

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

ANNUAL FINANCIAL REPORT

2011

ELECTRIC, WATER, WASTEWATER,  
AND TELECOMMUNICATIONS UTILITIES  
CITY OF LEBANON

BOONE COUNTY, INDIANA



**FILED**

01/03/2013



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Ottinger Tonya Thayer	01-01-08 to 12-31-11 01-01-12 to 01-01-15
Mayor	Harold "Huck" Lewis	05-23-09 to 12-31-15
President of the Board of Public Works	Harold "Huck" Lewis	05-23-09 to 12-31-15
President of the Common Council	Jeremy Lamar Mike Kincaid	01-01-10 to 12-31-11 01-01-12 to 01-01-12
Utilities General Manager	Michael Martin	01-01-11 to 12-31-12
Manager of Financial Services and Human Resources	Sandra Morgan	01-01-11 to 12-31-12
President of the Utilities Service Board	Allen Milburn	01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES, CITY OF LEBANON, BOONE COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Electric, Water, Wastewater and Telecommunications Utilities (Utilities), departments of the City of Lebanon, as of and for the year ended December 31, 2011. The Utilities' management is responsible for the financial statements presented herein. 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 presented herein 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 I, the financial statements of the Electric, Water, Wastewater and Telecommunications Utilities, City of Lebanon, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utility. They do not purport to, and do not, present fairly the financial position of the City of Lebanon as of December 31, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Electric, Water, Wastewater and Telecommunications Utilities, as of December 31, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements for the Telecommunications Utility (Utility) have been prepared assuming that the Utility will continue as a going concern. As discussed in Note II (F) to the financial statements, the Utility has suffered recurring losses from operations and has a total net asset deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note II (F). The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Electric, Water, Wastewater and Telecommunications Utilities have not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

August 15, 2012

ELECTRIC UTILITY  
CITY OF LEBANON  
STATEMENT OF NET ASSETS  
As of December 31, 2011

	<b>Year to Date 2011</b>
<b><u>Assets</u></b>	
Current Assets:	
Operating Cash and Cash Equivalents	\$3,160,959
Accounts Receivable - Customers, Net	1,018,263
Miscellaneous and Other Accounts Receivable	41,772
Interfund Receivables:	
Receivable from Associated City	428,675
Receivable from Associated Utility	518,430
Materials and Supplies Inventory	609,335
Prepaid Expense Items	13,641
Total Current Assets	\$5,791,075
Noncurrent Assets:	
Restricted Assets:	
Renewal & Replacement Cash and Cash Equivalents	\$530,272
Energy Program Cash and Cash Equivalents	896
Total Restricted Assets	\$531,168
Capital Assets:	
Land, Improvements to Land and Construction in Progress	\$2,640,852
Other Capital Assets (Net of Accumulated Depreciation)	8,049,012
Total Capital Assets, Net	\$10,689,864
Total Noncurrent Assets	\$11,221,032
<b>Total Assets</b>	<b>\$17,012,107</b>
<b><u>Liabilities</u></b>	
Current Liabilities:	
Accounts Payable	\$2,325,173
Accrued Payroll and Withholdings Payable	63,718
Compensated Absences Payable	193,844
Taxes Payable	74,771
Total Current Liabilities	\$2,657,506
<b>Total Liabilities</b>	<b>\$2,657,506</b>
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	\$10,689,864
Unrestricted	3,664,737
<b>Total Net Assets</b>	<b>\$14,354,601</b>

ELECTRIC UTILITY  
CITY OF LEBANON  
STATEMENTS OF REVENUE, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As of And For The Year Ended December 31, 2011

	<b>Year to Date 2011</b>
<b>Operating Revenue:</b>	
Residential Sales	\$6,488,186
Commercial and Industrial Sales	10,248,290
Public Street & Highway Lighting	154,200
Municipal Sales	83,123
Penalties	69,317
Reconnect / Disconnect	42,500
Other Operating	476,339
	\$17,561,955
Total	
<b>Operating Expenses:</b>	
Purchased Power	\$14,237,650
Distribution Expenses:	
Supervision And Engineering	289,993
Station Expense	79,608
Overhead Lines	333,995
Underground Lines	68,133
Tree Trimming	40,135
Transportation	59,349
Street Lights & Signals	43,260
Uniforms	19,721
Other	134,665
Customer Records and Collection:	
Meter Reading	47,373
Meter Expense	17,380
Billing	25,198
Administrative and General Expenses:	
Salaries	201,383
Office Supplies / Expense	125,930
Outside Services Employed	101,549
Employee Pensions and Benefits	975,510
Taxes	257,055
Payment in Lieu of Taxes	64,021
Depreciation Expense	430,452
Lease Principal - Building	52,127
Other	126,199
	\$17,730,686
Total Operating Expenses	
<b>Operating Income (Loss)</b>	<b>(\$168,731)</b>
<b>Nonoperating Revenue (Expenses):</b>	
Loss on Disposal of Asset	(\$9,503)
Interest Income	20,304
Interest Expense	(34,751)
	(\$23,950)
Total Nonoperating Revenue (Expenses)	
<b>Net Income (Loss)</b>	<b>(\$192,681)</b>
<b>Change in Net Asses</b>	<b>(\$192,681)</b>
<b>Total Net Assets - Beginning of Period</b>	<b>\$14,547,282</b>
<b>Total Net Assets - End of Period</b>	<b>\$14,354,601</b>

ELECTRIC UTILITY  
CITY OF LEBANON  
STATEMENT OF CASH FLOWS  
As of And For the Year Ended December 31, 2011

	<b>Year to Date 2011</b>
<b>Cash Flows From Operating Activities:</b>	
Receipts from Customers and Users	\$17,227,530
Payments to Suppliers and Contractors	(15,740,340)
Payments to Employees	(1,547,242)
Other Receipts	476,339
	<u>\$416,287</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	
<b>Cash Flows From Capital And Related Financing Activities:</b>	
Interest Expense on Operating Lease	(\$34,751)
Acquisition and Construction of Capital Assets	(1,553,262)
	<u>(\$1,588,013)</u>
<b>Net Cash Provided (Used) By Capital &amp; Related Financing Activities</b>	
<b>Cash Flows From Investing Activities:</b>	
Interest on Investments	\$20,304
	<u>\$20,304</u>
<b>Net Cash Provided (Used) By Investing Activities</b>	
	<u>\$20,304</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(\$1,151,422)
<b>Cash and Cash Equivalents - January 1</b>	4,843,549
	<u>4,843,549</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$3,692,127</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income	(\$168,731)
	<u>(\$168,731)</u>
Adjustments To Reconcile Operating Income To	
Net Cash Provided by Operating Activities:	
Depreciation & Amortization	\$430,452
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	(3,861)
Accounts Receivable - Other	131,398
Notes Receivable - Telecom	12,979
Inventory - Materials & Supplies	(148,897)
Prepaid Expense	(209)
Interest Receivable	1,398
Increase (Decrease) in Liabilities:	
Accounts Payable	141,197
Accrued Payroll and Withholdings Payable	1,622
Compensated Absences Payable	21,394
Taxes Payable	(2,455)
	<u>\$585,018</u>
<b>Total Adjustments</b>	<u>\$585,018</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$416,287</u>

WATER UTILITY  
CITY OF LEBANON  
STATEMENT OF NET ASSETS  
As of December 31, 2011

	<b>Year to Date 2011</b>
<b><u>Assets</u></b>	
Current Assets:	
Operating Cash and Cash Equivalents	\$262,928
Accounts Receivable - Customers, Net	163,806
Interfund Receivables:	
Receivable from Associated Utility	2,220,538
Materials and Supplies Inventory	82,910
Prepaid Expense Items	5,730
Total Current Assets	\$2,735,912
Noncurrent Assets:	
Restricted Assets:	
Availability Cash & Cash Equivalents	\$1,160,503
Depreciation Cash & Cash Equivalents	4,938,300
Total Restricted Assets	\$6,098,803
Capital Assets:	
Land, Improvements to Land and Construction in Progress	\$1,233,694
Other Capital Assets (Net of Accumulated Depreciation)	12,685,551
Total Capital Assets, Net	\$13,919,245
Total Noncurrent Assets	\$20,018,048
<b>Total Assets</b>	<b>\$22,753,960</b>
<b><u>Liabilities</u></b>	
Current Liabilities:	
Accounts Payable	\$24,887
Contracts Payable	899,465
Accrued Wages Payable	39,033
Compensated Absences Payable	225,197
Taxes Payable	10,409
Total Current Liabilities	\$1,198,991
<b>Total Liabilities</b>	<b>\$1,198,991</b>
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	\$13,919,245
Unrestricted	7,635,724
<b>Total Net Assets</b>	<b>\$21,554,969</b>

WATER UTILITY  
CITY OF LEBANON  
STATEMENTS OF REVENUE, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As of And For The Year Ended December 31, 2011

	<b>Year to Date 2011</b>
<b>Operating Revenue:</b>	
Residential	\$1,257,684
Commercial and Industrial	665,473
Fire Protection	270,747
Availability Fees	210,794
Reconnect / Disconnect Fees	25,960
Inspection/Connection Fees	30,808
Other	50,375
Total	\$2,511,841
<b>Operating Expenses:</b>	
Source of Supply / Transmission:	
Salaries & Wages	\$184,820
Fuel / Transportation	10,019
Chemicals	33,845
Other	28,854
Distribution	
Salaries & Wages	188,090
Fuel / Transportation	10,822
Materials & Supplies	26,007
Other	2,865
Customer Accounts:	
Salaries & Wages	73,555
Materials & Supplies	11,508
Postage	20,006
Administrative & General	
Salaries & Wages	233,579
Employee Benefits	615,375
Office Supplies / Expense	55,252
Outside Services	72,605
Depreciation	325,738
Insurance	53,406
Utilities	135,019
Taxes	29,605
Payment in Lieu of Taxes	88,638
General Maintenance Agreements	32,697
Lease Principal - New Building	52,127
Other	54,160
Total Operating Expenses	\$2,338,592
<b>Operating Income (Loss)</b>	<b>\$173,249</b>
<b>Nonoperating Revenue (Expenses):</b>	
Interest Income	\$23,507
Interest Expense	(34,751)
Total Nonoperating Revenue (Expenses)	(\$11,244)
<b>Net Income (Loss)</b>	<b>\$162,005</b>
<b>Change in Net Assets</b>	<b>\$162,005</b>
<b>Total Net Assets - Beginning of Period</b>	<b>21,392,964</b>
<b>Total Net Assets - End of Period</b>	<b>\$21,554,969</b>

WATER UTILITY  
CITY OF LEBANON  
STATEMENT OF CASH FLOWS  
As of And For The Year Ended December 31, 2011

	<b>Year to Date 2011</b>
<b>Cash Flows From Operating Activities:</b>	
Receipts from Customers and Users	\$2,626,669
Payments to Suppliers and Contractors	(177,738)
Payments to Employees	(907,391)
Other Receipts	50,375
Net Cash Provided (Used) By Operating Activities	\$1,591,915
<b>Cash Flows From Capital And Related Financing Activities:</b>	
Interest Expense on Operating Lease	(\$34,751)
Acquisition and Construction of Capital Assets	(1,069,142)
Net Cash Provided (Used) By Capital & Related Financing Activities	(\$1,103,893)
<b>Cash Flows From Investing Activities:</b>	
Interest on Investments	\$23,507
Net Cash Provided (Used) By Investing Activities	\$23,507
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$511,529
<b>Cash and Cash Equivalents - January 1</b>	5,850,202
<b>Cash and Cash Equivalents - December 31</b>	\$6,361,731
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income (Loss)	\$173,249
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:	
Depreciation & Amortization	\$325,738
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	(25,037)
Notes Receivable - Telecom	12,979
Inventory - Materials & Supplies	13,202
Prepaid Expense	535
Notes Receivable	175,783
Interest Receivable	1,478
Increase (Decrease) in Liabilities:	
Accounts Payable	(369)
Contracts Payable	899,465
Customer Deposits Payable	2,500
Wages & FICA Payable	1,621
Compensated Absences Payable	9,602
Taxes Payable	1,169
Total Adjustments	\$1,418,666
<b>Net Cash Provided (Used) by Operating Activities</b>	\$1,591,915

WASTEWATER UTILITY  
CITY OF LEBANON  
STATEMENT OF NET ASSETS  
As of December 31, 2011

	<b>Year to Date 2011</b>
<b><u>Assets</u></b>	
Current Assets:	
Operating Cash and Cash Equivalents	\$1,182,525
Accounts Receivable - Customers, Net	159,592
Interfund Receivables:	
Receivable from Associated Utility	\$518,430
Materials and Supplies Inventory	8,371
Prepaid Expense Items	5,960
Total Current Assets	\$1,874,878
Noncurrent Assets:	
Restricted Assets:	
Improvement Cash & Cash Equivalents	\$1,672,971
Construction Cash & Cash Equivalents	1,111,625
Debt Service Cash & Cash Equivalents	416,000
Bond & Interest	98,174
Total Restricted Assets	\$3,298,770
Deferred Charges:	
Unamortized Bond Issue Costs	\$148,228
Total Deferred Debits	\$148,228
Capital Assets:	
Land, Improvements to Land and Construction in Progress	\$314,219
Other Capital Assets (Net of Accumulated Depreciation)	24,161,158
Total Capital Assets, Net	\$24,475,377
Total Noncurrent Assets	\$27,922,375
<b>Total Assets</b>	<b>\$29,797,253</b>
<b><u>Liabilities</u></b>	
Current Liabilities:	
Accounts Payable	\$44,511
Accrued Wages Payable	44,755
Interfund Payables:	
Payable to Associated Utility	1,702,108
Compensated Absences Payable	243,014
Revenue Bond Payable - Short Term	415,000
Total Current Liabilities	\$2,449,388
Noncurrent Liabilities	
Revenue Bond Payable - Long Term (Net of Unamortized Discount)	\$6,981,105
Total Noncurrent Liabilities	\$6,981,105
<b>Total Liabilities</b>	<b>\$9,430,493</b>
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	\$17,593,446
Restricted for Debt Service	1,625,799
Unrestricted	1,147,515
<b>Total Net Assets</b>	<b>\$20,366,760</b>

WASTEWATER UTILITY  
CITY OF LEBANON  
STATEMENTS OF REVENUE, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As of And For The Year Ended December 31, 2011

	<b>Year to Date 2011</b>
<b>Operating Revenue:</b>	
Residential	\$2,161,328
Commercial and Industrial	1,238,754
Stormwater	133,012
Availability Fees	193,273
Late Penalties	63,408
Other	9,116
<b>Total</b>	<b>\$3,798,891</b>
<b>Operating Expenses:</b>	
Collection System:	
Salaries & Wages	\$227,216
Fuel & Transportation	13,649
Materials & Supplies	29,515
Other	27,711
Pumping Expense:	
Salaries & Wages (Lab)	35,133
Treatment & Disposal:	
Salaries & Wages	192,267
Sludge Removal	94,831
Chemicals	11,906
Liftstation Expense	13,539
Contractual	18,161
Other	45,634
Customer Accounts:	
Salaries & Wages	69,903
Meter Expense	3,771
Postage	19,853
Administrative & General	
Salaries & Wages	264,283
Employee Benefits	721,482
Office Supplies	57,158
Outside Services	32,742
Depreciation & Amortization	719,544
Insurance	34,292
Payment in lieu of Taxes	165,397
Utilities	227,904
Lease Principal - New Building	52,127
Other	111,011
<b>Total Operating Expenses</b>	<b>\$3,189,029</b>
<b>Operating Income (Loss)</b>	<b>\$609,862</b>
<b>Nonoperating Revenue (Expenses):</b>	
Loss on Sale of Asset	(\$1,201)
Interest Income	16,774
Interest Expense	(359,654)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(\$344,081)</b>
<b>Net Income (Loss)</b>	<b>\$265,781</b>
<b>Change in Net Assets</b>	<b>265,781</b>
<b>Total Net Assets - Beginning of Period</b>	<b>20,100,979</b>
<b>Total Net Assets - End of Period</b>	<b>\$20,366,760</b>

WASTEWATER UTILITY  
CITY OF LEBANON  
STATEMENT OF CASH FLOWS  
As of And For The Year Ended December 31, 2011

	<b>Year to Date 2011</b>
<b>Cash Flows From Operating Activities:</b>	
Receipts from Customers and Users	\$3,782,853
Payments to Suppliers and Contractors	(1,599,438)
Payments to Employees	(1,059,633)
Other Receipts	9,116
	\$1,132,898
<b>Cash Flows From Capital And Related Financing Activities:</b>	
Principal Paid on Revenue Bonds	(\$395,000)
Interest on Revenue Bonds & Operating Lease	(359,654)
Acquisition and Construction of Capital Assets	(467,938)
Proceeds from Sale of Assets	6,000
	(\$1,216,592)
<b>Cash Flows From Investing Activities:</b>	
Interest on Investments	\$16,774
	\$16,774
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(\$66,920)
<b>Cash and Cash Equivalents - January 1</b>	4,548,215
	\$4,481,295
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income	\$609,862
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:	
Depreciation & Amortization	\$719,544
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	(21,013)
Notes Receivable - Telecom	12,979
Inventory - Materials & Supplies	1,013
Prepaid Expense	(619)
Interest Receivable	1,112
Increase (Decrease) in Liabilities:	
Accounts Payable	(22,073)
Notes Payable	(175,783)
Salary & Wages Payable	(1,835)
Compensated Absences Payable	9,711
	\$523,036
<b>Net Cash Provided (Used) by Operating Activities</b>	\$1,132,898

TELECOMMUNICATIONS UTILITY  
CITY OF LEBANON  
STATEMENT OF NET ASSETS  
As of December 31, 2011

	<b>Year to Date 2011</b>
<b><u>Assets</u></b>	
Current Assets:	
Operating Cash and Cash Equivalents	\$81,020
Accounts Receivable - Customers, Net	21,989
Materials and Supplies Inventory	19,166
Prepaid Expense Items	2,898
Total Current Assets	\$125,073
Noncurrent Assets:	
Restricted Assets:	
Project Cash and Cash Equivalents	\$14,070
Total Restricted Assets	\$14,070
Capital Assets:	
Land, Improvements to Land and Construction in Progress	\$11,966
Other Capital Assets (Net of Accumulated Depreciation)	246,678
Total Capital Assets, Net	\$258,644
Total Noncurrent Assets	\$272,714
<b>Total Assets</b>	<b>\$397,787</b>
<b><u>Liabilities</u></b>	
Current Liabilities:	
Accounts Payable	\$9,937
Wages Payable	6,401
Interfund Payables:	
Payable to Associated Utility	1,555,289
Total Current Liabilities	\$1,571,627
<b>Total Liabilities</b>	<b>\$1,571,627</b>
<b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	\$258,644
Unrestricted	(1,432,484)
<b>Total Net Assets</b>	<b>(\$1,173,840)</b>

TELECOMMUNICATIONS UTILITY  
CITY OF LEBANON  
STATEMENTS OF REVENUE, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As of And For The Year Ended December 31, 2011

	<b>Year to Date 2011</b>
<b>Operating Revenue:</b>	
Residential	\$237,046
Commercial and Industrial	193,005
Custom	18,181
Other	42,646
Total Operating Revenue	\$490,878
<b>Operating Expenses:</b>	
Purchased Services:	
Bandwidth	\$25,777
Consulting, Legal and Accounting	8,139
Communication Expense:	
Communications Equipment	10,098
Salaries & Wages - Customer Install	13,815
Installation Supplies	5,685
Other	4,185
Customer Records and Collection:	
Billing	2,290
Administrative and General Expenses:	
Salaries & Wages	88,694
Employee Benefits	87,823
General Maintenance Agreements	4,798
Office Supplies	13,829
Utilities	7,225
Transportation	4,093
Depreciation Expense	41,338
Lease Principal	11,771
Gross Income Tax	7,000
Other	47,677
Total Operating Expenses	\$384,237
<b>Operating Income (Loss)</b>	<b>\$106,641</b>
<b>Nonoperating Revenue (Expenses):</b>	
Loss on Sale of Asset	(\$29,853)
Interest Income	285
Interest Expense	(7,847)
Total Nonoperating Revenue (Expenses)	(\$37,415)
<b>Net Income (Loss)</b>	<b>\$69,226</b>
<b>Change in Net Assets</b>	<b>69,226</b>
<b>Total Net Assets - Beginning of Period</b>	<b>(\$1,243,066)</b>
<b>Total Net Assets - End of Period</b>	<b>(\$1,173,840)</b>

TELECOMMUNICATIONS UTILITY  
CITY OF LEBANON  
STATEMENT OF CASH FLOWS  
As of And For The Year Ended December 31, 2011

	<b>Year to Date 2011</b>
<b>Cash Flow From Operating Activities:</b>	
Receipts from Customers and Users	\$445,471
Payments to Suppliers and Contractors	(250,185)
Payments to Employees	(135,245)
Other Receipts	42,646
Net Cash Provided (Used) By Operating Activities	\$102,687
<b>Cash Flows From Capital And Related Financing Activities:</b>	
Interest Expense on Operating Lease	(\$7,847)
Acquisition and Construction of Capital Assets	(42,818)
Net Cash Provided (Used) By Capital & Related Financing Activities	(\$50,665)
<b>Cash Flow From Investing Activities:</b>	
Interest on Investments	\$285
Net Cash Provided (Used) By Investing Activities	\$285
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$52,307
<b>Cash and Cash Equivalents - January 1</b>	42,783
<b>Cash and Cash Equivalents - December 31</b>	\$95,090
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income	\$106,641
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:	
Depreciation & Amortization	\$41,338
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	(2,904)
Prepaid Expense	1,493
Inventory	(6,321)
Interest Receivable	143
Increase (Decrease) in Liabilities:	
Accounts Payable	536
Notes Payable - E/W/WW	(38,939)
Accrued Payroll and Withholdings Payable	700
Total Adjustments	(\$3,954)
<b>Net Cash Provided (Used) by Operating Activities</b>	\$102,687

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
CITY OF LEBANON  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Lebanon (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' 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.

State statute (IC 5-13-9) authorizes the Utilities 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.

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the average cost method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Assets because their use is limited to applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
CITY OF LEBANON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Capitalization Threshold		Depreciation Method	Estimated
	Electric Utility	All Other Utilities		Useful Life (in years)
Land	\$ 1	\$ 1	N/A	N/A
Buildings	750	5,000	Straight-line	45 to 67
Improvements other than buildings	750	5,000	Straight-line	10 to 67
Machinery and equipment	750	5,000	Straight-line	10 to 67
Transportation equipment	750	5,000	Straight-line	10
Goodwill	750	5,000	Straight-line	15

N/A - Not applicable

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

5. Compensated Absences

- a. Sick Leave – Utilities' employees earn sick leave at the rate of 80 hours per year. For employees hired prior to March 8, 2006, unused sick leave may be accumulated to a maximum of 960 hours. Accumulated sick leave is paid to employees through the final payroll upon retirement, board approved early retirement or death. For employees hired on or after March 8, 2006, unused sick leave does not accumulate from year to year.
- b. Vacation Leave – Utilities employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Utilities employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Where applicable, sick leave is accrued when incurred.

No liability is reported for vacation and personal leave

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 250,694	\$ 48	\$ -	\$ 250,742
Construction in progress	1,436,489	1,176,544	222,924	2,390,109
Total capital assets, not being depreciated	1,687,183	1,176,592	222,924	2,640,851
Capital assets, being depreciated:				
Buildings	1,032,249	54,605	-	1,086,854
Improvements other than buildings	4,849,992	268,968	74,356	5,044,604
Machinery and equipment	4,947,745	304,016	-	5,251,761
Transportation equipment	770,541	19,494	-	790,035
Intangible assets	269,774	-	-	269,774
Totals	11,870,301	647,083	74,356	12,443,028
Less accumulated depreciation for:				
Buildings	151,735	20,979	-	172,714
Improvements other than buildings	2,012,908	148,154	17,365	2,143,697
Machinery and equipment	1,437,666	183,239	-	1,620,905
Transportation equipment	377,805	69,151	-	446,956
Intangible assets	749	8,992	-	9,741
Totals	3,980,863	430,515	17,365	4,394,013
Total capital assets, being depreciated, net	7,889,438	216,568	56,991	8,049,015
Total capital assets, net	\$ 9,576,621	\$ 1,393,160	\$ 279,915	\$ 10,689,866
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 242,568	\$ -	\$ -	\$ 242,568
Construction in progress	23,296	1,016,253	48,423	991,126
Total capital assets, not being depreciated	265,864	1,016,253	48,423	1,233,694

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
CITY OF LEBANON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Capital assets, not being depreciated:				
Land	\$ 242,568	\$ -	\$ -	\$ 242,568
Construction in progress	23,296	1,016,253	48,423	991,126
	<u>265,864</u>	<u>1,016,253</u>	<u>48,423</u>	<u>1,233,694</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	3,625,153	-	-	3,625,153
Improvements other than buildings	13,151,028	-	-	13,151,028
Machinery and equipment	2,119,895	101,311	-	2,221,206
Transportation equipment	239,735	-	-	239,735
	<u>19,135,811</u>	<u>101,311</u>	<u>-</u>	<u>19,237,122</u>
Totals				
Less accumulated depreciation for:				
Buildings	1,933,846	73,299	-	2,007,145
Improvements other than buildings	3,517,038	161,869	-	3,678,907
Machinery and equipment	586,283	73,123	-	659,406
Transportation equipment	188,660	17,454	-	206,114
	<u>6,225,827</u>	<u>325,745</u>	<u>-</u>	<u>6,551,572</u>
Totals				
Total capital assets, being depreciated, net	<u>12,909,984</u>	<u>(224,434)</u>	<u>-</u>	<u>12,685,550</u>
Total capital assets, net	<u>\$ 13,175,848</u>	<u>\$ 791,819</u>	<u>\$ 48,423</u>	<u>\$ 13,919,244</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 312,969	\$ -	\$ -	\$ 312,969
Construction in progress	23,296	47,586	69,632	1,250
	<u>336,265</u>	<u>47,586</u>	<u>69,632</u>	<u>314,219</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	5,646,466	12,920	-	5,659,386
Improvements other than buildings	23,391,889	22,629	-	23,414,518
Machinery and equipment	6,399,795	454,437	12,344	6,841,888
Transportation equipment	373,676	-	-	373,676
	<u>35,811,826</u>	<u>489,986</u>	<u>12,344</u>	<u>36,289,468</u>
Totals				
Less accumulated depreciation for:				
Buildings	4,006,668	112,078	-	4,118,746
Improvements other than buildings	5,064,719	379,300	-	5,444,019
Machinery and equipment	2,105,273	173,019	5,143	2,273,149
Transportation equipment	266,397	26,001	-	292,398
	<u>11,443,057</u>	<u>690,398</u>	<u>5,143</u>	<u>12,128,312</u>
Totals				
Total capital assets, being depreciated, net	<u>24,368,769</u>	<u>(200,412)</u>	<u>7,201</u>	<u>24,161,156</u>
Total capital assets, net	<u>\$ 24,705,034</u>	<u>\$ (152,826)</u>	<u>\$ 76,833</u>	<u>\$ 24,475,375</u>

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
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NOTES TO FINANCIAL STATEMENTS  
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	Beginning Balance	Increases	Decreases	Ending Balance
Telecommunications Utility:				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,162	\$ 13,183	\$ 3,379	\$ 11,966
Capital assets, being depreciated:				
Improvements other than buildings	297,977	16,255	-	314,232
Machinery and equipment	181,795	16,761	77,649	120,907
Transportation equipment	6,989	-	-	6,989
Intangible	73,228	-	-	73,228
Totals	<u>559,989</u>	<u>33,016</u>	<u>77,649</u>	<u>515,356</u>
Less accumulated depreciation for:				
Improvements other than buildings	153,722	16,960	-	170,682
Machinery and equipment	93,282	18,784	47,777	64,289
Transportation equipment	2,250	699	-	2,949
Intangible	25,881	4,882	-	30,763
Totals	<u>275,135</u>	<u>41,325</u>	<u>47,777</u>	<u>268,683</u>
Total capital assets, being depreciated, net	<u>284,854</u>	<u>(8,309)</u>	<u>29,872</u>	<u>246,673</u>
Total capital assets, net	<u>\$ 287,016</u>	<u>\$ 4,874</u>	<u>\$ 33,251</u>	<u>\$ 258,639</u>

Depreciation expense was charged to functions/programs of the Utilities as follows:

Electric	\$ 430,515
Water	325,742
Wastewater	690,398
Telecommunications	<u>41,325</u>
Total depreciation expense	<u>\$ 1,487,980</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2011	Committed	Required Future Funding
Electric utility improvements	\$ 8,235,851	\$ 2,390,109	\$ 518,742	\$ 5,327,000
Water utility improvements	1,570,000	991,126	578,874	-
Wastewater utility improvements	1,500	1,250	250	-
Telecommunications utility improvements	12,800	11,966	834	-
Totals	<u>\$ 9,820,151</u>	<u>\$ 3,394,451</u>	<u>\$ 1,098,700</u>	<u>\$ 5,327,000</u>

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
CITY OF LEBANON  
NOTES TO FINANCIAL STATEMENTS  
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D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2011, is as follows:

Due To	Due From			Totals
	General Fund	Wastewater Utility	Telecommunications Utility	
Electric Utility	\$ 428,677	\$ -	\$ 518,430	\$ 947,107
Water Utility	-	1,702,108	518,430	2,220,538
Wastewater Utility	-	-	518,430	518,430
<b>Totals</b>	<b>\$ 428,677</b>	<b>\$ 1,702,108</b>	<b>\$ 1,555,290</b>	<b>\$ 3,686,075</b>

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

E Long-Term Liabilities

1. Revenue Bonds

The Utilities issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Wastewater:		
1997 improvements	4.00% to 6.40%	\$ -
2002 expansion projects	3.75% to 4.50%	3,365,000
2005 expansion projects	3.50% to 4.30%	<u>4,085,000</u>
<b>Total</b>		<b>7,450,000</b>
Unamortized Premium/Discount		(53,895)
Due within one year		<u>(415,000)</u>
Due in more than one year		<u>\$ 6,981,105</u>

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
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Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2012	\$ 415,000	\$ 308,706
2013	435,000	292,581
2014	455,000	275,291
2015	465,000	256,800
2016-2020	2,685,000	962,441
2021-2025	2,995,000	328,590
Totals	<u>\$ 7,450,000</u>	<u>\$ 2,424,409</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	<u>\$ 7,845,000</u>	<u>\$ -</u>	<u>\$ 395,000</u>	<u>\$ 7,450,000</u>	<u>\$ 415,000</u>

F. Restricted Net Assets

The balances of restricted net asset accounts in the Wastewater Utility are as follows:

Revenue bond and interest fund	\$ 98,174
Revenue bond debt service reserve fund	416,000
Revenue bond construction fund	<u>1,111,625</u>
Total restricted net assets	<u>\$ 1,625,799</u>

The financial statements report \$1,625,799 of restricted net assets of which \$1,625,799 is restricted by enabling legislation.

G. Investment in Capital Assets Net of Related Debt

The investments in capital assets net of related debt is composed of the outstanding debt associated with the acquisition of capital assets less the cash on hand from bond issues at year end. The breakdown is scheduled as follows:

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	Electric Utility	Water Utility	Wastewater Utility	Telecommunications Utility
Total Capital Assets	\$ 10,689,864	\$ 13,919,245	\$ 24,475,377	\$ 258,644
Less:				
Bonds Payable	-	-	7,396,105	-
Capital Lease Payable	-	-	-	-
Deduct cash on Hand	-	-	(514,174)	-
Total related net debt	-	-	6,881,931	-
Investment in capital assets, net of related debt	<u>\$ 10,689,864</u>	<u>\$ 13,919,245</u>	<u>\$ 17,593,446</u>	<u>\$ 258,644</u>

H. Going Concern – Telecommunications Utility

Since its formation in 2004 and through 2010, the Telecommunications Utility suffered recurring losses from operations and had a total net asset deficiency of \$1,173,840 at December 31, 2011. This raised substantial doubt about its ability to continue as a going concern. During this period the losses were apportioned equally among the other three divisions of the Utilities-Electric, Water and Wastewater. Cash flows were reinforced as a loan from the three Utilities to the Telecommunications Utility. The loan accumulated to an amount of \$1,623,982 as an ending balance on December 31, 2009. Since 2010, the Telecommunications Utility has created Net Margin and positive cash flow and began repaying the loan with no further borrowing. In 2010, it repaid \$29,753 and in 2011, \$38,940. It is expected to make Net Margin in 2012 and carry out further contributions this year toward repayment of the loan.

The improvement in its position is a result of restructuring that took place in 2008 involving the cessation of the Broadband-Over-Powerline business and focusing on the wireless service and fiber optic connectivity and internet business. Capital, operating and maintenance expenses are made in smaller and more manageable segments yielding tighter inventory management. Expenditures have been closely controlled.

Upgrades are taking place in the wireless network as cash flow permits each phase of the improvements to occur which has enabled segmentation in customer pricing. Pricing segmentation based on the level of internet speed desired gives the customers more choice and increases the possibility for revenue growth as level of service is tailored to customer budgets. In addition, since 2008 through 2011 the customer base has been expanded with major business customers having been added in this time frame with fiber optic connectivity and internet service as well as growth in the wireless internet service sector.

While the Telecommunications Utility is now on profitable footing and repaying the loan, competition has increased as a fiber-to-the-home provider has entered the market in 2011 and during 2012 has resulted in some erosion in the fiber internet and connectivity-side of the business and some of the in-city wireless. Long-term contracts have been established to protect the fiber optic business market as much as possible. The next 2-3 years will be important as the Telecommunications Utility seeks to grow its revenues and enhance its present profitable position in the face of this heightened level of competition on the fiber optic side. A major portion of the wireless-side business is in the County,

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
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where competition is minimal to nonexistent and the market growth opportunities are available. This is favorable to the telecommunications long-term growth prospects despite the competitive threats in the fiber optic segment.

III. Other Information

A. Risk Management

The Utilities are 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 (excluding postemployment benefits); and natural disasters.

The risks of 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 (excluding postemployment benefits); and natural disaster are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

1. Electric Utility

The current rate structure was approved by the Utility on January 25, 1995. The Utility has 8,380 customers.

2. Water Utility

The current rate structure was approved by the Utility on March 3, 2010. The Utility has 6,313 customers.

3. Wastewater Utility

The current rate structure was approved by the Utility on July 25, 2005. The Utility has 6,059 customers.

4. Telecommunications Utility

The current rate structure was approved by the Utility on May 23, 2005. The Utility has 505 customers.

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
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C. Pension Plan

Single-Employer Defined Benefit Pension Plan

1. Utility Service Board Employees' Pension Plan

Plan Description

The Utilities have a defined benefit pension benefit plan covering eligible employees. An employee becomes a participant on a voluntary basis upon completion of 3 years of service. State statute (IC 8-1.5-3-7) provided for the establishment of the plan, authorized employee contributions, and any amendments. Covered employees may retire with full benefits (determined in accordance with the plan agreement) at either age 65, age 55 with 15 years of vesting service or age 60 with age and years of vesting service equal to or greater than 85. Benefits vest at 10 years of service. Employee benefits are based on 1¼ percent multiplied by years of service multiplied by monthly plan compensation. The plan also provides for death benefits. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

State Statute (IC 8-1.5-3-7) allows a board to set up and or amend a retirement account for the benefit of the employees and past employees of each utility. The board may provide for the method, manner, and amount of contributions by the utility out of its earnings, reserves, or earned surplus, and by employees if required by the plan, and may create an account for the utilities and allocate to the account contributions sufficient to establish the plan on a sound actuarial basis, including contributions for past services of employees. However, the plan may not require contributions from an employee to exceed 6 percent of his wage or salary. Participants in the plan shall annually make required contributions in the amount of 3 percent of compensation. The contribution requirements of plan members have been actuarially determined and can be amended under the modified aggregate cost method. Participants in the plan shall annually make required contributions in the amount of 3 percent of compensation. The Utilities' contributions to the plan for the year ending December 31, 2011, were \$476,117.

Annual Pension Cost

For 2011, the Utilities' annual pension cost and related information for Utility Service Board Employees' Pension Plan, as provided by the actuary, is presented in this note.

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Actuarial Information for the Above Plan

Annual required contribution	\$	420,818
Interest on net pension obligation		1,918
Adjustment to annual required contribution		<u>(3,051)</u>
Annual pension cost		419,685
Contributions made		<u>476,117</u>
Increase (decrease) in net pension obligation		(56,432)
Net pension obligation, beginning of year		<u>31,961</u>
Net pension obligation, end of year	\$	<u><u>(24,471)</u></u>

Contribution rates:

Utility	5.50%	
Active Plan Members	3%	
Actuarial valuation date	01-01-12	
Actuarial cost method	Entry age normal-frozen liability	

Actuarial Assumptions

Investment rate of return	6.0%
Projected future salary increases:	
Total	3.5%
Attributed to inflation	3.0%
Attributed to merit/seniority	0.50%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-09	\$ 311,423	109%	\$ 33,030
12-31-10	421,398	122%	(59,934)
12-31-11	419,685	113%	(24,471)

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES  
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Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ( c )	(Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
01-01-07	3,521,126	4,001,651	480,525	88%	2,720,847	18%
01-01-08	3,794,747	4,501,742	706,995	84%	2,794,776	25%
01-01-09	3,897,128	4,586,442	689,314	85%	2,577,540	27%
01-01-10	4,091,346	7,178,398	3,087,052	57%	2,973,795	104%
01-01-11	4,589,542	7,583,502	2,993,960	61%	3,119,631	96%
01-01-12	5,149,848	8,183,641	3,033,793	63%	2,934,915	103%

The Schedule of Funding Progress, presented as RSI for the above plan following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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 (Continued)

2. Financial Statements for Defined Benefits Plan

Statements of Fiduciary Net Assets:

Assets

Cash and cash equivalents	\$ 5,149,848
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Net Assets

Held in trust for:

Employee's pension benefits	\$ 5,149,848
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Statements of Changes in Fiduciary Net Assets:

Additions

Contributions:

On behalf	\$ 565,486
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Investment income:

Interest	268,208
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Total additions	833,694
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Deductions

Benefits and refunds paid to plan members and beneficiaries

	\$ 273,388
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Changes in net assets	560,306
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Net assets - beginning	4,589,542
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Net assets - ending	\$ 5,149,848
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UTILITY SERVICE BOARD EMPLOYEES' PENSION PLAN  
CITY OF LEBANON  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-07	\$ 3,521,126	\$ 4,001,651	\$ 480,525	88%	\$ 2,720,847	18%
01-01-08	3,794,747	4,501,742	706,995	84%	2,794,776	25%
01-01-09	3,897,128	4,586,442	689,314	85%	2,577,540	27%
01-01-10	4,091,346	7,178,398	3,087,052	57%	2,973,795	104%
01-01-11	4,589,542	7,583,502	2,993,960	61%	3,119,631	96%
01-01-12	5,149,848	8,183,641	3,033,793	63%	2,934,915	103%

Note: All four Utilities are included in this plan and are not reported separately.

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITY  
CITY OF LEBANON  
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2012, with Michael Martin, Utilities General Manager, and Sandra Morgan, Manager of Financial Services and Human Resources. Our examination disclosed no material items that warrant comment at this time.