(389,970)	(514,580)
Changes of assumptions	-	-	(18,844)	816,527	-
Benefit payments, including refunds	(915,035)	(830,560)	(1,007,820)	(809,971)	(760,255)
Net Change In Total Pension Liability	717,616	1,118,582	712,907	1,465,124	547,638
Total Pension Liability Beginning	22,391,764	21,273,182	20,560,275	19,095,151	18,547,513
Total Pension Liability Ending (a)	<u>\$ 23,109,380</u>	<u>22,391,764</u>	<u>21,273,182</u>	<u>20,560,275</u>	<u>19,095,151</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 748,080	\$ 740,380	690,403	697,196	700,379
Net investment income	1,417,646	2,408,797	2,139,702	(21,201)	345,385
Benefit payments, including refunds	(915,035)	(830,560)	(1,007,820)	(809,971)	(760,255)
Administrative expense	(36,708)	(25,952)	(25,370)	(24,227)	(26,283)
Other	(147,493)	(125,678)	(14,178)	100,036	(34,231)
Net Change In Plan Fiduciary Net Position	1,066,490	2,166,987	1,782,737	(58,167)	224,995
Plan Fiduciary Net Position Beginning	22,033,522	19,866,535	18,083,798	18,141,965	17,916,970
Plan Fiduciary Net Position Ending (b)	<u>\$ 23,100,012</u>	<u>22,033,522</u>	<u>19,866,535</u>	<u>18,083,798</u>	<u>18,141,965</u>
<b>Net Pension Liability Ending (a)-(b)</b>	<u>\$ 9,368</u>	<u>358,242</u>	<u>1,406,647</u>	<u>2,476,477</u>	<u>953,186</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.96 %	98.40	93.39	87.96	95.01
Covered Payroll (for February 28/29 Valuation)	\$ 5,926,095	5,864,105	5,517,956	5,281,969	4,405,930
Net Pension Liability as a Percentage of Covered Payroll	0.16 %	6.11	25.49	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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined pension contribution	\$ 746,987	\$ 754,226	689,745	697,227	704,038	741,081	756,869	740,700	496,554	566,744
Contributions in relation to the actuarially determined contribution	746,987	741,832	689,745	697,227	700,735	734,473	734,691	719,627	435,348	566,718
Contribution Deficiency	<u>\$ -</u>	<u>12,394</u>	<u>-</u>	<u>-</u>	<u>3,303</u>	<u>6,608</u>	<u>22,178</u>	<u>21,073</u>	<u>61,206</u>	<u>26</u>
Covered Payroll	\$ 6,100,280	5,957,085	5,822,109	5,415,542	5,386,916	5,511,006	5,441,024	5,512,325	3,611,203	5,146,687
Contributions as a Percentage of Covered Payroll	12.25 %	12.45	11.85	12.87	13.01	13.33	13.50	13.05	12.06	11.01

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of February 28/29 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method  
Amortization method

Entry age normal and modified terminal funding  
A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.

Remaining amortization period  
Asset valuation method  
Inflation  
Salary increases  
Investment rate of return  
Retirement age  
Mortality

Multiple bases from 10 to 17 years  
5 years smoothed market; 20% corridor  
3.25% wage inflation; 2.50% price inflation  
3.25% to 7.15% including wage inflation  
7.25%, net of investment 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.

Other information:

There were no benefit changes during the year.