

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF LEBANON

BOONE COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
11/22/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Ottinger	01-01-08 to 12-31-11
Mayor	Harold "Huck" Lewis	01-01-08 to 12-31-11
President of the Board of Public Works	Harold "Huck" Lewis	01-01-08 to 12-31-11
President of the Common Council	Jeremy Lamar	01-01-10 to 12-31-11
General Manager of Utilities	Michael Martin	01-01-10 to 12-31-11
Utility Finance Manager	Sandra Morgan	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LEBANON, BOONE COUNTY, INDIANA

We have examined the financial statement of the City of Lebanon (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Result and Comment identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, the City Council and the Board of Public Works, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 13, 2011

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF LEBANON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 1,924,470	\$ 6,491,016	\$ 6,877,601	\$ 1,537,885
Motor Vehicle Highway	75,818	648,336	570,692	153,462
Local Road And Street	1,225	89,769	59,658	31,336
Parks Nonreverting Program	16,784	23,836	18,305	22,315
City Unrestricted Donation	2,123	883	288	2,718
Economic Development	250	-	250	-
Sanitation	123,536	601,582	574,901	150,217
Fire Department Federal Grant	-	18,145	18,145	-
Police Continuing Education	36,463	4,648	1,167	39,944
City Court Document Fee	662	1,556	-	2,218
Police Department Deferral Program	20,200	4,595	3,883	20,912
Fire Department State Grants	3,895	-	-	3,895
Parks Dept	145,762	426,733	401,693	170,802
Solid Waste	3,430	16,401	16,138	3,693
Fire Department Unrestricted Donation	1,507	1,840	731	2,616
Parks Unrestricted Donation	6,219	2,760	3,690	5,289
Police Department Federal Grants	3,436	1,462	-	4,898
Police Department State Grants	98,096	22,870	191	120,775
Fire Department Hazmat	238	-	-	238
State Drug Investigation	881	-	-	881
Police Department County Grants	-	9,238	9,238	-
Coit Savings Spending	193,124	300,000	474,331	18,793
Police Department K-9 Unit Donate	2,100	577	529	2,148
Street Department Unrestricted Donation	500	-	-	500
Police Department Dare Program	115	-	-	115
Levy Excess Fund	-	7,545	-	7,545
Enterprise Blvd Construction	767,344	30,260	131	797,473
Enterprise Blvd Tif Allocation	5,053,485	1,237,760	3,422,084	2,869,161
Police Department Unrestricted Donation	1,410	-	80	1,330
Fire Department Nonreverting Fines	897	5,961	2,479	4,379
Enterprise Blvd Reserve	417,615	-	-	417,615
Cumulative Capital Development	568,881	195,946	97,327	667,500
Cumulative Capital Improvement	285,180	41,642	-	326,822
Food And Beverage Tax	636,918	362,724	84,731	914,911
Fire Department Training Tower Donations	1,176	2,195	420	2,951
Public Safety Building	12,500	-	12,500	-
Police Pension	251,254	946,868	946,083	252,039
Fire Pension	313,749	422,955	319,198	417,506
County Court Costs	6,748	10,822	17,570	-
Payroll	158,749	5,328,806	5,319,629	167,926
Coit Capital Development Savings	2,160,030	346,626	300,050	2,206,606
Utility Perf Reimburse	647	4,798	4,826	619
City Court	18,240	165,520	166,518	17,242
Electric Operating	2,517,063	32,424,426	33,012,652	1,928,837
Utilities Cash Change	1,600	-	-	1,600
Time Deposit Key Bank	2,373,829	-	2,373,829	-
Electric Time Deposit	-	19,681,827	18,237,884	1,443,943
Electric Energy Program	-	43,117	12	43,105
Electric Renew And Replace	3,144,092	1,747,733	3,465,461	1,426,364
Telecomm Operating Fund	-	601,510	601,510	-
Telecom Time Deposit	-	510,237	467,454	42,783
Stormwater Operating	803,084	687,179	230,612	1,259,651
Stormwater Bond And Interest	468,694	246,714	463,346	252,062
Stormwater Time Deposit	-	726,960	682,731	44,229
Stormwater Phase Ii Expenses	21,629	-	-	21,629
Stormwater Engineering Fee	3,260	-	-	3,260
Stormwater Phase Iii Expenses	537,037	-	-	537,037
Sanitation Time Deposit	-	534,745	491,921	42,824
Wastewater Operating	1,143,319	3,893,263	4,130,666	905,916
Wastewater B&I 1997	86,664	350,117	349,829	86,952
Wastewater Construction	1,098,860	8,751	-	1,107,611
Wastewater Time Deposit	-	3,775,429	3,551,565	223,864
Wastewater Debt Reserve 1997	339,085	-	-	339,085
Wastewater Improvement	1,475,533	682,570	700,055	1,458,048
Wastewater Availability	6,458	124,024	130,482	-
Wastewater Bond 2002 B&I	2,397	149,177	149,021	2,553
Wastewater B&I 2005	7,656	239,555	239,125	8,086
Wastewater Debt 2002 Reserve	152,003	19,560	19,560	152,003
Wastewater Debt Reserve 2005	263,997	-	-	263,997
Water Operating	573,168	2,246,418	2,582,719	236,867
Water Depreciation Reserve	-	500,000	-	500,000
Water Depreciation Cd	4,578,220	470,283	950,963	4,097,540
Water Time Deposit	-	2,294,299	2,209,805	84,494
Water Meter Deposit	500	2,000	2,500	-
Water Availability	771,133	161,018	1,050	931,101
	<u>\$ 33,684,938</u>	<u>\$ 89,897,587</u>	<u>\$ 94,769,809</u>	<u>\$ 28,812,716</u>

The notes to the financial statement are an integral part of this statement.

CITY OF LEBANON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government.)

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax county adjusted gross income tax, and other taxes that are set by the City.

Special assessments which include amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

CITY OF LEBANON
NOTES TO FINANCIAL STATEMENT
(Continued)

License and permits which includes amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records; copy machine charges; accident report copies, gun permit applications, 911 telephone services; recycling fees, dog pound fees; emergency medical service fees, park rental fees; swimming pool receipts; cable tv receipts; ordinance violations; fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which includes receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes, and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

CITY OF LEBANON
NOTES TO FINANCIAL STATEMENT
(Continued)

Personal services which includes outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which includes articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle and interest which includes fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery, and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

CITY OF LEBANON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

CITY OF LEBANON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

CITY OF LEBANON
NOTES TO FINANCIAL STATEMENT
(Continued)

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF LEBANON
NOTES TO FINANCIAL STATEMENT
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

The City also contributes to additional pension plan unique to the City. Information regarding these plans may be obtained from the City.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Report of the City which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the City. It is presented as intended by the City.

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Parks Nonreverting Program	City Unrestricted Donation	Economic Development	Sanitation
Cash and investments - beginning	\$ 1,924,470	\$ 75,818	\$ 1,225	\$ 16,784	\$ 2,123	\$ 250	\$ 123,536
Receipts:							
Taxes	2,780,313	269,253	-	-	-	-	124,538
Licenses and permits	52,622	-	-	-	-	-	-
Intergovernmental	2,930,836	376,340	79,448	-	-	-	1,841
Charges for services	339,487	2,235	10,321	23,836	-	-	472,563
Fines and forfeits	33,908	-	-	-	-	-	-
Other receipts	353,850	508	-	-	883	-	2,640
Total receipts	<u>6,491,016</u>	<u>648,336</u>	<u>89,769</u>	<u>23,836</u>	<u>883</u>	<u>-</u>	<u>601,582</u>
Disbursements:							
Personal services	4,154,200	316,034	-	-	-	-	85,995
Supplies	143,771	30,752	-	-	-	-	-
Other services and charges	2,546,299	45,112	-	-	-	250	488,906
Capital outlay	26,037	178,794	59,658	-	-	-	-
Other disbursements	7,294	-	-	18,305	288	-	-
Total disbursements	<u>6,877,601</u>	<u>570,692</u>	<u>59,658</u>	<u>18,305</u>	<u>288</u>	<u>250</u>	<u>574,901</u>
Excess (deficiency) of receipts over disbursements	<u>(386,585)</u>	<u>77,644</u>	<u>30,111</u>	<u>5,531</u>	<u>595</u>	<u>(250)</u>	<u>26,681</u>
Cash and investments - ending	<u>\$ 1,537,885</u>	<u>\$ 153,462</u>	<u>\$ 31,336</u>	<u>\$ 22,315</u>	<u>\$ 2,718</u>	<u>\$ -</u>	<u>\$ 150,217</u>

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Fire Department Federal Grant	Police Continuing Education	City Court Document Fee	Police Department Deferral Program	Fire Department State Grants	Parks Dept	Solid Waste
Cash and investments - beginning	\$ -	\$ 36,463	\$ 662	\$ 20,200	\$ 3,895	\$ 145,762	\$ 3,430
Receipts:							
Taxes	-	-	-	-	-	376,925	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	18,145	-	-	-	-	4,519	-
Charges for services	-	-	-	-	-	43,210	-
Fines and forfeits	-	-	1,556	-	-	-	-
Other receipts	-	4,648	-	4,595	-	2,079	16,401
Total receipts	<u>18,145</u>	<u>4,648</u>	<u>1,556</u>	<u>4,595</u>	<u>-</u>	<u>426,733</u>	<u>16,401</u>
Disbursements:							
Personal services	-	-	-	-	-	291,872	-
Supplies	-	-	-	-	-	25,565	-
Other services and charges	-	-	-	-	-	73,081	-
Capital outlay	-	-	-	-	-	11,175	-
Other disbursements	18,145	1,167	-	3,883	-	-	16,138
Total disbursements	<u>18,145</u>	<u>1,167</u>	<u>-</u>	<u>3,883</u>	<u>-</u>	<u>401,693</u>	<u>16,138</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>3,481</u>	<u>1,556</u>	<u>712</u>	<u>-</u>	<u>25,040</u>	<u>263</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 39,944</u>	<u>\$ 2,218</u>	<u>\$ 20,912</u>	<u>\$ 3,895</u>	<u>\$ 170,802</u>	<u>\$ 3,693</u>

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Fire Department Unrestricted Donation	Parks Unrestricted Donation	Police Department Federal Grants	Police Department State Grants	Fire Department Hazmat	State Drug Investigation	Police Department County Grants
Cash and investments - beginning	\$ 1,507	\$ 6,219	\$ 3,436	\$ 98,096	\$ 238	\$ 881	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	1,462	22,870	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	1,840	2,760	-	-	-	-	9,238
Total receipts	1,840	2,760	1,462	22,870	-	-	9,238
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	143	-	-	-	-	-
Other disbursements	731	3,547	-	191	-	-	9,238
Total disbursements	731	3,690	-	191	-	-	9,238
Excess (deficiency) of receipts over disbursements	1,109	(930)	1,462	22,679	-	-	-
Cash and investments - ending	\$ 2,616	\$ 5,289	\$ 4,898	\$ 120,775	\$ 238	\$ 881	\$ -

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	COIT Savings Spending	Police Department K-9 Unit Donate	Street Department Unrestricted Donation	Police Department Dare Program	Levy Excess Fund	Enterprise Blvd Construction	Enterprise Blvd TIF Allocation
Cash and investments - beginning	\$ 193,124	\$ 2,100	\$ 500	\$ 115	\$ -	\$ 767,344	\$ 5,053,485
Receipts:							
Taxes	-	-	-	-	-	-	1,237,760
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	300,000	577	-	-	7,545	30,260	-
Total receipts	300,000	577	-	-	7,545	30,260	1,237,760
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	474,331	-	-	-	-	131	3,422,084
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	529	-	-	-	-	-
Total disbursements	474,331	529	-	-	-	131	3,422,084
Excess (deficiency) of receipts over disbursements	(174,331)	48	-	-	7,545	30,129	(2,184,324)
Cash and investments - ending	\$ 18,793	\$ 2,148	\$ 500	\$ 115	\$ 7,545	\$ 797,473	\$ 2,869,161

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Department Unrestricted Donation	Fire Department Nonreverting Fines	Enterprise Blvd Reserve	Cumulative Capital Development	Cumulative Capital Improvement	Food And Beverage Tax
Cash and investments - beginning	\$ 1,410	\$ 897	\$ 417,615	\$ 568,881	\$ 285,180	\$ 636,918
Receipts:						
Taxes	-	-	-	193,417	-	362,724
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	2,529	41,642	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	-	5,961	-	-	-	-
Total receipts	-	5,961	-	195,946	41,642	362,724
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	84,731
Capital outlay	-	-	-	97,327	-	-
Other disbursements	80	2,479	-	-	-	-
Total disbursements	80	2,479	-	97,327	-	84,731
Excess (deficiency) of receipts over disbursements	(80)	3,482	-	98,619	41,642	277,993
Cash and investments - ending	\$ 1,330	\$ 4,379	\$ 417,615	\$ 667,500	\$ 326,822	\$ 914,911

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Fire Department Training Tower Donations	Public Safety Building	Police Pension	Fire Pension	County Court Costs	Payroll
Cash and investments - beginning	\$ 1,176	\$ 12,500	\$ 251,254	\$ 313,749	\$ 6,748	\$ 158,749
Receipts:						
Taxes	-	-	734,105	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	212,763	422,955	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	2,195	-	-	-	10,822	5,328,806
Total receipts	<u>2,195</u>	<u>-</u>	<u>946,868</u>	<u>422,955</u>	<u>10,822</u>	<u>5,328,806</u>
Disbursements:						
Personal services	-	-	211,978	319,198	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	12,500	-	-	-	-
Other disbursements	420	-	734,105	-	17,570	5,319,629
Total disbursements	<u>420</u>	<u>12,500</u>	<u>946,083</u>	<u>319,198</u>	<u>17,570</u>	<u>5,319,629</u>
Excess (deficiency) of receipts over disbursements	<u>1,775</u>	<u>(12,500)</u>	<u>785</u>	<u>103,757</u>	<u>(6,748)</u>	<u>9,177</u>
Cash and investments - ending	<u>\$ 2,951</u>	<u>\$ -</u>	<u>\$ 252,039</u>	<u>\$ 417,506</u>	<u>\$ -</u>	<u>\$ 167,926</u>

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	COIT Capital Development Savings	Utility Perf Reimburse	City Court	Electric Operating	Utilities Cash Change	Time Deposit Key Bank
Cash and investments - beginning	\$ 2,160,030	\$ 647	\$ 18,240	\$ 2,517,063	\$ 1,600	\$ 2,373,829
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	346,626	4,798	165,520	32,424,426	-	-
Total receipts	<u>346,626</u>	<u>4,798</u>	<u>165,520</u>	<u>32,424,426</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	300,050	4,826	166,518	33,012,652	-	2,373,829
Total disbursements	<u>300,050</u>	<u>4,826</u>	<u>166,518</u>	<u>33,012,652</u>	<u>-</u>	<u>2,373,829</u>
Excess (deficiency) of receipts over disbursements	<u>46,576</u>	<u>(28)</u>	<u>(998)</u>	<u>(588,226)</u>	<u>-</u>	<u>(2,373,829)</u>
Cash and investments - ending	<u>\$ 2,206,606</u>	<u>\$ 619</u>	<u>\$ 17,242</u>	<u>\$ 1,928,837</u>	<u>\$ 1,600</u>	<u>\$ -</u>

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Electric Time Deposit	Electric Energy Program	Electric Renew And Replace	Telecomm Operating Fund	Telecom Time Deposit	Stormwater Operating
Cash and investments - beginning	\$ -	\$ -	\$ 3,144,092	\$ -	\$ -	\$ 803,084
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	19,681,827	43,117	1,747,733	601,510	510,237	687,179
Total receipts	<u>19,681,827</u>	<u>43,117</u>	<u>1,747,733</u>	<u>601,510</u>	<u>510,237</u>	<u>687,179</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	18,237,884	12	3,465,461	601,510	467,454	230,612
Total disbursements	<u>18,237,884</u>	<u>12</u>	<u>3,465,461</u>	<u>601,510</u>	<u>467,454</u>	<u>230,612</u>
Excess (deficiency) of receipts over disbursements	<u>1,443,943</u>	<u>43,105</u>	<u>(1,717,728)</u>	<u>-</u>	<u>42,783</u>	<u>456,567</u>
Cash and investments - ending	<u>\$ 1,443,943</u>	<u>\$ 43,105</u>	<u>\$ 1,426,364</u>	<u>\$ -</u>	<u>\$ 42,783</u>	<u>\$ 1,259,651</u>

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Stormwater Bond And Interest	Stormwater Time Deposit	Stormwater Phase II Expenses	Stormwater Engineering Fee	Stormwater Phase III Expenses	Sanitation Time Deposit
Cash and investments - beginning	\$ 468,694	\$ -	\$ 21,629	\$ 3,260	\$ 537,037	\$ -
Receipts:						
Taxes	242,119	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	4,595	726,960	-	-	-	534,745
Total receipts	<u>246,714</u>	<u>726,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,745</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	463,346	682,731	-	-	-	491,921
Total disbursements	<u>463,346</u>	<u>682,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>491,921</u>
Excess (deficiency) of receipts over disbursements	<u>(216,632)</u>	<u>44,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,824</u>
Cash and investments - ending	<u>\$ 252,062</u>	<u>\$ 44,229</u>	<u>\$ 21,629</u>	<u>\$ 3,260</u>	<u>\$ 537,037</u>	<u>\$ 42,824</u>

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Operating	Wastewater B&I 1997	Wastewater Construction	Wastewater Time Deposit	Wastewater Debt Reserve 1997	Wastewater Improvement
Cash and investments - beginning	\$ 1,143,319	\$ 86,664	\$ 1,098,860	\$ -	\$ 339,085	\$ 1,475,533
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	3,893,263	350,117	8,751	3,775,429	-	682,570
Total receipts	<u>3,893,263</u>	<u>350,117</u>	<u>8,751</u>	<u>3,775,429</u>	<u>-</u>	<u>682,570</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	4,130,666	349,829	-	3,551,565	-	700,055
Total disbursements	<u>4,130,666</u>	<u>349,829</u>	<u>-</u>	<u>3,551,565</u>	<u>-</u>	<u>700,055</u>
Excess (deficiency) of receipts over disbursements	<u>(237,403)</u>	<u>288</u>	<u>8,751</u>	<u>223,864</u>	<u>-</u>	<u>(17,485)</u>
Cash and investments - ending	<u>\$ 905,916</u>	<u>\$ 86,952</u>	<u>\$ 1,107,611</u>	<u>\$ 223,864</u>	<u>\$ 339,085</u>	<u>\$ 1,458,048</u>

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Availability	Wastewater Bond 2002 B&I	Wastewater B&I 2005	Wastewater Debt 2002 Reserve	Wastewater Debt Reserve 2005	Water Operating
Cash and investments - beginning	\$ 6,458	\$ 2,397	\$ 7,656	\$ 152,003	\$ 263,997	\$ 573,168
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other receipts	124,024	149,177	239,555	19,560	-	2,246,418
Total receipts	<u>124,024</u>	<u>149,177</u>	<u>239,555</u>	<u>19,560</u>	<u>-</u>	<u>2,246,418</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	130,482	149,021	239,125	19,560	-	2,582,719
Total disbursements	<u>130,482</u>	<u>149,021</u>	<u>239,125</u>	<u>19,560</u>	<u>-</u>	<u>2,582,719</u>
Excess (deficiency) of receipts over disbursements	<u>(6,458)</u>	<u>156</u>	<u>430</u>	<u>-</u>	<u>-</u>	<u>(336,301)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,553</u>	<u>\$ 8,086</u>	<u>\$ 152,003</u>	<u>\$ 263,997</u>	<u>\$ 236,867</u>

CITY OF LEBANON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Depreciation Reserve	Water Depreciation Cd	Water Time Deposit	Water Meter Deposit	Water Availability	Totals
Cash and investments - beginning	\$ 4,578,220	\$ -	\$ -	\$ 500	\$ 771,133	\$ 33,684,938
Receipts:						
Taxes	-	-	-	-	-	6,321,154
Licenses and permits	-	-	-	-	-	52,622
Intergovernmental	-	-	-	-	-	4,115,350
Charges for services	-	-	-	-	-	891,652
Fines and forfeits	-	-	-	-	-	35,464
Other receipts	470,283	500,000	2,294,299	2,000	161,018	78,481,345
Total receipts	470,283	500,000	2,294,299	2,000	161,018	89,897,587
Disbursements:						
Personal services	-	-	-	-	-	5,379,277
Supplies	-	-	-	-	-	200,088
Other services and charges	-	-	-	-	-	7,134,925
Capital outlay	-	-	-	-	-	385,634
Other disbursements	950,963	-	2,209,805	2,500	1,050	81,669,885
Total disbursements	950,963	-	2,209,805	2,500	1,050	94,769,809
Excess (deficiency) of receipts over disbursements	(480,680)	500,000	84,494	(500)	159,968	(4,872,222)
Cash and investments - ending	\$ 4,097,540	\$ 500,000	\$ 84,494	\$ -	\$ 931,101	\$ 28,812,716

CITY OF LEBANON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 234,737
Infrastructure	19,681,283
Buildings	10,341,002
Improvements other than buildings	694,200
Machinery and equipment	<u>3,042,477</u>
Total governmental activities, capital assets	<u>\$ 33,993,699</u>
Business-type activities:	
Land	\$ 806,232
Construction in progress	1,485,243
Buildings	10,303,868
Improvements other than buildings	41,690,886
Machinery and equipment	13,649,230
Transportation equipment	1,390,941
Intangible assets	<u>343,002</u>
Total business-type activities, capital assets	<u>\$ 69,669,402</u>

CITY OF LEBANON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Municipal building	\$ 5,096,246	\$ 492,500
Fire station 2	55,036	57,500
Notes and loans payable	160,000	163,064
Bonds payable:		
General obligation bonds:		
Enterprise boulevard	915,000	246,295
Stormwater, series 2000A	3,045,000	213,414
Stormwater, series 2000B	<u>1,565,000</u>	<u>423,430</u>
Total governmental activities debt	<u>\$ 10,836,282</u>	<u>\$ 1,596,203</u>
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
Wastewater improvements	\$ 165,000	\$ 169,290
2002 wastewater expansion	3,520,000	303,925
2005 wastewater expansion	<u>4,160,000</u>	<u>246,688</u>
Total Wastewater Utility	<u>7,845,000</u>	<u>719,903</u>
Total business-type activities debt	<u>\$ 7,845,000</u>	<u>\$ 719,903</u>

CITY OF LEBANON
OTHER REPORT

The report presented herein was prepared in addition to another official report prepared for the Electric, Water, Wastewater, and Telecommunications Utilities.

CITY OF LEBANON
EXAMINATION RESULT AND COMMENT

POLITICAL EXPENDITURE

In September of 2010, Mayor Huck Lewis was reimbursed for travel expenses. One of the trips claimed on the travel voucher was for Mayor Lewis to attend fundraisers in Indianapolis and Crawfordsville. Mayor Lewis explained that this travel was for political functions. On September 8, 2011, Mayor Lewis reimbursed the City of Lebanon \$77, for the amount paid to him.

Expenditures for political purposes, contributions to political campaigns, directly or indirectly, which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF LEBANON
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2011, with Deborah Ottinger, Clerk-Treasurer; Harold "Huck" Lewis, Mayor; and Jeremy Lamar, President of the Common Council. The Official Response has been made a part of this report and may be found on page 33.



Harold "Huck" Lewis, Mayor
City of Lebanon

September 23, 2011

"OFFICIAL RESPONSE"

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

Dear Sir or Madam,

It was brought to my attention at the Exit Conference we had yesterday with Melissa Hanchar, I was in violation on my mileage claim.

I would like to apologize for my error. My lack of knowledge is no excuse for this mistake. As soon as I was informed, I immediately reimbursed the City of Lebanon for these charges. I assumed since I was representing the City at this function it was a reimbursable charge. Now that I understand the guidelines, I assure you that it will never happen again.

Thank you for your time with this matter.

Sincerely,

Harold "Huck" Lewis
Mayor, City of Lebanon