

**TOWN OF LEBANON, VIRGINIA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

**TOWN OF LEBANON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the
Town Council
Town of Lebanon, Virginia:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Lebanon, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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 accounting principles generally accepted in the United States of America; this includes 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Lebanon, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–11 and 44-50 and the schedule of funding progress on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lebanon, Virginia's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial 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 combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014, on our consideration of the Town of Lebanon, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Lebanon, Virginia's internal control over financial reporting and compliance.

Bostic, Tucker & Company, PC

March 7, 2014
Lebanon, Virginia

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF LEBANON, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The following is a narrative overview and analysis of the financial activities of the Town of Lebanon, Virginia for the fiscal year ended. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The assets of the Town of Lebanon exceeded its liabilities at the close of the most recent fiscal year by \$19,404,897 (net position). Of this amount, \$6,991,162 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens.
- The Government's net position increased by \$234,741.
- In the Town's business-type activities, revenues and expenses experienced some changes from last year's levels. Revenues from operations increased by 1.2% or \$15,604 over the preceding year, and operating expenses increased by 20.1% or \$307,108. Overall there was a net decrease in net position of \$596,187.
- The general fund reported a surplus this year of \$7,788,569.
- The resources available for appropriation were \$60,184 more than budgeted for the general fund. Expenditures were less than budgeted amounts by \$372,708.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

Our analysis of the Town as a whole begins on page 5. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net position - the difference between assets and liabilities - as one way to measure the Town's

financial health or *financial position*. Over time, *increases or decreases* in the Town's net position are one indicator of whether its *financial health* is improving or deteriorating. You need to consider other non-financial factors, however, such as changes in the Town's property tax base and other items, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

- Government activities – Most of the Town's basic services are reported here, including the police department, public safety, public works, and general administration. Property taxes, other local taxes (such as sales, meals and lodging, bank stock, and utility), and state and federal grants finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help cover all or most of the cost of certain services it provides. The Town's water and sewer system is reported here.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes (like emergency services) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the water and sewer fund). The Town has two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the Town'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 accrual accounting*, which measures cash and all other *financial* assets that can be readily converted to cash. The governmental fund statements provide a detailed *short-term* view of the Town's general government operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds* – When the Town charges customers for the services it provides – whether to outside customers or to other units of the Town – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund (a component of proprietary funds) is the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

➤ **The Town As A Whole**

The Town's *combined* net position increased from a year ago – *increasing* from \$19.2 to \$19.4 million. Our analysis below focuses on the net position (Table 1) and changes in Net Position (Table 2) of the Town's governmental and business-type activities.

Table 1

Net Assets

	Governmental Activities	Business-type Activities	Total Primary Government
Current and other assets	\$ 8,001,866	\$ 348,290	\$ 8,350,156
Capital assets	<u>7,725,639</u>	<u>7,827,651</u>	<u>15,553,290</u>
Total assets	15,727,505	8,175,941	23,903,446
Long-term debt outstanding	104,555	3,100,000	3,204,555
Other liabilities	<u>695,458</u>	<u>598,536</u>	<u>1,293,994</u>
Total liabilities	<u>800,013</u>	<u>3,698,536</u>	<u>4,498,549</u>
Net assets:			
Invested in capital assets, net of debt	7,686,084	4,727,651	12,413,735
Restricted	-	-	-
Unrestricted	<u>7,241,408</u>	<u>(250,246)</u>	<u>6,991,162</u>
Total net assets	<u>\$ 14,927,492</u>	<u>\$ 4,477,405</u>	<u>\$ 19,404,897</u>

Net position of the Town's governmental activities increased by \$830,928. *Unrestricted* net position – the part of net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation or other legal requirements – changed from a \$5,913,816 surplus at June 30, 2012 to a \$7,241,408 surplus at the end of the fiscal year.

The increase in net position arose primarily due to an increase in tax revenues due to supplemental tax assessments from prior year activity. The General Fund received transfers of \$100,173 from the Enterprise Funds.

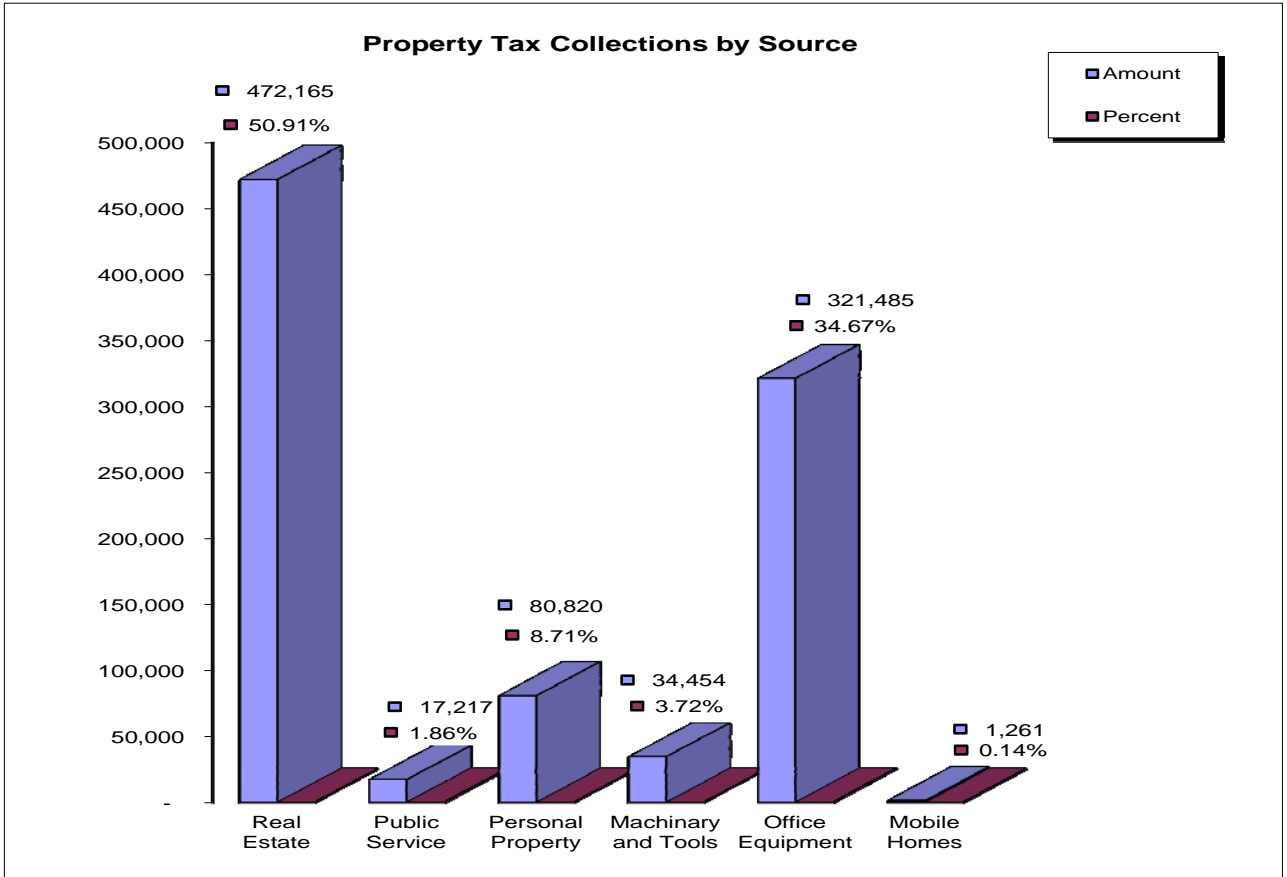
The net position of our business-type activities decreased by about 11.8% or \$596,187 in 2013. Business-type activities showed an increase in revenue of \$15,604 mainly due to an increase in sewer revenue. The decrease in net position was the result of increased operating expenses and the increased depreciation from new capital projects. Expenses showed an increase of \$307,108 which was mainly reflected in the depreciation of fixed assets.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Revenues			
Program revenues:			
Charges for services	\$ 562,110	\$ 1,313,977	\$ 1,876,087
Federal grants and entitlements	5,850	-	5,850
State grants and entitlements	953,640	-	953,640
Local government contributions	667,599	-	667,599
Contributions from localities	128,222	155,625	283,847
Property taxes	969,243	-	969,243
Other taxes	1,648,527	-	1,648,527
Other general revenues	94,471	(7,687)	86,784
	<u>5,029,662</u>	<u>1,461,915</u>	<u>6,491,577</u>
Total revenues			
	<u>5,029,662</u>	<u>1,461,915</u>	<u>6,491,577</u>
Program expenses			
General government	851,101	-	851,101
Board of elections	-	-	-
Public safety	1,040,922	-	1,040,922
Public works	2,223,683	-	2,223,683
Nondepartmental	42,885	-	42,885
Parks and recreation	119,733	-	119,733
Community development	4,550	-	4,550
Interest	16,033	125,884	141,917
Water and sewer operations	-	1,832,045	1,832,045
	<u>4,298,907</u>	<u>1,957,929</u>	<u>6,256,836</u>
Total expenses			
	<u>4,298,907</u>	<u>1,957,929</u>	<u>6,256,836</u>
Excess (deficiency) before transfers	730,755	(496,014)	234,741
	<u>730,755</u>	<u>(496,014)</u>	<u>234,741</u>
Transfers	100,173	(100,173)	-
	<u>100,173</u>	<u>(100,173)</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 830,928</u>	<u>\$ (596,187)</u>	<u>\$ 234,741</u>

- Property taxes exhibited an increase during the year of about \$96,869. This was a result of supplemental tax tickets for unbilled real estate and machinery and tools taxes for industrial property. Other local tax collections increased approximately \$43,744 due to fluctuation in sales, meals, lodging, and utility tax consumption by consumers.

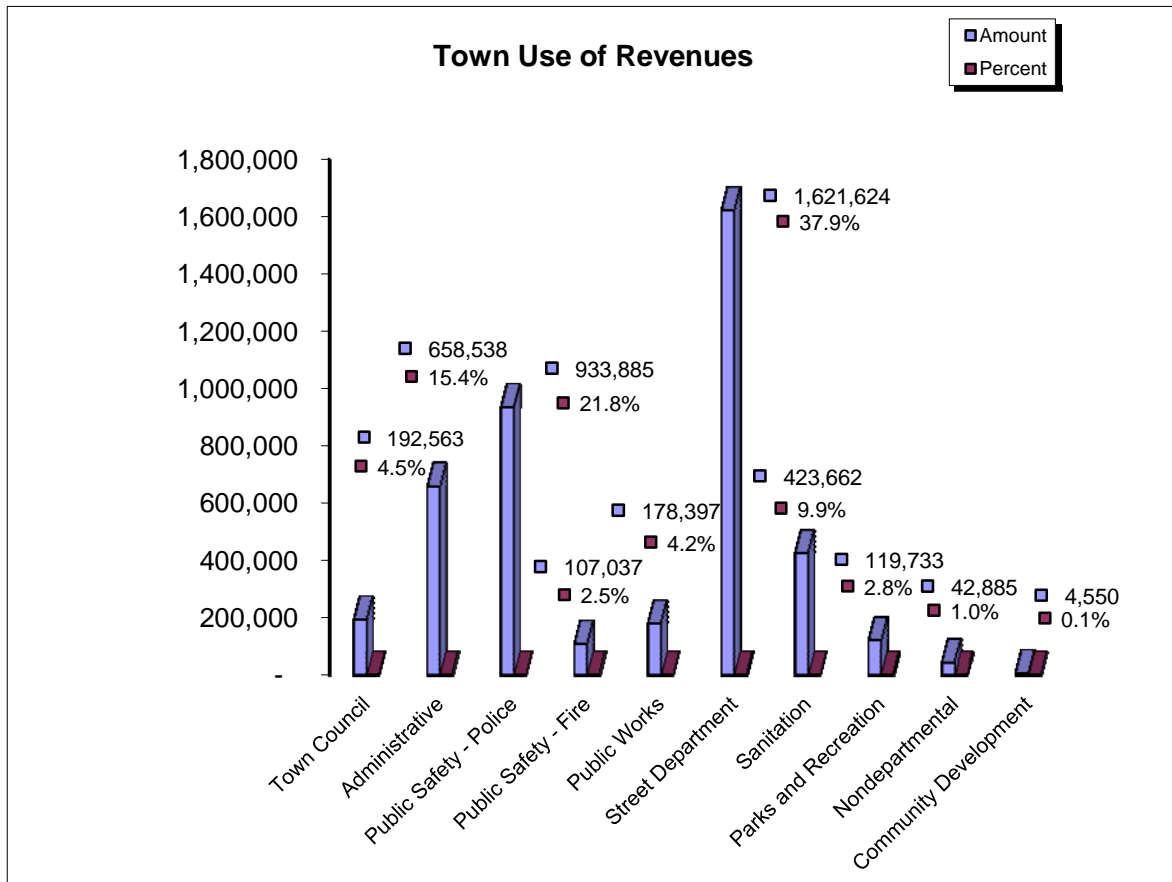
The following chart shows tax collections for the current fiscal year:



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- For the most part, increases in expenses paralleled growth in demand for services.

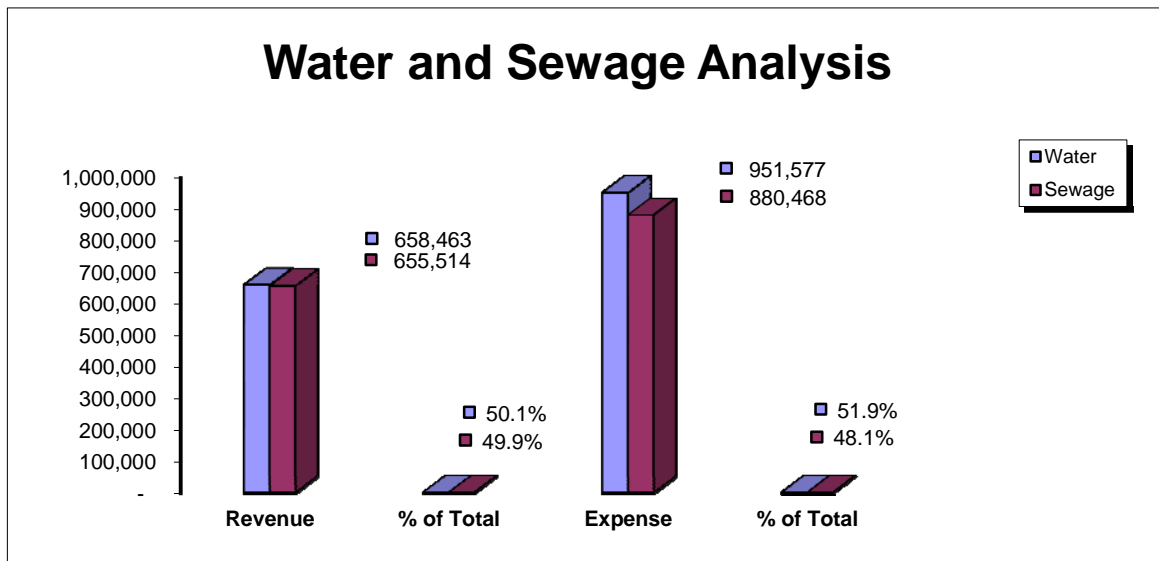
The following chart shows the Town's use of revenues:



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- Business-type activities reflected some fluctuations from last year. Revenues increased about \$15,604 and expenses increased by about \$307,108. The increase in revenue was a reflection of customer usage. Expenses increased due to increases in payroll costs, material and supply purchases, increased utility rates, and depreciation from capital asset projects.

The following chart shows revenue and expenses of the water and sewage funds:



Financial Analysis of the Governmental Funds

As earlier mentioned, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the Town's financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported a combined fund balance of \$7,788,569, an increase of \$885,597 from the prior year. The ending fund balance is unreserved and available for spending at the government's discretion.

The general fund is the chief operating fund of the Town. As of June 30, 2013 the general fund had a surplus of \$7.79 million. The general fund is the only governmental fund that maintains a fund balance.

The fund balance of the Town's General Fund increased by \$885,597 during the current fiscal year. The key factor for this increase is due to the Town having net transfers of \$100,173 from the Enterprise Funds. Normally the General Fund has to subsidize the Enterprise Funds.

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Water and Sewer Funds at the end of the year were \$0. Other factors concerning the finances of this fund were discussed in the Town's business-type activities of this letter.

General Fund Budgetary Highlights

Resources available for appropriation were \$60,184 more than budgeted. The most significant variance of \$89,001 occurred due to increased contributions from local governments for industrial development. Tax revenues were more than budgeted by \$7,345. Expenditures were more than budgeted amounts by \$372,708 due to the Town budgeting for \$217,045 in capital outlay funds that were not expended within the current fiscal year and the Town budgeted savings for future capital asset expenditures for approximately \$204,000.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2013 is \$7,725,639 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and improvements, vehicles, equipment, and construction in progress.

- The Town expended funds in the amount of \$5,955 for equipment purchases in the governmental activities and \$254,591 in the business-type activities. Capital asset retirements totaled \$85,989 in the governmental activities and \$144,022 in the business-type activities.

Table 3

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities	Business-type Activities
Land	\$ 238,300	\$ 104,944
Infrastructure	5,982,858	-
Buildings and improvements	923,925	-
Distribution and collection systems	-	7,302,036
Vehicles	250,832	55,096
Furniture and equipment	329,724	365,575
Construction in progress	-	-
	<hr/>	<hr/>
Totals	<u>\$ 7,725,639</u>	<u>\$ 7,827,651</u>

More detailed information about the Town's capital assets is presented in Note 13 to the financial statements.

Long-term debt

At the end of the fiscal year the Town had the following outstanding debt:

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 104,555	\$ 3,100,000	\$ 3,204,555
Claims, judgements, and compensated absences	<u>553,558</u>	<u>257,567</u>	<u>811,125</u>
Total	<u><u>\$ 658,113</u></u>	<u><u>\$ 3,357,567</u></u>	<u><u>\$ 4,015,680</u></u>

Additional information on the Town's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget, tax rates and fees that will be charged for the business type activities. One of those factors is the economy.

- Unemployment in the Town now stands at 9.4% versus 9.1% a year ago. The State's unemployment rate was 5.9% and the national rate was 7.8%.
- The Town has seen a slump in the housing market due to national economic troubles that has continued for over five years.
- The Town continues to see growth in consumption services but the manufacturing industries have not recovered from the loss of two automotive manufacturing industries located within the Town. This has had a negative effect on utility billing revenue along with real estate, machinery and tools, and office equipment tax revenues. The Town has seen continued growth in the technology industry that has stimulated the local economy.

All of these factors were considered in preparing the Town's budget for the 2014 fiscal year.

Requests for Information

This financial report is designed to provide reader's with a general overview of the Town of Lebanon's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, PO Drawer 309, Lebanon, Virginia 24266.

BASIC FINANCIAL STATEMENTS

TOWN OF LEBANON, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit 1

	Primary Government		Total Reporting Entity
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 7,723,431	\$ -	\$ 7,723,431
Receivables, net	33,192	136,742	169,934
Taxes receivable, net	176,476	-	176,476
Due from other governments	19,322	7,557	26,879
Inventory	11,643	148,103	159,746
Prepaid expense	37,064	3,045	40,109
Bond issuance expenses, net of amortization	738	52,843	53,581
Capital assets, net	<u>7,725,639</u>	<u>7,827,651</u>	<u>15,553,290</u>
 Total assets and other debits	 <u>\$ 15,727,505</u>	 <u>\$ 8,175,941</u>	 <u>\$ 23,903,446</u>
 Liabilities			
Accounts payable	\$ 58,259	\$ 126,026	\$ 184,285
Accrued liabilities	473,667	172,285	645,952
Accrued interest payable	286	4,323	4,609
Compensated absences	163,246	105,812	269,058
Deposits and advances	-	190,090	190,090
Noncurrent liabilities:			
Due within one year	88,752	423,197	511,949
Due in more than one year	<u>15,803</u>	<u>2,676,803</u>	<u>2,692,606</u>
 Total liabilities	 <u>800,013</u>	 <u>3,698,536</u>	 <u>4,498,549</u>
 Net Position			
Invested in capital assets, net of related debt	7,686,084	4,727,651	12,413,735
Unrestricted (deficit)	<u>7,241,408</u>	<u>(250,246)</u>	<u>6,991,162</u>
 Total net assets	 <u>\$ 14,927,492</u>	 <u>\$ 4,477,405</u>	 <u>\$ 19,404,897</u>

**TOWN OF LEBANON, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 192,563	\$ -	\$ -	\$ -	\$ (192,563)	\$ -	\$ (192,563)
General governmental	658,538	-	-	-	(658,538)	-	(658,538)
Board of elections	-	-	-	-	-	-	-
Public safety	1,040,922	1,420	144,107	-	(895,395)	-	(895,395)
Public works	2,223,683	550,257	820,662	128,222	(724,542)	-	(724,542)
Nondepartmental	42,885	-	-	-	(42,885)	-	(42,885)
Parks, recreation and cultural	119,733	10,433	-	2,164	(107,136)	-	(107,136)
Community development	4,550	-	5,850	-	1,300	-	1,300
Interest on long-term debt	16,033	-	-	-	(16,033)	-	(16,033)
Total government activities	\$ 4,298,907	\$ 562,110	\$ 970,619	\$ 130,386	\$ (2,635,792)	\$ -	\$ (2,635,792)
Business-type activities:							
Water	\$ 1,052,860	\$ 658,463	\$ -	\$ 83,000	\$ -	\$ (311,397)	\$ (311,397)
Sewer	905,069	655,514	-	72,625	-	(176,930)	(176,930)
Total business type-activities	1,957,929	1,313,977	-	155,625	-	(488,327)	(488,327)
Total primary government	\$ 6,256,836	\$ 1,876,087	\$ 970,619	\$ 286,011	\$ (2,635,792)	\$ (488,327)	\$ (3,124,119)
General Revenues:							
Taxes					\$ 2,652,127	\$ -	\$ 2,652,127
Payment from County					620,703	-	620,703
Investment and investment earnings					62,304	-	62,304
Permits, fines, & forfeitures					9,479	-	9,479
Miscellaneous					21,934	(7,687)	14,247
Transfers					100,173	(100,173)	-
Total general revenues, special items and transfers					3,466,720	(107,860)	3,358,860
Change in net position					830,928	(596,187)	234,741
Net position July 1, 2012					14,096,564	5,073,592	19,170,156
Net position June 30, 2013					\$ 14,927,492	\$ 4,477,405	\$ 19,404,897

**TOWN OF LEBANON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

Exhibit A-1

	General	Highway Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 4)	\$ 7,723,431	\$ -	\$ 7,723,431
Receivables (Net of allowances for uncollectibles):			
Taxes (Note 1)	176,476	-	176,476
Accounts	33,192	-	33,192
Inventory	11,643	-	11,643
Prepaid expense	37,064	-	37,064
Due from other funds (Note 14)	-	3,556	3,556
Due from other governmental units (Note 5)	19,322	-	19,322
	<u>8,001,128</u>	<u>3,556</u>	<u>8,004,684</u>
Total assets	<u>\$ 8,001,128</u>	<u>\$ 3,556</u>	<u>\$ 8,004,684</u>
 Liabilities			
Accounts payable	\$ 54,703	\$ 3,556	\$ 58,259
Accrued liabilities	83,355	-	83,355
Due to other funds (Note 14)	3,556	-	3,556
Deferred revenue (Note 11)	70,945	-	70,945
	<u>212,559</u>	<u>3,556</u>	<u>216,115</u>
Total liabilities	<u>212,559</u>	<u>3,556</u>	<u>216,115</u>
 Fund Equity			
Fund balance (Deficit):			
Reserved for			
Inventory	11,643	-	11,643
Prepaid expense	37,064	-	37,064
Undesignated	7,739,862	-	7,739,862
	<u>7,788,569</u>	<u>-</u>	<u>7,788,569</u>
Total fund equity	<u>7,788,569</u>	<u>-</u>	<u>7,788,569</u>
Total liabilities and fund equity	<u>\$ 8,001,128</u>	<u>\$ 3,556</u>	<u>\$ 8,004,684</u>

Total fund balances per Balance Sheet for Governmental Funds \$ 7,788,569

Amounts reported for governmental activities in the Statement of Net Position are different because:

Other long-term assets are not available to pay current period expenditures and therefore deferred in the governmental funds and are not included in the fund balance. 71,683

Capital assets used in government activities are not financial resources and therefore not reported in the funds. The Statement of Net Position, however, includes net assets, net of accumulated depreciation. 7,725,639

Some liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are recorded in the Statement of Net Position. (658,399)

Net position of governmental activities \$ 14,927,492

TOWN OF LEBANON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit A-2

	<u>General</u>	<u>Highway Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
General property taxes	\$ 997,844	\$ -	\$ 997,844
Other local taxes	1,648,527	-	1,648,527
Fines and forfeitures	5,772	-	5,772
Revenue from use of money and property	62,304	-	62,304
Charges for services	393,860	-	393,860
Miscellaneous	5,081	-	5,081
Recovered costs	192,161	-	192,161
Intergovernmental:			
Local government	667,599	-	667,599
Federal	5,850	-	5,850
State	132,978	820,662	953,640
	<u>4,111,976</u>	<u>820,662</u>	<u>4,932,638</u>
Total revenues			
	<u>4,111,976</u>	<u>820,662</u>	<u>4,932,638</u>
Expenditures:			
Current:			
Legislative	183,848	-	183,848
General governmental administration	618,628	-	618,628
Board of elections	-	-	-
Public safety	912,230	-	912,230
Public works	831,781	828,630	1,660,411
Nondepartmental	48,840	-	48,840
Parks, recreation and cultural	92,462	-	92,462
Community development	4,550	-	4,550
Debt service:			
Principal retirement	610,595	-	610,595
Interest and finance charges	15,650	-	15,650
	<u>3,318,584</u>	<u>828,630</u>	<u>4,147,214</u>
Total expenditures			
	<u>3,318,584</u>	<u>828,630</u>	<u>4,147,214</u>
Excess (deficiency) of revenues over expenditures	793,392	(7,968)	785,424
Other financing sources (uses):			
Operating transfers in	92,205	7,968	100,173
Operating transfers out	-	-	-
Operating transfers from/to primary government	-	-	-
	<u>92,205</u>	<u>7,968</u>	<u>100,173</u>
Total other financing sources (uses)			
	<u>92,205</u>	<u>7,968</u>	<u>100,173</u>
Net change in fund balances	885,597	-	885,597
Fund balance (deficit) at beginning of year	6,902,972	-	6,902,972
Fund balance (deficit) at end of year	<u><u>\$ 7,788,569</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,788,569</u></u>

TOWN OF LEBANON, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-3

Net change in fund balances - total government funds \$ 885,597

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

Add current year deferred property tax revenue	\$ 70,945	
Subtract last year's deferred property tax revenue	<u>(99,546)</u>	
		(28,601)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Add capital acquisitions	134,177	
Subtract depreciation	<u>(678,376)</u>	
		(544,199)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add debt repayment	610,595	
Subtract debt proceeds	<u>-</u>	
		610,595

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (such as compensated absences, accrued interest on long-term debt, and bond amortization).

(92,464)

Change in Net Assets of Governmental Activities	<u>\$ 830,928</u>
-------------------------------------------------	-------------------

TOWN OF LEBANON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-4

	Original and Final Budget	Actual	Positive (Negative) Variance
Revenues:			
General property taxes	\$ 990,499	\$ 997,844	\$ 7,345
Other local taxes	1,623,000	1,648,527	25,527
Fines and forfeitures	8,000	5,772	(2,228)
Revenue from use of money and property	75,000	62,304	(12,696)
Charges for services	404,700	393,860	(10,840)
Miscellaneous	14,050	5,081	(8,969)
Recovered costs	228,750	192,161	(36,589)
Intergovernmental:			
Local government	578,598	667,599	89,001
Federal	6,500	5,850	(650)
State	122,695	132,978	10,283
Total revenues	4,051,792	4,111,976	60,184
Expenditures:			
Current:			
Legislative	193,104	183,848	9,256
General governmental administration	567,306	618,628	(51,322)
Board of elections	-	-	-
Public safety	878,261	912,230	(33,969)
Public works	739,377	831,781	(92,404)
Nondepartmental	469,927	48,840	421,087
Parks, recreation and cultural	112,395	92,462	19,933
Community development	27,500	4,550	22,950
Debt service:			
Principal retirement	675,595	610,595	65,000
Interest and finance charges	27,827	15,650	12,177
Total expenditures	3,691,292	3,318,584	372,708
Excess (deficiency) of revenues over expenditures	360,500	793,392	432,892
Other financing sources (uses):			
Operating transfers in	-	92,205	92,205
Operating transfers out	(360,500)	-	360,500
Total other financing sources (uses)	(360,500)	92,205	452,705
Net change in fund balance	-	885,597	885,597
Fund balance (deficit) - July 1, 2012	-	6,902,972	6,902,972
Fund balance (deficit) - June 30, 2013	\$ -	\$ 7,788,569	\$ 7,788,569

TOWN OF LEBANON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

Exhibit B-1

	Business-type Activities		
	Water	Sewer	Totals
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables, net of allowances for uncollectibles	73,349	63,393	136,742
Due from other governmental units	-	7,557	7,557
Prepaid expense	1,620	1,425	3,045
Inventories	127,570	20,533	148,103
Bond issuance expenses, net of amortization	44,434	8,409	52,843
Capital assets, net	4,243,758	3,583,893	7,827,651
Total assets and other debits	\$ 4,490,731	\$ 3,685,210	\$ 8,175,941
Liabilities			
Accounts payable	\$ 28,380	\$ 97,646	\$ 126,026
Accrued liabilities	103,614	68,671	172,285
Accrued interest payable	3,837	486	4,323
Compensated absences	52,279	53,533	105,812
Deposits and advances	190,090	-	190,090
Noncurrent liabilities:			
Due within one year	299,808	123,389	423,197
Due in more than one year	2,451,369	225,434	2,676,803
Total liabilities	3,129,377	569,159	3,698,536
Net Position			
Invested in capital assets, net of related debt	1,492,581	3,235,070	4,727,651
Unrestricted (deficit)	(131,227)	(119,019)	(250,246)
Total net position	\$ 1,361,354	\$ 3,116,051	\$ 4,477,405

**TOWN OF LEBANON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

Exhibit B-2

	Business-type Activities		
	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 653,122	\$ 653,616	\$ 1,306,738
Other	5,341	1,888	7,239
Total operating revenues	658,463	655,514	1,313,977
Operating expenses:			
Salaries and wages	302,208	265,159	567,367
Payroll taxes	21,703	18,187	39,890
Fringe benefits	144,790	109,970	254,760
Workmans compensation	8,155	5,673	13,828
Legal and professional	51	51	102
Contractual services	6,194	2,120	8,314
Equipment rentals	7,648	678	8,326
Auto gas, oil & repairs	13,155	13,925	27,080
Maintenance & repairs	27,888	55,084	82,972
Utilities	57,480	110,622	168,102
Telephone	2,546	1,950	4,496
Office supplies	1,320	1,640	2,960
Advertising	764	-	764
Postage	2,240	2,252	4,492
Insurance	8,996	7,738	16,734
Subscriptions & dues	6,476	2,674	9,150
Materials and supplies	104,027	54,482	158,509
Uniforms	3,747	3,863	7,610
Education	636	360	996
Travel	-	802	802
Bad debts	708	611	1,319
Depreciation	221,367	202,083	423,450
Equipment replacement	9,478	20,544	30,022
Total operating expenses	951,577	880,468	1,832,045
Net operating income (loss)	(293,114)	(224,954)	(518,068)
Nonoperating revenues (expenses)			
Gain (loss) on sale of assets	(4,762)	(2,925)	(7,687)
Interest on long-term debt	(101,283)	(24,601)	(125,884)
Net non-operating revenues (expense)	(106,045)	(27,526)	(133,571)
Income (loss) before contributions & transfers	(399,159)	(252,480)	(651,639)
Capital contributions	83,000	72,625	155,625
Operating transfers - net	(345,016)	244,843	(100,173)
Change in net assets	(661,175)	64,988	(596,187)
Net position - beginning of year (as adjusted)	2,022,529	3,051,063	5,073,592
Net position - end of year	\$ 1,361,354	\$ 3,116,051	\$ 4,477,405

TOWN OF LEBANON, VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-3

	Business-type Activities		
	Water	Sewer	Total
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 651,166	\$ 646,770	\$ 1,297,936
Cash Payments to Suppliers for Goods & Services	(284,743)	(228,743)	(513,486)
Cash Payments to Employees for Services	(449,025)	(374,872)	(823,897)
Other Operating Revenues	<u>5,341</u>	<u>1,898</u>	<u>7,239</u>
Net Cash Provided by Operating Activities	(77,261)	45,053	(32,208)
Cash Flows From Financing Activities:			
Interest Earned	-	-	-
Operating Transfers (To) From General Fund	(345,016)	244,843	(100,173)
Operating Transfers (To) From Proprietary Fund	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Used by Noncapital Financing Activities	(345,016)	244,843	(100,173)
Cash Flows From Capital and Related Financing Activities:			
New Borrowings (Repayments): General Obligation Bonds	561,177	(91,177)	470,000
Capital Grants	83,000	72,625	155,625
Purchase of Property, Plant, & Equipment	(111,501)	(248,827)	(360,328)
Interest Paid on Revenue Bonds	<u>(110,399)</u>	<u>(22,517)</u>	<u>(132,916)</u>
Net Cash Used by Capital and Related Financing Activities	<u>422,277</u>	<u>(289,896)</u>	<u>132,381</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (293,114)	\$ (224,954)	\$ (518,068)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	221,367	202,083	423,450
Receivables	(5,994)	(6,846)	(12,840)
Inventory	(24,948)	1,565	(23,383)
Prepaid Expense	393	350	743
Accounts Payable	1,321	54,411	55,732
Water Deposits	4,038	-	4,038
Compensated Absences	1,705	6,170	7,875
Accrued Liabilities	<u>17,971</u>	<u>12,274</u>	<u>30,245</u>
Total Adjustments	<u>215,853</u>	<u>270,007</u>	<u>485,860</u>
Net Cash Provided by Operating Activities	<u>\$ (77,261)</u>	<u>\$ 45,053</u>	<u>\$ (32,208)</u>

**NOTES TO FINANCIAL
STATEMENTS**

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The Town of Lebanon, Virginia (government) is a municipal corporation governed by an elected six-member Council and an elected Mayor. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The Town has determined that the Lebanon Volunteer Fire Department is a component unit of the Town.

Government – wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Measurement focus, basis of accounting, and financial statement presentation
(continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following **major** governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The government reports the following **major** proprietary funds:

The *Water and Sewer Funds* accounts for activities related to a water distribution and sewer treatment system in the Town.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Measurement focus, basis of accounting, and financial statement presentation – (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include other charges between the government's water and sewer function and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 contributions, 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 *non-operating* 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 enterprise fund and that of the government's internal service funds are charges to customers for sales and services. The Water and Sewer system also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Assets, liabilities, and net position or equity

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Assets, liabilities, and net position or equity – (continued)

Receivables and payables

Activity between the funds are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventory

Inventory consists of repair parts and supplies used to maintain the water and sewer system stated at cost. Inventory in the proprietary fund is accounted for under the consumption method. Cost is recorded as an expense at the time the individual inventory items are used.

Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien as of January 1. Real estate taxes are payable in one installment on December 5th. Personal property taxes are due and collectible annually on December 5th. The Town bills and collects its own taxes.

Allowance for uncollectible accounts

The Town calculates its allowance for uncollectible accounts using historical collection data, and, in certain cases, specific account analysis. The allowance amounted to approximately \$185,368 at June 30, 2013 and is comprised of \$104,119 for property taxes, \$1,381 for utility billings, and \$78,968 for fire calls.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Assets, liabilities, and net position or equity – (continued)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (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. The government defines capital assets as assets with an initial individual cost of \$5,000 for machinery and equipment, land, and buildings, and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	15 - 40
Infrastructure	20 - 50
Structures, lines, and accessories	25
Machinery and equipment	3 - 15

Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. In accordance with the provisions of Government Accounting Standard's No. 16, Accounting for Compensated Absences no liability is recorded for nonvesting accumulating rights to receive benefits. The Town accrues salary - related costs associated with the payment of compensated absences.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Assets, liabilities, and net position or equity – (continued)

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the life on the related bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Financial reporting of deferred outflows of resources, deferred inflows of resources, and net position, Statement No. 63 of the Governmental Accounting Standards Board

The town has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position". The net equity reported in the financial statement has not changed as a result of implementing this Statement and no restatement of prior balances is required.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Assets, liabilities, and net position or equity – (continued)

Items previously reports as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not charged as a result of implementing this Statement and no restatement of prior balances is required.

Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$(662,769) difference for the primary government is as follows:

Primary Government	
General obligation bonds and loans payable	\$ (104,555)
Accrued interest	(286)
OPEB liability	(390,312)
Compensated absences	<u>(163,246)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (658,399)</u>

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
(continued)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$(544,199) difference for the primary government is as follows:

Primary Government	
Capital outlays	\$ 134,177
Depreciation expense	<u>(678,376)</u>
Net adjustments to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (544,199)</u>

- C. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: - (continued)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The detail of this \$(92,464) difference for the primary government is as follows:

Primary Government	
(Increase) Decrease in compensated absences	\$ (16,316)
(Increase) Decrease in OPEB liability	(73,168)
(Increase) Decrease in accrued interest	1,832
Bond amortization	(2,215)
Proceeds from asset sale	<u>(2,597)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (92,464)</u>

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to the June meeting the Town Manager, Deputy Treasurer, and the Budget Committee submit to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally adopted.
4. The Town Council places legal restrictions on expenditures at the department level or category level. Only the Town Council can revise the appropriation for each department or category. The Town Council is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Proprietary Funds and the Special Revenue Funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units except for the Capital Project Funds, which carry, unexpended balances into the following year on a continuing appropriation basis.
8. All budget data presented in the accompanying financial statements reflects the revised budget as of June 30.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 4. DEPOSITS AND INVESTMENTS – (continued)

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

NOTE 5. DUE FROM OTHER GOVERNMENTAL UNITS

Consists of the following at June 30, 2013

Primary Government

Federal Government	\$ -
Commonwealth of Virginia	3,355
County of Russell, Virginia	15,967
	<hr/> 19,322

Enterprise Funds

Russell County IDA	<hr/> 7,557
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Total Due From Other Governmental Units	<hr/> <hr/> \$ 26,879
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NOTE 6. INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that a statute or budget requires a collection to the fund that a statute or budget requires expending them and (2) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 92,205	\$ -
Highway Maintenance	7,968	-
Water Fund	-	345,016
Sewer Fund	244,843	-
	<hr/> \$ 345,016	<hr/> \$ 345,016

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7. LONG-TERM DEBT

Changes in long-term obligations

The following is a summary of long-term obligation transactions of the Town for the year ended June 30, 2013

GOVERNMENTAL ACTIVITIES					
Governmental Activities	Amounts Payable at July 1, 2012	Increases	Decreases	Amounts Payable at June 30, 2013	Amounts Due Within One Year
General obligation bonds	\$ 715,150	\$ -	\$ 610,595	\$ 104,555	\$ 88,752
Total Bonds	715,150	-	610,595	104,555	88,752
Other liabilities:					
Capital lease obligations	-	-	-	-	-
Claims, judgements, and compensated absences payable	464,074	89,484	-	553,558	553,558
Total other liabilities	464,074	89,484	-	553,558	553,558
Total long-term liabilities	\$ 1,179,224	\$ 89,484	\$ 610,595	\$ 658,113	\$ 642,310

ENTERPRISE FUNDS					
Business-type activities	Amounts Payable at July 1, 2012	Increases	Decreases	Amounts Payable at June 30, 2013	Amounts Due Within One Year
General obligation bonds	\$ 2,630,000	\$ 3,100,000	\$ 2,630,000	\$ 3,100,000	\$ 423,197
Total Bonds	2,630,000	3,100,000	2,630,000	3,100,000	423,197
Other liabilities:					
Claims, judgements, and compensated absences payable	219,636	37,931	-	257,567	257,567
Total other liabilities	219,636	37,931	-	257,567	257,567
Total long-term liabilities	\$ 2,849,636	\$ 3,137,931	\$ 2,630,000	\$ 3,357,567	\$ 680,764

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 7. LONG-TERM DEBT

General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
<u>Governmental Activities:</u>			
2014	\$ 104,555	\$ 2,230	\$ 106,785
2015	-	-	-
	<u>\$ 104,555</u>	<u>\$ 2,230</u>	<u>\$ 106,785</u>
<u>Business-type Activities:</u>			
2014	\$ 423,197	\$ 50,836	\$ 474,033
2015	424,608	43,375	467,983
2016	381,021	36,285	417,306
2017	286,905	30,408	317,313
2018	289,069	25,340	314,409
2019 - 2022	1,295,200	50,947	1,346,147
	<u>\$ 3,100,000</u>	<u>\$ 237,191</u>	<u>\$ 3,337,191</u>

Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and financial reporting principles for claims and judgments and compensated absences," the Town has accrued the liability arising from outstanding claims and judgments and compensated absences. Town employees earn vacation and sick leave at the rate of:

- Four hours per month for employment of zero to three years.
- Six hours per month for employment of three to five years.
- Eight hours per month for employment of five to fifteen years.
- Ten hours per month for employment of fifteen to twenty years.
- Twelve hours per month for employment of twenty or more years.

Employees earn eight hours of personal leave for every 100 hours of unused sick time, up to a maximum of thirty-two hours per year. Employees with 1040 hours of sick leave and twenty years of service earn an additional eight hours of personal leave. Each employee is allowed to carryover ten days of vacation leave each year, one hundred thirty days of sick leave, and zero personal leave days.

Upon termination an employee with ten or more years of service will be paid thirty-five percent of sick leave earned up to a maximum of \$10,000. All accumulated vacation is paid upon termination. The Town has outstanding accrued vacation, sick leave, and personal leave pay totaling \$269,058 of which \$105,812 was accrued by the water and sewer fund and \$163,246 is reflected in the general long-term obligation account group. The Town has outstanding accrued retiree health insurance totaling \$542,067 of which \$390,312 is reflected in the general long-term obligation account group and \$151,755 was accrued by the water and sewer fund.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

Note 8. RISK MANGEMENT

The Town is a member of the Virginia Municipal League Insurance Program (VML) for all risk of loss.

Each member of the risk pool jointly and severally agrees to assume, pay, and discharge any liability. The Town pays VML contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the League may assess all members an amount based upon the premium of each member in proportion to the total premiums of all members in the year in which such deficits occurs. The Town has the following surety bonds thru the Lebanon Insurance Agency:

Nelson A. Dodi – Mayor	\$ 1,000,000
Michael Duty – Town Manager	\$ 1,000,000
Jackie Hubbard – Financial Controller	\$ 1,000,000
Stephanie Burke – Deputy Treasurer	\$ 1,000,000
Clerical Workers (4)	\$ 1,000,000

NOTE 9. PENSION PLAN

Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 9. PENSION PLAN – (continued)

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85 % as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 9. PENSION PLAN – (continued)

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2013 was 17.91% of the annual covered payroll (including the employee share of 5.00% of which 3.00% is paid by the employer).

Annual Pension Cost

For the fiscal year ended June 30, 2013, the Town's annual pension cost of \$332,638 for VRS was equal to the required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 332,638	100%	\$ -
June 30, 2012	347,093	100%	-
June 30, 2011	343,639	100%	-

The FY 2013 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Town's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 9. PENSION PLAN – (continued)

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 41.24% funded. The actuarial accrued liability for benefits was \$5,625,916 and the actuarial value of assets was \$2,320,102, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,305,814. The covered payroll (annual payroll of active employees covered by the plan) was \$1,739,945, and the ratio of the UAAL to the covered payroll was 190.00%.

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 10. POST-EMPLOYMENT HEALTH CARE BENEFITS (OBEB)

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of the pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated for prior years will be phased in over 30 years, commencing with the 2010 liability.

Plan Description

The Town administers a single-employer defined benefit healthcare plan. The plan provides healthcare and dental insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Retirees hired before January 1, 1993 can have the option of a single or dual employee plan rate to include a spouse until the spouse reaches the Medicare retirement age of 65 and then the retiree can continue a single rate plan as a supplement to the retiree's Medicare. Retirees hired after January 1, 1993 are allowed to continue on a single employee plan rate until they reach the age of 65 and then the retiree can continue a single rate plan as a supplement to the retiree's Medicare.

A retiring employee, who is participating in the employer's medical program is eligible to elect post employment coverage if the employee attains a combination of years of service and age which is equal to or greater than eighty years. The retiree electing post employment coverage pays the same percentage of the monthly premium that current employees are responsible for paying.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 10. POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB) – (continued)

Funding Policy

The contribution requirements of plan members are based on pay-as-you go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The Town's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's OPEB obligation.

Annual Required Contribution (ARC)	\$ 176,652
Interest on Net OPEB Obligation	2,194
Adjustment to Annual Required Contribution	<u>(9,773)</u>
Annual OPEB Cost (Expense)	169,073
Contributions Made	<u>(65,849)</u>
Increase in Net OPEB Pension Obligation	103,224
Net OPEB Obligation - beginning of year	<u>438,843</u>
Net OPEB Obligation - end of year	<u><u>\$ 542,067</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for fiscal year 2013 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 176,652	38.9%	\$ 542,067
June 30, 2012	174,551	30.9%	438,843
June 30, 2011	179,361	13.8%	318,193

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$2,106,218.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 10. POST-EMPLOYMENT HEALTH CARE BENEFITS (OBEB) – (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a .5% investment rate of return and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.7% after ten years. The UAAL is being amortized as a level percentage of payroll over 30 years beginning with July 1, 2010.

NOTE 11. DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$99,546 is comprised of the following:

Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$70,945.

NOTE 12. INTERFUND OBLIGATIONS

Consisted of the following at June 30, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ -	\$ 3,556
State Highway Maintenance Fund	3,556	-
Enterprise Fund	-	-
Total	<u>\$ 3,556</u>	<u>\$ 3,556</u>

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 13. CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 238,300	\$ -	\$ -	\$ 238,300
Other capital assets:				
Infrastructure	14,701,241	120,535	-	14,821,776
Buildings and improvements	1,918,993	-	-	1,918,993
Vehicles	1,948,679	78,725	28,000	1,999,404
Furniture and equipment	1,397,291	53,068	111,889	1,338,470
Total other capital assets at cost	<u>19,966,204</u>	<u>252,328</u>	<u>139,889</u>	<u>20,078,643</u>
Less accumulated depreciation:				
Infrastructure	8,432,379	406,539	-	8,838,918
Buildings and improvements	942,028	53,040	-	995,068
Vehicles	1,569,057	192,849	10,000	1,751,906
Furniture and equipment	988,605	92,689	82,505	998,789
Total accumulated depreciation	<u>11,932,069</u>	<u>745,117</u>	<u>92,505</u>	<u>12,584,681</u>
Other capital assets, net	<u>8,034,135</u>	<u>(492,789)</u>	<u>47,384</u>	<u>7,493,962</u>
Governmental activities capital assets, net	<u>\$ 8,272,435</u>	<u>\$ (492,789)</u>	<u>\$ 47,384</u>	<u>\$ 7,732,262</u>
Depreciation expense was charged to the following functions:				
General government				\$ 28,994
Public safety	7,725,639	12,584,681		96,912
Public works	7,732,262	12,591,302		538,646
Parks, recreation & cultural	6,623	(6,621)		26,863
				<u>\$ 691,415</u>

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 13. CAPITAL ASSETS – (continued)

Business-type activities

Primary Government	Balance			Balance
Business-type activities:	July 1, 2012	Increases	Decreases	June 30, 2013
Other capital assets:				
Land	\$ 104,944	\$ -	\$ -	\$ 104,944
Distribution and collection systems	10,998,794	2,654,894	-	13,653,688
Vehicles	192,285	23,000	-	215,285
Furniture and equipment	480,123	184,881	-	665,004
Construction in progress	244,391	49,888	244,391	49,888
Total other capital assets at cost	<u>12,020,537</u>	<u>2,862,775</u>	<u>244,391</u>	<u>14,688,809</u>
Less accumulated depreciation:				
Land	-	-	-	-
Distribution and collection systems	5,917,572	274,398	-	6,191,970
Vehicles	152,154	23,137	-	175,291
Furniture and equipment	390,142	32,946	-	423,088
Total accumulated depreciation	<u>6,459,868</u>	<u>330,481</u>	<u>-</u>	<u>6,790,349</u>
Other capital assets, net	<u>5,560,669</u>	<u>2,532,294</u>	<u>244,391</u>	<u>7,898,460</u>
Business-type activities capital assets, net	<u>\$ 5,560,669</u>	<u>\$ 2,532,294</u>	<u>\$ 244,391</u>	<u>\$ 7,898,460</u>
Depreciation expense was charged to the following functions:				
Enterprise Fund - Water				\$ 148,906
Enterprise Fund - Sewer				<u>181,575</u>
				<u>\$ 330,481</u>

NOTE 14. CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS)

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 government expects such amounts, if any, to be immaterial.

NOTE 15. NEW ACCOUNTING STANDARDS

There are several new GASB Statements that have been issued that will be effective in future years. Management has not yet evaluated the effects, if any, of adopting these standards, but does not expect them to be material.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 16. SUBSEQUENT EVENTS/COMMITMENTS

On August 22, 2013, contractors completed construction of a new building for the storage of water and sewer pipe in the amount of \$25,125.

On September 6, 2013, contractors completed renovation of the shop building that included removal and resizing of entrance doors in the amount of \$22,946.

On October 8, 2013, the Town purchased a 2014 Ford Explorer for the police department in the amount of \$26,634.

On October 2, 2013, the Town purchased two new snow plows for a total amount of \$10,500.

On September 12, 2013, the Town issued \$2,344,000 in General Obligation Bonds for the purpose of industrial development. The Series 2013 bonds have a maturity date of December 1, 2023 and a 2.00% fixed interest rate for the life of the bonds.

The Town obtained General Obligation Bond funds before June 30, 2013 and combined with capital savings account funds to begin construction of two water line projects and to replace all water meters. The Rt. 71 project is budgeted for \$220,000, the Banner Street project is budgeted for \$270,000 and the water meter replacement is budgeted for \$500,000. The water line projects were 95% complete and the meter replacement project was 60% complete as of the audit report date.

Subsequent events were evaluated thru March 7, 2014. The financial statements were available to be issued as of that date.

NOTE 17. GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

The Town Council of the Town of Lebanon is dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and therefore, formally establishes this policy for the Town's Fund Balance. This policy also authorizes and directs the Financial Director to prepare financial reports which accurately categorizes fund balance as required by GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Components of Fund Balance

Fund balance is the difference between the assets and liabilities reported in a governmental fund. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 17. GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS – (continued)

Components of Fund Balance – (continued)

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund):
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

Committed Fund Balance Policy

The Town Council is the Town's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Town Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance Policy

The Town Council has authorized the Town's Finance Director as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance Policy

The Town does not maintain an unassigned fund balance policy.

Resource Flow Policy

When fund balance resources are available for a specific purpose in more than one classification, it is the Town's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**TOWN OF LEBANON, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 18. GENERAL LONG-TERM DEBT

Proprietary Fund:

On May 2, 2013, the Town issued \$3,100,000 in General Obligation Bonds with a fixed interest rate of 1.76% to currently refund \$1,587,657 of outstanding 2011 Series bonds with a fixed interest rate of 3.26% and \$660,000 of outstanding 2002 Series bonds with an average interest rate of 3.64%. The net proceeds of \$3,052,600 (after payment of \$47,400 in underwriting fees, insurance, and other issuance costs) were used to currently refund the 2011 and 2002 Series bonds and \$768,522 was transferred to a Town savings account to fund two water projects. As a result, the 2011 and 2002 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet of the proprietary fund.

The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,600. The Town completed the current refunding to reduce its total debt service payments over the next 10 years by \$62,794 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$29,690.

**REQUIRED SUPPLEMENTARY
INFORMATION**

STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Primary Government:			
General Fund:			
Revenue From Local Sources:			
General Property Taxes:			
Real estate	\$ 480,000	\$ 502,669	\$ 22,669
Public service	19,499	17,217	(2,282)
Personal property	87,000	84,443	(2,557)
Machinery and tools	181,500	34,454	(147,046)
Office equipment	205,000	315,768	110,768
Mobile homes	5,500	4,266	(1,234)
Penalties and interest	12,000	39,027	27,027
Total General Property Taxes	990,499	997,844	7,345
Other Local Taxes:			
Telephone receipts tax	81,000	83,369	2,369
Lodging tax	60,000	40,773	(19,227)
Meals tax	750,000	769,752	19,752
Business license	285,000	299,779	14,779
Vehicle decals	35,000	31,823	(3,177)
Bank stock	172,000	176,154	4,154
Sales tax	105,000	109,299	4,299
Utility tax	135,000	137,578	2,578
Total Other Local Taxes	1,623,000	1,648,527	25,527
Fines	8,000	5,772	(2,228)
Revenues From Use of Money and Property:			
Revenue from the use of money	75,000	62,304	(12,696)
Total Revenues From Use of Money and Property	75,000	62,304	(12,696)
Recovered Costs:			
Quasi rentals - street department	42,750	35,903	(6,847)
Administrative	130,000	132,347	2,347
Other	56,000	23,911	(32,089)
Total Recovered Costs	228,750	192,161	(36,589)
Charges For Services:			
Recreation	12,700	10,433	(2,267)
Fire	1,000	1,420	420
Garbage	391,000	382,007	(8,993)
Total Charges for Services	404,700	393,860	(10,840)
Permits and fees	2,450	3,707	1,257
Miscellaneous Revenues	11,600	1,374	(10,226)
Total Revenue From Local Sources	3,343,999	3,305,549	(38,450)

STATEMENT OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Primary Government:			
General Fund - continued			
Revenue From the County:			
Industrial bonds	\$ 551,998	\$ 620,703	\$ 68,705
Donation - Fire Department	26,600	46,896	20,296
Total Revenue From The County	578,598	667,599	89,001
Revenue From the Commonwealth:			
PPTRA funds	34,357	34,357	-
Fire program	11,000	9,766	(1,234)
Criminal justice	76,838	86,691	9,853
Miscellaneous	500	2,164	1,664
Total Revenue From The Commonwealth	122,695	132,978	10,283
Revenue From the Federal Government:			
ASD Grant	6,000	5,850	(150)
CDBG Housing	500	-	(500)
Total Revenue From The Federal Government	6,500	5,850	(650)
Total General Fund	\$ 4,051,792	\$ 4,111,976	\$ 60,184
Special Revenue Funds:			
State Highway Maintenance Fund:			
Revenue from the Commonwealth			
State highway maintenance funds	\$ 797,360	\$ 820,662	\$ 23,302
Total Revenue from the Commonwealth	\$ 797,360	\$ 820,662	\$ 23,302
Total State Highway Maintenance Fund	\$ 797,360	\$ 820,662	\$ 23,302
Total Special Revenue Funds	\$ 797,360	\$ 820,662	\$ 23,302
Grand Total - Revenues, all Governmental Funds	\$ 4,849,152	\$ 4,932,638	\$ 83,486

GOVERNMENTAL FUNDS
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE PERIOD ENDED JUNE 30, 2013

Fund, Function, Activity and Elements	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Fund:			
General Government Administration:			
Legislative:			
Mayor Salary	\$ 5,400	\$ 6,600	\$ (1,200)
Town council salary	37,800	37,809	(9)
Payroll taxes	3,742	2,383	1,359
Fringe benefits	40,812	40,795	17
Meeting expense	20,000	11,392	8,608
Legal and professional	24,300	25,375	(1,075)
Contractual services	-	-	-
Office supplies	750	1,056	(306)
Advertising	-	-	-
Utilities	-	-	-
Donations	50,000	50,050	(50)
Subscriptions & dues	450	3,777	(3,327)
Material & supplies	7,600	3,432	4,168
Travel expense	1,250	1,179	71
Education	-	-	-
Equipment replacement	1,000	-	1,000
Total Legislative	<u>193,104</u>	<u>183,848</u>	<u>9,256</u>
Administration:			
Salaries and wages	338,582	351,191	(12,609)
Payroll taxes	25,127	26,322	(1,195)
Fringe benefits	127,640	130,206	(2,566)
Workman's compensation	382	432	(50)
Meeting expense	1,000	1,619	(619)
Legal and professional	2,000	375	1,625
Contractual services	20,700	32,441	(11,741)
Equipment rentals	5,000	5,466	(466)
Auto gas, oil & repairs	4,500	6,433	(1,933)
Maintenance & repairs	2,500	3,017	(517)
Advertising	2,000	1,741	259
Utilities	7,750	14,920	(7,170)
Telephone	7,700	7,050	650
Office supplies	4,300	5,427	(1,127)
Postage	5,750	6,335	(585)
Insurance	-	599	(599)
Subscriptions & dues	1,950	5,094	(3,144)
Material & supplies	6,000	4,865	1,135
Education	2,000	1,495	505
Travel expense	1,250	814	436
Bank service charges	75	453	(378)
Cash shortage	100	11	89
Equipment replacement	1,000	12,322	(11,322)
Total Administration	<u>567,306</u>	<u>618,628</u>	<u>(51,322)</u>
Board of Elections:			
Electoral board	-	-	-
Materials and supplies	-	-	-
Total Board of Elections	<u>-</u>	<u>-</u>	<u>-</u>
Total General Government Administration	<u>760,410</u>	<u>802,476</u>	<u>(42,066)</u>

GOVERNMENTAL FUNDS
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE PERIOD ENDED JUNE 30, 2013

Fund, Function, Activity and Elements	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Fund:			
Public Safety:			
Law Enforcement:			
Salaries and wages	\$ 494,368	\$ 514,479	\$ (20,111)
Payroll taxes	34,829	36,300	(1,471)
Fringe benefits	204,148	202,528	1,620
Workman's compensation	12,041	14,817	(2,776)
Contractual services	4,750	9,048	(4,298)
Equipment rentals	3,500	3,540	(40)
Auto gas, oil, & repairs	36,500	39,889	(3,389)
Maintenance & repairs	1,500	759	741
Utilities	3,500	-	3,500
Telephone	6,700	6,010	690
Office supplies	1,750	644	1,106
Postage	175	82	93
Insurance	-	2,662	(2,662)
Subscriptions & dues	750	1,225	(475)
Material & supplies	5,500	5,128	372
Uniforms	1,500	1,159	341
Education	1,000	-	1,000
Travel expense	500	965	(465)
Equipment replacement	2,750	10,984	(8,234)
Total Law Enforcement	815,761	850,219	(34,458)
Fire and Rescue Service:			
Workman's compensation	6,930	3,345	3,585
Meeting expense	1,000	4,324	(3,324)
Contractual services	3,250	2,526	724
Auto gas, oil, & repairs	3,250	4,270	(1,020)
Maintenance & repairs	3,250	4,481	(1,231)
Utilities	7,400	9,382	(1,982)
Telephone	1,000	906	94
Office supplies	750	495	255
Postage	150	167	(17)
Insurance	12,400	15,747	(3,347)
Donations	2,220	500	1,720
Subscriptions & dues	150	470	(320)
Materials & supplies	5,000	1,184	3,816
Uniforms	250	-	250
Education	250	-	250
Travel expense	250	-	250
Equipment replacement	15,000	14,214	786
Total Fire and Rescue Service	62,500	62,011	489
Total Public Safety	878,261	912,230	(33,969)

GOVERNMENTAL FUNDS
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE PERIOD ENDED JUNE 30, 2013

Fund, Function, Activity and Elements	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Fund:			
Public Works:			
Maintenance of Highways, Streets, Bridges and Sidewalks:			
Salaries and wages	\$ 98,930	\$ 131,114	\$ (32,184)
Payroll taxes	2,787	9,562	(6,775)
Fringe benefits	46,003	65,572	(19,569)
Workman's compensation	3,085	7,275	(4,190)
Contractual services	3,750	8,669	(4,919)
Auto gas, oil, & repairs	27,500	25,239	2,261
Maintenance & repairs	12,500	10,487	2,013
Utilities	5,200	5,955	(755)
Telephone	900	421	479
Office supplies	300	11	289
Subscriptions & dues	100	110	(10)
Materials & supplies	6,500	8,903	(2,403)
Uniforms	5,500	4,775	725
Travel	-	-	-
Street improvements & maintenance	43,500	8,484	35,016
Traffic services	1,000	1,000	-
Emergency needs - snow	2,500	-	2,500
Right of way/easements	-	-	-
Equipment replacement	-	2,482	(2,482)
	<u>260,055</u>	<u>290,059</u>	<u>(30,004)</u>
Total Maintenance of Highways, Streets, Bridges and Sidewalks	<u>260,055</u>	<u>290,059</u>	<u>(30,004)</u>
Sanitation and Waste Removal:			
Salaries and wages	120,784	144,149	(23,365)
Payroll taxes	8,220	10,102	(1,882)
Fringe benefits	70,865	79,102	(8,237)
Workman's compensation	4,547	8,230	(3,683)
Legal and professional	-	500	(500)
Contractual services	50,000	48,260	1,740
Auto gas, oil, & repairs	47,800	64,879	(17,079)
Maintenance & repairs	2,750	475	2,275
Utilities	6,400	7,101	(701)
Office supplies	300	452	(152)
Postage	1,200	1,119	81
Materials & supplies	1,400	1,073	327
Uniforms	1,600	1,430	170
Bad debt expense	-	325	(325)
Equipment Replacement / Dumpsters	5,000	19,896	(14,896)
	<u>320,866</u>	<u>387,093</u>	<u>(66,227)</u>
Total Sanitation and Waste Removal	<u>320,866</u>	<u>387,093</u>	<u>(66,227)</u>
Maintenance of General Buildings, Grounds and Equipment:			
Salaries and wages	81,946	78,938	3,008
Payroll taxes	5,663	5,645	18
Fringe benefits	38,558	32,694	5,864
Workman's compensation	1,739	1,674	65
Contractual services	2,050	4,019	(1,969)
Auto gas, oil, & repairs	900	637	263
Maintenance & repairs	4,000	8,373	(4,373)
Utilities	6,600	9,116	(2,516)
Telephone	600	897	(297)
Office supplies	100	43	57
Materials & supplies	5,400	3,311	2,089
Uniforms	1,200	1,411	(211)
Equipment replacement	2,500	671	1,829
	<u>151,256</u>	<u>147,429</u>	<u>3,827</u>
Total Maintenance of General Buildings, Grounds and Equipment	<u>151,256</u>	<u>147,429</u>	<u>3,827</u>

GOVERNMENTAL FUNDS
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE PERIOD ENDED JUNE 30, 2013

Fund, Function, Activity and Elements	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Fund:			
Public Works:			
Transportation Services:			
Contractual services	\$ 7,200	\$ 7,200	\$ -
Total Transportation Services	<u>7,200</u>	<u>7,200</u>	<u>-</u>
Total Public Works	<u>739,377</u>	<u>831,781</u>	<u>(92,404)</u>
Parks, Recreation and Culture:			
Salaries and wages	43,910	18,155	25,755
Payroll taxes	3,984	1,769	2,215
Fringe benefits	11,307	3,287	8,020
Workman's compensation	1,094	455	639
Meeting expense	1,500	75	1,425
Legal and professional	-	500	(500)
Contractual services	4,850	11,371	(6,521)
Auto gas, oil and repairs	1,650	1,724	(74)
Maintenance & repairs	12,750	11,231	1,519
Advertising	300	262	38
Utilities	11,500	13,008	(1,508)
Telephone	300	342	(42)
Office supplies	700	600	100
Subscriptions & dues	700	720	(20)
Materials & supplies	14,350	22,341	(7,991)
Education	-	-	-
Equipment replacement	<u>3,500</u>	<u>6,622</u>	<u>(3,122)</u>
Total Parks, Recreation and Culture	<u>112,395</u>	<u>92,462</u>	<u>19,933</u>
Non-Department General Services:			
Capital outlay	223,000	5,955	217,045
Insurance - marine-boiler	896	895	1
Insurance - property	7,310	7,303	7
Insurance - auto	14,280	14,267	13
Insurance - employee bond	-	-	-
Insurance - general liability	14,898	14,883	15
Insurance - umbrella	5,543	5,537	6
Capital savings	<u>204,000</u>	<u>-</u>	<u>204,000</u>
Total Non-Department General Services	<u>469,927</u>	<u>48,840</u>	<u>421,087</u>
Community Development:			
Industrial recruitment	10,000	-	10,000
Housing projects	<u>17,500</u>	<u>4,550</u>	<u>12,950</u>
Total Community Development	<u>27,500</u>	<u>4,550</u>	<u>22,950</u>
Debt Service:			
Principal retirement	675,595	610,595	65,000
Interest and fiscal charges	<u>27,827</u>	<u>15,650</u>	<u>12,177</u>
Total Debt Service	<u>703,422</u>	<u>626,245</u>	<u>77,177</u>
Total General Fund	<u>\$ 3,691,292</u>	<u>\$ 3,318,584</u>	<u>\$ 372,708</u>

GOVERNMENTAL FUNDS
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE PERIOD ENDED JUNE 30, 2013

Fund, Function, Activity and Elements	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Special Revenue:			
State Highway Maintenance Fund:			
Public Works:			
Salaries and wages	\$ 145,368	\$ 148,193	\$ (2,825)
Payroll taxes	9,991	10,360	(369)
Fringe benefits	63,212	52,476	10,736
Workman's compensation	4,773	5,893	(1,120)
Administration	130,000	132,347	(2,347)
Legal and professional	-	-	-
Contractual services	5,000	2,610	2,390
Equipment rentals	42,750	35,903	6,847
Utilities	40,000	37,064	2,936
Materials & supplies	5,500	147	5,353
Street improvements & maintenance	321,266	378,416	(57,150)
Traffic services	4,500	1,042	3,458
Emergency needs - snow	25,000	24,179	821
Total Public Works	<u>797,360</u>	<u>828,630</u>	<u>(31,270)</u>
Total State Highway Maintenance Fund	<u>797,360</u>	<u>828,630</u>	<u>(31,270)</u>
Total Special Revenue	<u>\$ 797,360</u>	<u>\$ 828,630</u>	<u>\$ (31,270)</u>
Grand Total Expenditures			
All Governmental Funds	<u>\$ 4,488,652</u>	<u>\$ 4,147,214</u>	<u>\$ 341,438</u>

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
AND OTHER POST-EMPLOYMENT BENEFITS
JUNE 30, 2013

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Pension Plan</u>						
June 30, 2012	\$ 2,320,102	\$ 5,625,916	\$ 3,305,814	41.24%	\$ 1,739,945	190.00%
June 30, 2011	2,020,420	4,766,455	2,746,035	42.39%	1,781,792	154.12%
June 30, 2010	1,538,895	3,704,400	2,165,505	41.54%	1,661,711	130.32%
<u>Other Post-Employment Benefits</u>						
June 30, 2013	\$ -	\$ 2,106,218	\$ 2,106,218	0.00%	\$ 1,999,608	105.33%
June 30, 2012	-	2,095,811	2,095,811	0.00%	2,007,480	104.40%
June 30, 2011	-	2,024,184	2,024,184	0.00%	1,909,827	105.99%
June 30, 2010	-	1,495,972	1,495,972	0.00%	1,797,565	83.22%

STATISTICAL SECTION

TOWN OF LEBANON, VIRGINIA

Schedule 4

**FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Fund Reserved</u>	<u>General Fund Unreserved</u>	<u>Total General Fund Balance</u>
2003-04	\$ -	\$ 3,391,732	\$ 3,391,732
2004-05	-	3,842,364	3,842,364
2005-06	-	4,784,714	4,784,714
2006-07	-	5,291,596	5,291,596
2007-08	-	5,869,549	5,869,549
2008-09	-	6,228,276	6,228,276
	<u>Reserved</u>	<u>Undesignated</u>	<u>Total Fund Balance</u>
2009-10	\$ 53,680	\$ 6,801,640	\$ 6,855,320
2010-11	62,756	7,489,569	7,552,325
2011-12	63,681	6,839,291	6,902,972
2012-13	48,707	7,739,862	7,788,569

TOWN OF LEBANON, VIRGINIA

Schedule 5

**NET ASSETS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-type Activities		
	Invested in Capital Assets Net of Related Debt	Restricted	Unrestricted	Invested in Capital Assets Net of Related Debt	Restricted	Unrestricted
2003-04	\$ 1,160,181	\$ -	\$ (3,771,818)	\$ 3,988,981	\$ -	\$ (125)
2004-05	9,852,976	-	(2,686,429)	4,015,836	-	61,544
2005-06	10,092,033	-	(938,184)	4,218,317	-	21,147
2006-07	9,877,106	-	344,520	4,228,967	-	48,839
2007-08	9,568,248	-	1,725,035	4,223,996	-	(41,971)
2008-09	9,196,278	-	2,931,948	4,193,116	-	(64,593)
2009-10	8,758,472	-	4,353,462	4,121,486	-	(123,168)
2010-11	8,533,754	-	5,777,238	4,441,533	-	(179,509)
2011-12	8,182,748	-	5,913,816	5,268,460	-	(194,868)
2012-13	7,686,084	-	7,241,408	4,727,651	-	(250,246)

TOWN OF LEBANON, VIRGINIA

Schedule 6

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Fiscal Year	General Government Revenue	General Government Expenditures	Capital Outlay	Excess of Revenues over (under) Expenditures	Debt Issued	Grant Proceeds/ Contributions	Transfers In	Transfers Out	Total Other Financing Sources (Uses)	Net Change in Fund Balance
2003-04	\$ 3,604,117	\$ 5,080,220	\$ 184,369	\$(1,660,472)	\$ 560,000	\$ -	\$ -	\$ (140,123)	\$ 419,877	(1,240,595)
2004-05	4,115,643	3,405,119	237,324	473,200	75,000	-	-	(97,568)	(22,568)	450,632
2005-06	5,447,846	3,676,852	761,532	1,009,462	-	-	10,559	(77,671)	(67,112)	942,350
2006-07	4,885,011	4,022,774	303,516	558,721	-	-	19,317	(36,817)	(17,500)	541,221
2007-08	4,550,858	3,559,413	309,471	681,974	-	-	18,797	(117,782)	(98,985)	582,989
2008-09	4,261,406	3,476,164	262,154	523,088	-	-	3,275	(159,569)	(156,294)	366,794
2009-10	4,449,700	3,560,459	224,487	664,754	-	-	34,452	(72,162)	(37,710)	627,044
2010-11	4,869,928	3,647,128	113,753	1,109,047	-	-	-	(412,042)	(412,042)	697,005
2011-12	4,014,726	3,722,837	260,851	31,038	-	-	-	(680,391)	(680,391)	(649,353)
2012-13	4,111,976	3,312,629	5,955	793,392	-	-	92,205	-	92,205	885,597

CHANGES IN NET ASSETS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES
LAST TEN FISCAL YEARS

Fiscal Year	Government Wide Expense	Government Wide Program Revenues	Net (Expense) Revenue	Government Wide General Revenues	Transfers	Change in Net Assets
2003-04	\$ 7,136,414	\$ 2,661,560	\$ (4,474,854)	\$ 2,819,269	\$ -	\$ (1,655,585)
2004-05	5,195,449	2,948,107	(2,247,342)	3,114,050	-	866,708
2005-06	5,463,708	4,244,280	(1,219,428)	3,368,812	-	2,149,384
2006-07	5,939,293	3,614,499	(2,324,794)	3,462,544	-	1,137,750
2007-08	5,613,770	3,099,381	(2,514,389)	3,502,678	-	988,289
2008-09	5,569,831	2,834,452	(2,735,379)	3,524,887	-	789,508
2009-10	5,749,152	2,998,262	(2,750,890)	3,604,393	-	853,503
2010-11	5,965,293	3,459,318	(2,505,975)	3,982,129	-	1,476,154
2011-12	6,039,294	3,395,041	(2,644,253)	3,266,393	-	622,140
2012-13	6,256,836	3,132,717	(3,124,119)	3,358,860	-	234,741

TOWN OF LEBANON, VIRGINIA

Schedule 8

**GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks Recreation, and Cultural	Community Development	Non- Departmental	Interest on Long- Term Debt	Water and Sewer	Total
2003-04	\$ 601,523	\$ 724,649	\$ 1,618,436	\$ 131,492	\$ 2,302,697	\$ 36,850	\$ 300,653	\$ 1,420,114	\$ 7,136,414
2004-05	582,014	775,655	1,627,716	100,893	513,526	43,528	260,780	1,291,337	5,195,449
2005-06	604,720	740,153	1,656,029	75,519	754,294	40,466	232,932	1,359,595	5,463,708
2006-07	624,465	721,769	1,655,838	46,536	937,405	349,492	200,968	1,402,820	5,939,293
2007-08	740,205	786,551	1,984,680	142,220	339,175	31,596	174,680	1,414,663	5,613,770
2008-09	797,485	839,292	2,114,550	137,119	103,088	48,128	149,553	1,380,616	5,569,831
2009-10	933,787	940,388	2,095,092	101,297	19,355	45,362	121,658	1,492,213	5,749,152
2010-11	812,148	981,681	2,344,281	116,294	32,500	44,275	91,958	1,542,156	5,965,293
2011-12	852,099	1,004,754	2,232,859	173,809	38,750	43,953	48,661	1,644,409	6,039,294
2012-13	851,101	1,040,922	2,223,683	119,733	4,550	42,885	16,033	1,957,929	6,256,836

TOWN OF LEBANON, VIRGINIA

Schedule 9

**GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS**

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Payment from County	Unrestricted Investment Earnings	License and Permits	Miscellaneous	Gain (Loss) on Disposal of Capital Assets	
2003-04	\$ 1,699,912	\$ 961,648	\$ -	\$ 1,879,384	\$ 8,085	\$ 812,590	\$ 26,181	\$ 13,962	\$ 52,009	\$ 27,058	\$ 5,480,829
2004-05	1,700,032	1,248,075	-	2,139,509	-	866,003	43,459	23,198	12,268	29,613	6,062,157
2005-06	1,883,594	1,469,349	891,337	2,380,444	-	835,091	123,563	11,060	18,328	326	7,613,092
2006-07	1,917,667	1,696,832	-	2,267,533	38,287	796,318	214,000	15,644	130,762	-	7,077,043
2007-08	1,879,784	1,219,597	-	2,518,600	-	807,483	145,120	9,248	20,697	1,530	6,602,059
2008-09	1,943,997	890,455	-	2,570,774	-	794,770	125,755	12,276	9,459	11,853	6,359,339
2009-10	2,004,144	994,118	-	2,602,148	-	809,753	173,017	11,098	8,377	-	6,602,655
2010-11	1,945,117	980,134	534,067	2,510,397	-	1,293,967	135,040	13,690	29,035	-	7,441,447
2011-12	1,882,047	977,994	535,000	2,511,514	-	618,776	76,750	9,991	49,362	-	6,661,434
2012-13	1,876,087	970,619	286,011	2,652,127	-	620,703	62,304	9,479	21,934	(7,687)	6,491,577

TOWN OF LEBANON, VIRGINIA

Schedule 10

**GENERAL GOVERNMENT REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS**

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscell- aneous	Recovered Costs	Inter- governmental	Total
2003-04	\$ 754,102	\$ 1,119,775	\$ 13,962	\$ 91,630	\$ 361,208	\$ 30,587	\$ 133,444	\$ 1,697,359	\$ 4,202,067
2004-05	934,145	1,209,150	23,198	86,358	366,190	32,151	108,844	1,974,845	4,734,881
2005-06	1,110,215	1,273,430	11,060	149,600	383,620	727,427	136,209	2,296,424	6,087,985
2006-07	825,388	1,416,939	6,035	214,000	420,145	14,546	148,901	2,528,589	5,574,543
2007-08	1,029,885	1,429,664	13,534	145,120	398,257	9,238	171,583	2,065,367	5,262,648
2008-09	962,188	1,533,776	12,276	125,755	432,990	20,303	194,263	1,718,082	4,999,633
2009-10	985,626	1,504,079	9,137	173,017	434,386	10,700	240,572	1,829,869	5,187,386
2010-11	925,598	1,638,186	9,864	135,040	402,566	33,238	213,560	2,280,696	5,638,748
2011-12	856,399	1,604,783	7,562	76,750	416,981	61,664	205,631	1,582,316	4,812,086
2012-13	997,844	1,648,527	5,772	62,304	393,860	5,081	192,161	1,627,089	4,932,638

NOTE:

(1) Includes General, Special Revenue, and Capital Projects Funds

TOWN OF LEBANON, VIRGINIA

Schedule 11

**GENERAL GOVERNMENT EXPENDITURES BY SOURCE (1)
LAST TEN FISCAL YEARS**

Fiscal Year	General Government Administration	Public Safety	Public Works	Recreation and Cultural	Non- Departmental	Capital Projects	Community Development	Debt Service	Total
2003-04	\$ 539,419	\$ 606,190	\$ 1,146,233	\$ 113,658	\$ 221,219	\$ -	\$ 2,302,697	\$ 945,378	\$ 5,874,794
2004-05	552,858	666,938	1,200,146	86,262	280,852	-	513,526	1,013,798	4,314,380
2005-06	575,481	653,574	1,284,153	60,263	801,998	-	754,294	1,026,431	5,156,194
2006-07	590,950	690,157	1,401,975	83,958	349,492	-	937,405	1,015,516	5,069,453
2007-08	696,405	701,583	1,456,305	120,523	341,067	-	339,175	1,026,483	4,681,541
2008-09	746,598	754,171	1,579,763	108,519	310,282	-	103,088	1,024,035	4,626,456
2009-10	854,634	803,666	1,501,745	73,434	269,849	-	19,355	1,012,834	4,535,517
2010-11	761,463	845,904	1,754,972	88,581	158,028	-	32,500	1,004,934	4,646,382
2011-12	799,559	873,103	1,655,371	146,290	304,878	-	38,750	995,884	4,813,835
2012-13	802,476	912,230	1,660,411	92,462	48,840	-	4,550	626,245	4,147,214

NOTE:

(1) Includes General, Special Revenue, and Capital Projects Funds

TOWN OF LEBANON, VIRGINIA

Schedule 12

BUSINESS-TYPE ACTIVITIES LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Depreciation</u>	<u>Interest</u>	<u>Profit Loss</u>	<u>Transfer In (Out)</u>
<u>Water Fund:</u>						
2003-04	\$ 602,174	\$ 475,049	\$ 102,693	\$ 45,188	\$ (20,756)	\$ 117,419
2004-05	637,613	479,490	106,717	41,152	10,254	59,928
2005-06	748,698	509,705	109,647	37,366	91,980	19,103
2006-07	705,423	548,237	109,742	36,126	11,318	40,083
2007-08	669,621	568,832	116,523	32,376	(48,110)	16,915
2008-09	662,578	532,426	117,384	29,740	(16,972)	9,658
2009-10	650,772	600,290	114,743	26,758	(91,019)	59,277
2010-11	776,053	629,226	112,458	24,437	9,932	210,586
2011-12	656,771	592,058	148,906	98,976	(183,169)	476,956
2012-13	653,701	730,210	221,367	101,283	(399,159)	(345,016)
<u>Sewer Fund:</u>						
2003-04	\$ 671,081	\$ 590,763	\$ 164,895	\$ 41,526	\$ (126,103)	\$ 10,449
2004-05	697,379	461,992	163,129	38,857	33,401	(15,059)
2005-06	783,540	503,607	162,960	36,310	80,663	(29,662)
2006-07	769,022	508,971	164,080	35,664	60,307	(76,214)
2007-08	647,496	492,632	172,389	31,911	(49,436)	(18,797)
2008-09	658,153	495,048	176,566	29,452	(42,913)	(3,275)
2009-10	686,411	548,125	175,596	26,701	(64,011)	(34,452)
2010-11	734,448	574,284	178,059	23,692	(41,587)	84,775
2011-12	641,602	602,398	181,575	20,496	(162,867)	170,648
2012-13	652,589	678,385	202,083	24,601	(252,480)	244,843

TOWN OF LEBANON, VIRGINIA

Schedule 13

**ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery, Tools, & Office Equipment</u>	<u>Public Utility</u>	<u>Total</u>
2003-04	\$ 138,278,200	\$ 16,561,735	\$ 55,076,068	\$ 9,226,005	\$ 219,142,008
2004-05	150,388,445	14,973,819	73,354,360	9,346,126	248,062,750
2005-06	143,864,430	19,151,151	91,916,462	8,910,868	263,842,911
2006-07	143,892,650	22,527,428	95,388,621	6,506,529	268,315,228
2007-08	176,802,630	14,649,740	86,061,307	7,569,688	285,083,365
2008-09	205,786,500	16,845,051	73,731,441	7,368,047	303,731,039
2009-10	236,865,075	18,031,982	61,311,420	7,519,109	323,727,586
2010-11	206,451,980	18,248,873	52,757,563	8,033,930	285,492,346
2011-12	219,906,100	16,329,575	43,539,857	7,448,471	287,224,003
2012-13	217,939,550	16,261,701	47,248,804	7,795,612	289,245,667

PROPERTY TAX RATES - LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery, Tools, & Office Equipment</u>
2003-04	0.20	0.50	0.75
2004-05	0.20	0.50	0.75
2005-06	0.20	0.50	0.75
2006-07	0.20	0.50	0.75
2007-08	0.20	0.50	0.75
2008-09	0.20	0.50	0.75
2009-10	0.20	0.75	0.75
2010-11	0.20	0.75	0.75
2011-12	0.20	0.75	0.75
2012-13	0.20	0.75	0.75

TOWN OF LEBANON, VIRGINIA

Schedule 14

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total (1) Tax Levy</u>	<u>Current Tax (1)(2) Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2003-04	\$ 698,724	\$ 670,310	95.93%	\$ 22,356	\$ 692,666	99.13%	\$ 65,849	9.42%
2004-05	899,519	872,630	97.01%	16,681	889,311	98.87%	61,495	6.84%
2005-06	1,036,723	1,011,152	97.53%	18,630	1,029,782	99.33%	61,709	5.95%
2006-07	899,843	815,476	90.62%	2,172	817,648	90.87%	65,515	7.28%
2007-08	1,043,527	1,002,444	96.06%	18,679	1,021,123	97.85%	106,174	10.17%
2008-09	1,025,341	943,107	91.98%	12,579	955,686	93.21%	91,622	8.94%
2009-10	1,042,482	887,812	85.16%	72,909	960,721	92.16%	101,390	9.73%
2010-11	916,727	864,551	94.31%	57,074	921,625	100.53%	104,975	11.45%
2011-12	857,732	766,491	89.36%	68,389	834,880	97.34%	157,849	18.40%
2012-13	885,729	825,045	93.15%	130,206	955,251	107.85%	116,947	13.20%

NOTE:

- (1) Exclusive of Penalties and Interest
- (2) Does not include Land Redemptions

TOWN OF LEBANON, VIRGINIA

Schedule 15

**RATIO OF NET GENERAL OBLIGATION DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net General Obligation Debt To Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2003-04	3277	\$ 138,278,200	\$ 7,612,420	5.5%	\$ 2,322.98
2004-05	3277	150,388,445	6,848,015	4.6%	2,089.72
2005-06	3277	143,864,430	6,051,953	4.2%	1,846.80
2006-07	3277	143,892,650	7,119,140	4.9%	2,172.46
2007-08	3277	176,802,630	6,074,477	3.4%	1,853.67
2008-09	3277	205,786,500	5,002,852	2.4%	1,526.66
2009-10	3277	236,865,075	3,899,172	1.6%	1,189.86
2010-11	3424	206,451,980	4,508,312	2.2%	1,316.68
2011-12	3424	219,906,100	3,345,150	1.5%	976.97
2012-13	3424	217,939,550	3,204,555	1.5%	935.91

NOTE:

(1) Tayloe Murphy Institute

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED
DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest (2)	Total Debt Service	Total General Governmental Expenditures (3)	Ratio of Debt Service to General Governmental Expenditures
2003-04	\$ 682,828	\$ 262,550	\$ 945,378	\$ 5,874,794	16.1%
2004-05	772,332	241,466	1,013,798	4,314,380	23.5%
2005-06	811,333	215,098	1,026,431	5,156,194	19.9%
2006-07	817,813	182,949	1,000,762	5,069,453	19.7%
2007-08	817,152	155,087	972,239	4,681,541	20.8%
2008-09	892,721	131,314	1,024,035	4,626,456	22.1%
2009-10	909,208	103,626	1,012,834	4,535,517	22.3%
2010-11	930,860	74,074	1,004,934	4,646,382	21.6%
2011-12	953,162	42,722	995,884	4,813,835	20.7%
2012-13	610,595	15,650	626,245	4,147,214	15.1%

(1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes general, special revenue and debt service funds.

TOWN OF LEBANON, VIRGINIA

Schedule 17

**PRINCIPAL TAXPAYERS
JUNE 30, 2013**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2012 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Real Estate:			
COPT Southwest VA, LLC	Technology	\$ 17,950,300	8.24%
Wal-Mart Real Estate Business Trust	Retail	10,213,300	4.69%
Alcoa Wheel Products, Inc.	Manufacturing	9,169,700	4.21%
IDA - CGI	Technology	6,058,100	2.78%
IAC Lebanon LLC	Manufacturing	4,553,800	2.09%
IDA - AT & T	Technology	4,080,600	1.87%
K-VA-T Food Stores, Inc.	Retail	2,720,500	1.25%
G&E HC REIT II	Medical	2,150,200	0.99%
New Peoples Bank	Manufacturing	2,091,500	0.96%
Leonard Companies	Rental	<u>1,605,300</u>	0.74%
		<u>\$ 60,593,300</u>	27.80%
Total 2012 Assessed Valuation		<u><u>\$ 217,939,550</u></u>	
Machinery & Tools			
Lebanon Apparel	Manufacturing	\$ 1,141,590	24.50%
G.M. Corporation	Rental	1,051,230	22.56%
BMW Manufacturing	Manufacturing	1,020,540	21.91%
IAC Lebanon, LLC	Manufacturing	717,190	15.39%
P & J Contractors	Construction	214,710	4.61%
Russell County Co-Op	Retail	162,560	3.49%
Yearly Broadcasting	Retail	118,900	2.55%
Riggs Oil	Retail	100,860	2.16%
Gary Ward Broadcasting	Retail	51,800	1.11%
Russell Memorial Cemetery	Retail	<u>35,470</u>	0.76%
		<u>\$ 4,614,850</u>	99.06%
Total 2012 Assessed Valuation		<u><u>\$ 4,658,810</u></u>	

TOWN OF LEBANON, VIRGINIA

Schedule 18

**PRINCIPAL CUSTOMERS
WATER AND SEWAGE
JUNE 30, 2013**

<u>Customer</u>	<u>Type of Business</u>	<u>Usage in Gallons</u>	<u>Percentage of Total Gallons Sold</u>
Russell County PSA - Pioneer Drive	Utility	\$ 10,074,157	8.76%
Northrup-Grumman	Technology	7,240,920	6.29%
Russell County Medical Center	Medical	3,662,351	3.18%
Maple Grove Health	Medical	3,608,000	3.14%
SECOR	Professional	2,862,920	2.49%
Lebanon Apparel	Manufacturing	1,761,050	1.53%
Town & Country Motel	Motel	1,672,200	1.45%
Russell County PSA - Elliott Drive	Utility	1,582,252	1.38%
Russell County Dialysis	Medical	904,100	0.79%
Applebee's Restaurant	Restaurant	<u>622,270</u>	0.54%
		<u>\$ 33,990,220</u>	29.55%
Total Gallons Sold		<u>\$ 115,039,255</u>	

TOWN OF LEBANON, VIRGINIA

Schedule 19

**COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed valuations:										
Assessed value	<u>\$ 138,278,200</u>	<u>\$ 150,388,445</u>	<u>\$ 143,864,430</u>	<u>\$ 143,892,650</u>	<u>\$ 176,802,630</u>	<u>\$ 205,786,500</u>	<u>\$ 236,865,075</u>	<u>\$ 206,451,980</u>	<u>\$ 219,906,100</u>	<u>\$ 217,939,550</u>
Legal debt margin:										
Debt limitation - (1)	\$ 13,827,820	\$ 15,038,845	\$ 14,386,443	\$ 14,389,265	\$ 17,680,263	\$ 20,578,650	\$ 23,686,508	\$ 20,645,198	\$ 21,990,610	\$ 21,793,955
Debt applicable to Limitation:										
General obligation bonds	7,612,420	6,848,015	6,051,953	7,119,140	6,074,477	5,002,852	3,899,172	4,508,312	3,345,150	3,204,555
Less: Amount set aside for repayment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt applicable to limitation	<u>7,612,420</u>	<u>6,848,015</u>	<u>6,051,953</u>	<u>7,119,140</u>	<u>6,074,477</u>	<u>5,002,852</u>	<u>3,899,172</u>	<u>4,508,312</u>	<u>3,345,150</u>	<u>3,204,555</u>
Legal debt margin	<u>\$ 6,215,400</u>	<u>\$ 8,190,830</u>	<u>\$ 8,334,490</u>	<u>\$ 7,270,125</u>	<u>\$ 11,605,786</u>	<u>\$ 15,575,798</u>	<u>\$ 19,787,336</u>	<u>\$ 16,136,886</u>	<u>\$ 18,645,460</u>	<u>\$ 18,589,400</u>
Total net debt applicable to the limit as a percentage of debt limit	55.05%	45.54%	42.07%	49.48%	34.36%	24.31%	16.46%	21.84%	15.21%	14.70%

(1) 10% of total assessed value

PRINCIPAL EMPLOYEES
JUNE 30, 2012

Date of incorporation	1819
Form of government	Council - Manager
Number of employees:	
Town Council and Mayor	7
General government administration	7
Public safety	12
Public works	13.5
Parks, recreation, and cultural	0.5
Community development	0
Water and sewer	14
Pool - part time	0
Summer - part time	5
Total number of employees	59

COMPLIANCE SECTION



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

The Honorable Members of the
Town Council
Town of Lebanon, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Lebanon, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 7, 2014.

Internal Control Over Financial Reporting

Management of the Town of Lebanon, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lebanon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lebanon's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Purpose of this Report

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

Bostic, Tucker & Company, PC

March 7, 2014
Lebanon, Virginia