

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

ANNUAL FINANCIAL REPORT
2012

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

BOONE COUNTY, INDIANA



FILED
10/21/2013

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tonya Thayer	01-01-12 to 12-31-15
Mayor	Harold "Huck" Lewis	01-01-12 to 12-31-15
President of the Board of Public Works	Harold "Huck" Lewis	01-01-12 to 12-31-15
President of the Common Council	Mike Kincaid Jeremy Lamar	01-01-12 to 12-31-12 01-01-13 to 12-31-13
Utilities General Manager	Michael Martin	01-01-12 to 12-31-13
Manager of Financial Services and Human Resources	Sandra Morgan	01-01-12 to 12-31-13
President of the Utilities Service Board	Allen Milburn Dan Lamar	01-01-12 to 11-30-12 12-01-12 to 12-31-13



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 Electric, Water, Wastewater, and Telecommunications Utilities (Utilities), departments of the City of Lebanon, as of and for the year ended December 31, 2012. The financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on the financial statements 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 statements 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 Utilities 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, 2012, 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, 2012, 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 Telecommunication 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.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

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.

The Schedule of Funding Progress, as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not examine the information and express no opinion on it.

The Utilities' 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 Utilities' response and, accordingly, we express no opinion on it.



Bruce Hartman
State Examiner

September 3, 2013

ELECTRIC UTILITY
CITY OF LEBANON
STATEMENT OF NET POSITION
As of December 31, 2012

	Year to Date 2012
<u>Assets</u>	
Current Assets:	
Operating Cash and Cash Equivalents	\$2,760,993
Accounts Receivable - Customers, Net	1,367,365
Miscellaneous and Other Accounts Receivable	110,692
Interfund Receivables:	
Receivable from Associated City	266,382
Receivable from Associated Utility	508,430
Materials and Supplies Inventory	451,221
Prepaid Expense Items	12,252
Total Current Assets	\$5,477,335
Noncurrent Assets:	
Restricted Assets:	
Renewal & Replacement Cash and Cash Equivalents	\$48,322
Energy Program Cash and Cash Equivalents	4,378
Interest Receivable	1,935
Total Restricted Assets	\$54,635
Capital Assets:	
Land, Improvements to Land and Construction in Progress	\$260,927
Other Capital Assets (Net of Accumulated Depreciation)	11,130,257
Total Capital Assets, Net	\$11,391,184
Total Noncurrent Assets	\$11,445,819
Total Assets	\$16,923,154
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$2,367,018
Accrued Payroll and Withholdings Payable	69,098
Compensated Absences Payable	212,672
Taxes Payable	90,460
Total Current Liabilities	\$2,739,248
Total Liabilities	\$2,739,248
<u>Net Position</u>	
Net Investment in capital assets	\$11,391,184
Unrestricted	2,792,722
Total Net Position	\$14,183,906

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

ELECTRIC UTILITY
CITY OF LEBANON
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
As of And For The Year Ended December 31, 2012

	Year to Date 2012
Operating Revenue:	
Residential Sales	\$6,883,864
Commercial and Industrial Sales	11,125,404
Public Street & Highway Lighting	158,825
Municipal Sales	84,353
Penalties	63,661
Reconnect / Disconnect	33,180
Other Operating	291,898
Total	\$18,641,185
Operating Expenses:	
Purchased Power	\$15,198,287
Distribution Expenses:	
Supervision And Engineering	289,760
Station Expense	55,842
Overhead Lines	351,188
Underground Lines	50,667
Tree Trimming	8,652
Transportation	49,249
Street Lights & Signals	2,981
Uniforms	14,717
Other	301,020
Customer Records and Collection:	
Meter Reading	49,766
Meter Expense	2,460
Billing	28,564
Administrative and General Expenses:	
Salaries	200,336
Office Supplies / Expense	131,301
Outside Services Employed	162,769
Employee Pensions and Benefits	867,030
Taxes	263,076
Payment in Lieu of Taxes	80,880
Depreciation Expense	462,528
Lease Principal - Building	53,010
Other	150,219
Total Operating Expenses	\$18,774,302
Operating Income (Loss)	(\$133,117)
Nonoperating Revenue (Expenses):	
Loss on Disposal of Asset	(\$14,174)
Interest Income	9,711
Interest Expense	(33,115)
Total Nonoperating Revenue (Expenses)	(\$37,578)
Net Income (Loss)	(\$170,695)
Change in Net Position	(\$170,695)
Total Net Position - Beginning of Period	\$14,354,601
Total Net Position - End of Period	\$14,183,906

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

ELECTRIC UTILITY
CITY OF LEBANON
STATEMENT OF CASH FLOWS
As of And For the Year Ended December 31, 2012

	Year to Date 2012
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$18,101,624
Payments to Suppliers and Contractors	(16,570,376)
Payments to Employees	(1,500,155)
Other Receipts	291,898
Net Cash Provided (Used) By Operating Activities	\$322,991
Cash Flows From Capital And Related Financing Activities:	
Interest Expense on Operating Lease	(\$33,115)
Acquisition and Construction of Capital Assets	(1,178,021)
Net Cash Provided (Used) By Capital & Related Financing Activities	(\$1,211,136)
Cash Flows From Investing Activities:	
Interest on Investments	\$9,711
Net Cash Provided (Used) By Investing Activities	\$9,711
Net Increase (Decrease) in Cash and Cash Equivalents	(\$878,434)
Cash and Cash Equivalents - January 1	3,692,127
Cash and Cash Equivalents - December 31	\$2,813,693
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	(\$133,117)
Adjustments To Reconcile Operating Income To	
Net Cash Provided by Operating Activities:	
Depreciation & Amortization	\$462,528
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	(349,101)
Accounts Receivable - Other	93,373
Notes Receivable - Telecom	10,000
Inventory - Materials & Supplies	158,114
Prepaid Expense	1,389
Interest Receivable	(1,935)
Increase (Decrease) in Liabilities:	
Accounts Payable	41,843
Accrued Payroll and Withholdings Payable	5,380
Compensated Absences Payable	18,828
Taxes Payable	15,689
Total Adjustments	\$456,108
Net Cash Provided (Used) by Operating Activities	\$322,991

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

WATER UTILITY
CITY OF LEBANON
STATEMENT OF NET POSITION
As of December 31, 2012

	Year to Date 2012
<u>Assets</u>	
Current Assets:	
Operating Cash and Cash Equivalents	\$436,242
Accounts Receivable - Customers, Net	177,469
Interfund Receivables:	
Receivable from Associated Utility	\$2,206,788
Materials and Supplies Inventory	79,373
Prepaid Expense Items	5,161
Total Current Assets	\$2,905,033
Noncurrent Assets:	
Restricted Assets:	
Availability Cash & Cash Equivalents	\$1,172,980
Depreciation Cash & Cash Equivalents	3,275,765
Interest Receivable	1,258
Total Restricted Assets	\$4,450,003
Capital Assets:	
Land, Improvements to Land and Construction in Progress	\$2,266,893
Other Capital Assets (Net of Accumulated Depreciation)	12,440,067
Total Capital Assets, Net	\$14,706,960
Total Noncurrent Assets	\$19,156,963
Total Assets	\$22,061,996
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$24,697
Accrued Wages Payable	43,029
Compensated Absences Payable	236,094
Taxes Payable	10,168
Total Current Liabilities	\$313,988
Total Liabilities	\$313,988
<u>Net Position</u>	
Net Investment in capital assets	\$14,706,960
Unrestricted	7,041,048
Total Net Position	\$21,748,008

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

WATER UTILITY
CITY OF LEBANON
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
As of And For The Year Ended December 31, 2012

	Year to Date 2012
Operating Revenue:	
Residential	\$1,408,336
Commercial and Industrial	761,976
Fire Protection	296,212
Availability Fees	51,709
Reconnect / Disconnect Fees	20,520
Inspection/Connection Fees	1,812
Other	69,578
	Total
	\$2,610,143
Operating Expenses:	
Source of Supply / Transmission:	
Salaries & Wages	\$187,411
Fuel / Transportation	13,341
Chemicals	39,186
Other	11,910
Distribution	
Salaries & Wages	213,292
Fuel / Transportation	12,268
Materials & Supplies	53,622
Other	4,703
Customer Accounts:	
Salaries & Wages	78,934
Materials & Supplies	1,932
Postage	23,739
Administrative & General	
Salaries & Wages	262,752
Employee Benefits	606,917
Office Supplies / Expense	57,624
Outside Services	34,806
Depreciation	328,398
Insurance	44,825
Utilities	149,529
Taxes	36,126
Payment in Lieu of Taxes	105,313
General Maintenance Agreements	30,490
Lease Principal - New Building	53,010
Other	43,310
	Total Operating Expenses
	\$2,393,438
Operating Income (Loss)	\$216,705
Nonoperating Revenue (Expenses):	
Loss on Sale of Asset	(\$541)
Interest Income	9,990
Interest Expense	(33,115)
	Total Nonoperating Revenue (Expenses)
	(\$23,125)
Net Income (Loss)	\$193,039
Change in Net Position	\$193,039
Total Net Position - Beginning of Period	21,554,969
Total Net Position - End of Period	\$21,748,008

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

WATER UTILITY
CITY OF LEBANON
STATEMENT OF CASH FLOWS
As of And For The Year Ended December 31, 2012

	Year to Date 2012
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$2,539,392
Payments to Suppliers and Contractors	(1,974,132)
Payments to Employees	(971,804)
Other Receipts	69,578
Net Cash Provided (Used) By Operating Activities	(\$336,966)
Cash Flows From Capital And Related Financing Activities:	
Interest Expense on Operating Lease	(\$33,115)
Acquisition and Construction of Capital Assets	(1,116,653)
Net Cash Provided (Used) By Capital & Related Financing Activities	(\$1,149,768)
Cash Flows From Investing Activities:	
Interest on Investments	\$9,990
Net Cash Provided (Used) By Investing Activities	\$9,990
Net Increase (Decrease) in Cash and Cash Equivalents	(\$1,476,744)
Cash and Cash Equivalents - January 1	6,361,731
Cash and Cash Equivalents - December 31	\$4,884,987
Reconciliation of Operating Income to Net Cash Provided (Used)	
By Operating Activities:	
Operating Income (Loss)	\$216,705
Adjustments To Reconcile Operating Income To	
Net Cash Provided By Operating Activities:	
Depreciation & Amortization	\$328,398
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	(13,665)
Notes Receivable - Telecom	10,000
Inventory - Materials & Supplies	3,537
Prepaid Expense	569
Notes Receivable	3,750
Interest Receivable	(1,258)
Increase (Decrease) in Liabilities:	
Accounts Payable	(2,190)
Contracts Payable	(899,465)
Customer Deposits Payable	2,000
Wages & FICA Payable	3,997
Compensated Absences Payable	10,897
Taxes Payable	(241)
Total Adjustments	(\$553,671)
Net Cash Provided (Used) by Operating Activities	(\$336,966)

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

WASTEWATER UTILITY
CITY OF LEBANON
STATEMENT OF NET POSITION
As of December 31, 2012

	<u>Year to Date 2012</u>
<u>Assets</u>	
Current Assets:	
Operating Cash and Cash Equivalents	\$1,054,452
Accounts Receivable - Customers, Net	166,306
Interfund Receivables:	
Receivable from Associated Utility	508,430
Materials and Supplies Inventory	8,387
Prepaid Expense Items	4,622
Total Current Assets	<u>\$1,742,197</u>
Noncurrent Assets:	
Restricted Assets:	
Improvement Cash & Cash Equivalents	1,670,147
Construction Cash & Cash Equivalents	785,884
Debt Service Cash & Cash Equivalents	743,328
Bond & Interest	10,691
Interest Receivable	1,451
Total Restricted Assets	<u>\$3,211,501</u>
Deferred Charges:	
Unamortized Bond Issue Costs	\$136,299
Total Deferred Debits	<u>\$136,299</u>
Capital Assets:	
Land, Improvements to Land and Construction in Progress	\$392,187
Other Capital Assets (Net of Accumulated Depreciation)	24,074,986
Total Capital Assets, Net	<u>\$24,467,173</u>
Total Noncurrent Assets	<u>\$27,814,973</u>
Total Assets	<u><u>\$29,557,170</u></u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$43,650
Accrued Wages Payable	50,336
Interfund Payables:	
Payable to Associated Utility	\$1,698,358
Compensated Absences Payable	263,686
Revenue Bond Payable - Short Term	435,000
Total Current Liabilities	<u>\$2,491,030</u>
Noncurrent Liabilities	
Revenue Bond Payable - Long Term (Net of Unamortized Discount)	<u>\$6,550,447</u>
Total Noncurrent Liabilities	<u>\$6,550,447</u>
Total Liabilities	<u>\$9,041,477</u>
<u>Net Position</u>	
Net Investment in capital assets	\$18,235,745
Restricted for Debt Service	1,539,903
Unrestricted	740,045
Total Net Position	<u><u>\$20,515,693</u></u>

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

WASTEWATER UTILITY
CITY OF LEBANON
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
As of And For The Year Ended December 31, 2012

	Year to Date 2012
Operating Revenue:	
Residential	\$2,198,997
Commercial and Industrial	1,301,897
Stormwater	137,722
Availability Fees	53,941
Late Penalties	63,069
Other	35,915
	\$3,791,541
Operating Expenses:	
Collection System:	
Salaries & Wages	\$237,813
Fuel & Transportation	15,652
Materials & Supplies	22,938
Other	20,753
Pumping Expense:	
Salaries & Wages (Lab)	73,335
Treatment & Disposal:	
Salaries & Wages	191,180
Sludge Removal	121,087
Chemicals	12,310
Liftstation Expense	4,248
Contractual	62,409
Other	48,567
Customer Accounts:	
Salaries & Wages	76,650
Postage	23,606
Administrative & General	
Salaries & Wages	305,332
Employee Benefits	693,548
Office Supplies	57,589
Outside Services	21,680
Depreciation & Amortization	722,160
Insurance	41,671
Payment in lieu of Taxes	185,181
Utilities	225,291
Lease Principal - New Building	53,010
Other	93,542
	\$3,309,552
Operating Income (Loss)	\$481,989
Nonoperating Revenue (Expenses):	
Loss on Sale of Asset	(\$541)
Interest Income	\$9,307
Interest Expense	(341,822)
	(\$333,056)
Net Income (Loss)	\$148,933
Change in Net Position	148,933
Total Net Position - Beginning of Period	20,366,760
Total Net Position - End of Period	\$20,515,693

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

WASTEWATER UTILITY
CITY OF LEBANON
STATEMENT OF CASH FLOWS
As of And For The Year Ended December 31, 2012

	Year to Date 2012
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$3,757,461
Payments to Suppliers and Contractors	(1,423,424)
Payments to Employees	(1,141,003)
Other Receipts	35,915
Net Cash Provided (Used) By Operating Activities	\$1,228,949
Cash Flows From Capital And Related Financing Activities:	
Principal Paid on Revenue Bonds	(\$415,000)
Interest on Revenue Bonds & Operating Lease	(341,822)
Acquisition and Construction of Capital Assets	(698,227)
Net Cash Provided (Used) By Capital & Related Financing Activities	(\$1,455,049)
Cash Flows From Investing Activities:	
Interest on Investments	\$9,307
Net Cash Provided (Used) By Investing Activities	\$9,307
Net Increase (Decrease) in Cash and Cash Equivalents	(\$216,793)
Cash and Cash Equivalents - January 1	4,481,295
Cash and Cash Equivalents - December 31	\$4,264,502
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	\$481,989
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:	
Depreciation & Amortization	\$722,160
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	(6,714)
Notes Receivable - Telecom	10,000
Inventory - Materials & Supplies	(16)
Prepaid Expense	1,339
Interest Receivable	(1,451)
Increase (Decrease) in Liabilities:	
Accounts Payable	(861)
Notes Payable	(3,750)
Salary & Wages Payable	5,581
Compensated Absences Payable	20,672
Total Adjustments	\$746,960
Net Cash Provided (Used) by Operating Activities	\$1,228,949

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

TELECOMMUNICATIONS UTILITY
CITY OF LEBANON
STATEMENT OF NET POSITION
As of December 31, 2012

	<u>Year to Date</u> <u>2012</u>
<u>Assets</u>	
Current Assets:	
Operating Cash and Cash Equivalents	\$152,143
Accounts Receivable - Customers, Net	19,329
Materials and Supplies Inventory	42,612
Prepaid Expense Items	901
Total Current Assets	<u>\$214,985</u>
Noncurrent Assets:	
Restricted Assets:	
Interest Receivable	193
Total Restricted Assets	<u>\$193</u>
Capital Assets:	
Land, Improvements to Land and Construction in Progress	\$3,840
Other Capital Assets (Net of Accumulated Depreciation)	244,916
Total Capital Assets, Net	<u>\$248,756</u>
Total Noncurrent Assets	<u>\$248,949</u>
Total Assets	<u><u>\$463,934</u></u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	\$17,088
Wages Payable	6,985
Interfund Payables:	
Payable to Associated Utility	\$1,525,289
Total Current Liabilities	<u>\$1,549,362</u>
Total Liabilities	<u><u>\$1,549,362</u></u>
<u>Net Position</u>	
Net Investment in capital assets	\$248,756
Unrestricted	<u>(1,334,184)</u>
Total Net Position	<u><u>(\$1,085,428)</u></u>

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

TELECOMMUNICATIONS UTILITY
CITY OF LEBANON
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
As of And For The Year Ended December 31, 2012

	Year to Date 2012
Operating Revenue:	
Residential	\$244,281
Commercial and Industrial	177,764
Custom	22,926
Other	52,029
Total Operating Revenue	\$497,000
Operating Expenses:	
Purchased Services:	
Bandwidth	\$25,813
Consulting, Legal and Accounting	5,100
Communication Expense:	
Communications Equipment	1,038
Salaries & Wages - Customer Install	25,231
Installation Supplies	7,955
Other	930
Customer Records and Collection:	
Billing	2,603
Administrative and General Expenses:	
Salaries & Wages	104,484
Employee Benefits	86,185
General Maintenance Agreements	4,516
Office Supplies	13,455
Utilities	7,932
Transportation	5814
Depreciation Expense	38,976
Lease Principal	11,970
Gross Income Tax	7,500
Other	51,539
Total Operating Expenses	\$401,041
Operating Income (Loss)	\$95,959
Nonoperating Revenue (Expenses):	
Loss on Sale of Asset	(\$584)
Interest Income	\$515
Interest Expense	(7,478)
Total Nonoperating Revenue (Expenses)	(\$7,547)
Net Income (Loss)	\$88,412
Change in Net Position	88,412
Total Net Position - Beginning of Period	(\$1,173,840)
Total Net Position - End of Period	(\$1,085,428)

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

TELECOMMUNICATIONS UTILITY
CITY OF LEBANON
STATEMENT OF CASH FLOWS
As of And For The Year Ended December 31, 2012

	Year to Date 2012
Cash Flow From Operating Activities:	
Receipts from Customers and Users	\$447,438
Payments to Suppliers and Contractors	(235,733)
Payments to Employees	(170,044)
Other Receipts	52,029
Net Cash Provided (Used) By Operating Activities	\$93,690
Cash Flows From Capital And Related Financing Activities:	
Interest Expense on Operating Lease	(\$7,478)
Acquisition and Construction of Capital Assets	(29,674)
Net Cash Provided (Used) By Capital & Related Financing Activities	(\$37,152)
Cash Flow From Investing Activities:	
Interest on Investments	\$515
Net Cash Provided (Used) By Investing Activities	\$515
Net Increase (Decrease) in Cash and Cash Equivalents	\$57,053
Cash and Cash Equivalents - January 1	95,090
Cash and Cash Equivalents - December 31	\$152,143
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	\$95,959
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:	
Depreciation & Amortization	\$38,976
(Increase) Decrease in Assets:	
Accounts Receivable - Customer	2,660
Prepaid Expense	1,997
Inventory	(23,445)
Interest Receivable	(193)
Increase (Decrease) in Liabilities:	
Accounts Payable	7,152
Notes Payable - E/W/WW	(30,000)
Accrued Payroll and Withholdings Payable	584
Total Adjustments	(\$2,269)
Net Cash Provided (Used) by Operating Activities	\$93,690

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

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATION 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 a Utility Service Board, 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 Position; Statement of Revenues, Expenses, and Changes in Net Position; 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 non-operating 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 non-operating revenues and expenses.

D. Assets, Liabilities, and Net Position 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.

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.

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

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 net position on the statement of net position 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:

	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.

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

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 position. 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.

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, 2012, was as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 250,742	\$ 106	\$ -	\$ 250,848
Construction in progress	<u>2,390,109</u>	<u>822,379</u>	<u>3,202,409</u>	<u>10,079</u>
Total capital assets, not being depreciated	<u>2,640,851</u>	<u>822,485</u>	<u>3,202,409</u>	<u>260,927</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Utility (continued):				
Capital assets, being depreciated:				
Buildings	1,086,854	-	-	1,086,854
Improvements other than buildings	5,044,604	1,823,974	34,325	6,834,253
Machinery and equipment	5,251,761	324,083	-	5,575,844
Transportation equipment	790,035	33,400	29,056	794,379
Intangible assets	269,774	1,376,490	-	1,646,264
	<u>12,443,028</u>	<u>3,557,947</u>	<u>63,381</u>	<u>15,937,594</u>
Totals				
Less accumulated depreciation for:				
Buildings	172,714	22,091	-	194,805
Improvements other than buildings	2,143,697	162,344	20,693	2,285,348
Machinery and equipment	1,620,905	193,784	-	1,814,689
Transportation equipment	446,956	69,974	28,515	488,415
Intangible assets	9,741	14,339	-	24,080
	<u>4,394,013</u>	<u>462,532</u>	<u>49,208</u>	<u>4,807,337</u>
Totals				
Total capital assets, being depreciated, net	<u>8,049,015</u>	<u>3,095,415</u>	<u>14,173</u>	<u>11,130,257</u>
Total capital assets, net	<u>\$ 10,689,866</u>	<u>\$ 3,917,900</u>	<u>\$ 3,216,582</u>	<u>\$ 11,391,184</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 242,568	\$ -	\$ -	\$ 242,568
Construction in progress	991,126	1,933,246	900,047	2,024,325
	<u>1,233,694</u>	<u>1,933,246</u>	<u>900,047</u>	<u>2,266,893</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	3,625,153	34,032	-	3,659,185
Improvements other than buildings	13,151,028	-	-	13,151,028
Machinery and equipment	2,221,206	41,735	-	2,262,941
Transportation equipment	239,735	7,690	29,056	218,369
	<u>19,237,122</u>	<u>83,457</u>	<u>29,056</u>	<u>19,291,523</u>
Totals				
Less accumulated depreciation for:				
Buildings	2,007,145	73,640	-	2,080,785
Improvements other than buildings	3,678,907	161,869	-	3,840,776
Machinery and equipment	659,406	75,720	-	735,126
Transportation equipment	206,114	17,169	28,514	194,769
	<u>6,551,572</u>	<u>328,398</u>	<u>28,514</u>	<u>6,851,456</u>
Totals				
Total capital assets, being depreciated, net	<u>12,685,550</u>	<u>(244,941)</u>	<u>542</u>	<u>12,440,067</u>
Total capital assets, net	<u>\$ 13,919,244</u>	<u>\$ 1,688,305</u>	<u>\$ 900,589</u>	<u>\$ 14,706,960</u>

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

Electric	\$ 462,528
Water	328,398
Wastewater	705,886
Telecommunication	<u>38,976</u>
Total depreciation expense	<u>\$ 1,535,788</u>

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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2012	Committed	Required Future Funding
Electric utility improvements	\$ 11,857,282	\$ 10,079	\$ 11,847,203	\$ -
Water utility improvements	2,950,000	2,024,325	925,675	-
Wastewater utility improvements	795,000	79,218	715,782	-
Telecommunication utility improvements	12,800	3,825	8,975	-
Totals	<u>\$ 15,615,082</u>	<u>\$ 2,117,447</u>	<u>\$ 13,497,635</u>	<u>\$ -</u>

D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2012, is as follows:

Due To	Due From			Totals
	General Fund	Wastewater Utility	Telecommunication Utility	
Electric Utility	\$ 266,382	\$ -	\$ 508,430	\$ 774,812
Water Utility	-	1,698,358	508,430	2,206,788
Wastewater Utility	-	-	508,430	508,430
Totals	<u>\$ 266,382</u>	<u>\$ 1,698,358</u>	<u>\$ 1,525,290</u>	<u>\$ 3,490,030</u>

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:

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Wastewater:		
2002 expansion projects	3.75% to 4.50%	\$3,035,000
2005 expansion projects	3.50% to 4.30%	<u>4,000,000</u>
Total		7,035,000
Unamortized Premium/Discount		(49,553)
Due within one year		<u>(435,000)</u>
Due in more than one year		<u>\$6,550,447</u>

Revenue bonds debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Wastewater Utility</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 435,000	\$ 292,581
2014	455,000	275,291
2015	465,000	256,800
2016	490,000	237,283
2017-2021	2,805,000	845,563
2022-2026	<u>2,385,000</u>	<u>208,185</u>
Totals	<u>\$7,035,000</u>	<u>\$2,115,703</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Revenue bonds payable:					
Wastewater Utility	<u>\$7,450,000</u>	<u>\$ -</u>	<u>\$ 415,000</u>	<u>\$7,035,000</u>	<u>\$ 435,000</u>

F. Going Concern - Telecommunication Utility

Since its formation in 2004 and through 2010, the Telecommunications Utility suffered recurring losses from operations and had a total net position deficiency of \$1,085,428 at December 31, 2012. 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

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

Utility. The loan accumulated to an amount of \$1,623,981.79 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 \$29,752.72, in 2011 \$38,939.62 and in 2012, \$30,000. It is expected to make Net Margin in 2013 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 2012 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, 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.

G. Restricted Net Position

The Wastewater Utility Statement of Net Position reports restricted net position of \$1,539,903 for the wastewater utility; all of which is restricted by enabling legislation.

H. Net Investment in Capital Assets

The net investments in capital assets 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:

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

Business-Type Activities:

	Electric Utility	Water Utility	Wastewater Utility	Telecommunications Utility
Total Capital Assets	\$ 11,391,184	\$ 14,706,960	\$ 24,467,173	\$ 248,756
Less:				
Bonds Payable	-	-	7,035,000	-
Unamortized Bond Issue Costs	-	-	(49,553)	-
Deduct Cash on Hand	-	-	(754,019)	-
Total Related Net Debt	-	-	6,231,428	-
Net Investment in Capital Assets	<u>\$ 11,391,184</u>	<u>\$ 14,706,960</u>	<u>\$ 18,235,745</u>	<u>\$ 248,756</u>

I. Revenues Pledged

The Wastewater Utility has pledged future receipts, net of specified operating expenditures, to repay the revenue bonds issued in 2002 and 2005. Proceeds from the bonds provided financing for improvements to the Wastewater Treatment facilities. The bonds are payable solely from net receipts and are payable through 2025. Annual principal and interest payments are expected to require less than 100 percent of net receipts.

III. Other Information

A. Risk Management

The Utilities is 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 September 19, 2012. The Utility has 8,734 customers.

2. Water Utility

The current rate structure was approved by the Utilities on March 3, 2010. The Utility has 6,449 customers.

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

3. Wastewater Utility

The current rate structure was approved by the Utility on July 25, 2005. The Utility has 6,233 customers.

4. Telecommunication Utility

The current rate structure was approved by the Utilities on May 23, 2005. The Utility has 554 customers.

C. Pension Plan

Single-Employer Defined Benefit Pension Plan

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 (Indiana Code 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 (Indiana Code 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, 2012, were \$430,446.

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.

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

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:	
Utilities	5.5%
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	.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 TELECOMMUNICATION UTILITIES
 CITY OF LEBANON
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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)
01-01-12	\$ 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.

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
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%)

ELECTRIC, WATER, WASTEWATER, AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
EXAMINATION RESULT AND COMMENT

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

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

The contents of this report were discussed on September 12, 2013, with Michael Martin, Utilities General Manager; Dan Lamar, President of the Utilities Service Board; Laurie Gross, Customer Service Manager; and Sandra Morgan, Manager of Financial Services and Human Resources. The Official Response has been made a part of this report and may be found on page 31.



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MUNICIPAL BUILDING

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www.lebanon-utilities.com

September 12, 2013

OFFICIAL RESPONSE

State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, Indiana 46204-2765

Re: Lebanon Utilities
Delinquent Wastewater Accounts

Lebanon Utilities acknowledges that during the 2012 audit year period and to date delinquent wastewater fees and penalties were not recorded with the County Recorder nor were they certified to the County Auditor. Had they been properly recorded and certified it would have resulted in a lien against property with potential justifiable compensation for the sewer utility.

In the past we have been diligent in accomplishing these tasks but during the 2012 audit period and to date, we had a new customer information system being placed in service and new employee training that diverted us from these tasks.

We recognize the importance of these recordings and certifications and are committed to performing them in the future.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Meh', is written above the typed name.

Michael E. Martin,
General Manager
Lebanon Utilities