

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

FINANCIAL STATEMENTS EXAMINATION REPORT  
OF

ELECTRIC, WASTEWATER, WATER, AND  
TELECOMMUNICATIONS UTILITIES  
CITY OF LEBANON  
BOONE COUNTY, INDIANA

January 1, 2013 to December 31, 2014



**FILED**  
06/16/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tonya Thayer	01-01-13 to 12-31-19
Mayor	Harold "Huck" Lewis Matt Gentry	01-01-13 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works	Harold "Huck" Lewis Matt Gentry	01-01-13 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	Jeremy Lamar Preston Myers Steve Large	01-01-13 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16
General Manager of Utilities	Michael Martin Jay McCoskey Mike Whitman	01-01-13 to 01-06-14 01-07-14 to 12-11-15 12-12-15 to 12-31-16
President of the Utility Service Board	Dan Lamar Allen Woods	01-01-13 to 12-31-15 01-01-16 to 12-31-16
Utility Finance Manager	Sandra Morgan	01-01-13 to 12-31-16



**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, for the years ended December 31, 2013 and 2014. 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, the changes in the financial position, and cash flows of only that portion of the business-type activities of the City of Lebanon that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Lebanon as of December 31, 2013 and 2014, and the changes in its financial position and its cash flows, where applicable, for the years 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 Utilities as of December 31, 2013 and 2014, and the respective changes in financial position and cash flows, thereof and for the years 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. 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.

Management has omitted the Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Funding Progress, and Schedule of Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

March 30, 2016

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## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Utilities. The financial statements and notes are presented as intended by the Utilities.

ELECTRIC UTILITY  
CITY OF LEBANON  
STATEMENT OF NET POSITION  
As of December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<b>Assets</b>		
Current Assets:		
Operating Cash and Cash Equivalents	\$3,497,629	\$3,445,094
Accounts Receivable - Customers, Net	1,639,876	1,532,652
Miscellaneous and Other Accounts Receivable	36,339	48,650
Interfund Receivable from Associated City	45,091	0
Interfund Receivable from Associated Utility	498,430	478,430
Materials and Supplies	483,594	469,815
Prepaid Expense	12,382	10,519
Interest Receivable	411	0
Total Current Assets	<u>\$6,213,752</u>	<u>\$5,985,160</u>
Restricted Assets:		
Renewal & Replacement Cash and Cash Equivalents	\$266,741	\$670,772
Energy Program Cash & Cash Equivalents	8,790	9,664
Construction Cash & Cash Equivalents	4,774,184	6,493,392
Debt Service Cash & Cash Equivalents	117,184	292,960
Bond & Interest Cash & Cash Equivalents	245	539
Construction CD's	6,700,000	2,200,000
Total Restricted Assets	<u>\$11,867,144</u>	<u>\$9,667,327</u>
Capital Assets:		
Land, Improvements, and Construction in Progress	\$1,711,145	\$4,313,729
Other Capital Assets, Net of Depreciation	<u>11,051,877</u>	<u>11,081,850</u>
Total Fixed Assets, Net	<u>\$12,763,022</u>	<u>\$15,395,579</u>
<b>Total Assets</b>	<u><u>\$30,843,918</u></u>	<u><u>\$31,048,066</u></u>
<b>Liabilities</b>		
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$2,630,572	\$2,751,319
Accrued Payroll and Withholdings Payable	73,162	79,603
Compensated Absences Payable	231,269	159,289
Taxes Payable	95,127	102,668
Revenue Bond Payable - Short Term	<u>475,000</u>	<u>505,000</u>
Total Current Liabilities	<u>\$3,505,130</u>	<u>\$3,597,879</u>
Long - Term Liabilities		
Revenue Bond Payable - Long Term (Net of Unamortized Premium)	<u>\$12,451,365</u>	<u>\$11,933,880</u>
Total Long - Term Liabilities	<u>\$12,451,365</u>	<u>\$11,933,880</u>
<b>Total Liabilities</b>	<u>\$15,956,495</u>	<u>\$15,531,759</u>
<b>Net Position</b>		
Net Investment in Capital Assets	\$11,552,206	\$11,878,971
Restricted for Debt Service	117,429	293,499
Restricted for Construction	11,474,184	8,693,392
Restricted for Renewal and Replacement	266,741	670,772
Restricted for Energy Program	8,790	9,664
Unrestricted	<u>(8,531,927)</u>	<u>(6,029,991)</u>
<b>Total Net Position</b>	<u><u>\$14,887,423</u></u>	<u><u>\$15,516,307</u></u>

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



ELECTRIC UTILITY  
CITY OF LEBANON  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITON  
For the Years Ended December 31, 2013 and 2014

	2013	2014
<b>Operating Revenue:</b>		
Residential Sales	\$7,827,569	\$8,412,009
Commercial Sales	1,735,526	1,807,797
Industrial Sales	8,680,690	9,359,547
Small Power Sales	2,347,119	2,399,854
Public Street & Highway Lighting	144,000	148,458
Municipal Sales	90,122	105,314
Penalties	81,897	66,263
Reconnect / Disconnect	23,000	20,660
Other Operating	81,802	121,453
<b>Total</b>	<b>\$21,011,725</b>	<b>\$22,441,355</b>
<b>Operating Expenses:</b>		
Purchased Power	\$16,033,380	\$16,962,054
Distribution Expenses:		
Supervision And Engineering	313,025	356,984
Station Expense	37,308	36,437
Overhead Lines	260,415	409,919
Underground Lines	108,486	93,018
Transportation	47,643	40,474
Fiber	4,055	7,860
Street Lights & Signals	2,528	12,801
Uniforms	14,425	16,271
Maintenance of General Plant	8,819	11,163
Other	143,267	147,381
Customer Records and Collection:		
Meter Reading	48,435	52,378
Meter Expense	60,095	52,944
Billing	24,494	32,608
Bad Debt Expense	0	284,114
Administrative and General Expenses:		
Salaries	220,762	221,594
Office Supplies / Expense	131,352	145,800
Outside Services Employed	164,259	417,403
Insurance	48,211	61,172
Employee Pensions and Benefits	867,253	797,340
Taxes	292,089	317,089
Utilities	31,082	35,198
Payment in Lieu of Taxes	96,950	109,175
Depreciation Expense	567,179	569,646
Amortization	(1,602)	(12,484)
Lease Principal - New Building	55,661	64,495
Other	157,568	210,101
<b>Total Operating Expenses</b>	<b>\$19,737,139</b>	<b>\$21,452,935</b>
<b>Operating Income (Expense)</b>	<b>\$1,274,586</b>	<b>\$988,420</b>
<b>Nonoperating Revenue (Expenses):</b>		
Loss on Disposal of Asset	(\$3,528)	(\$11,927)
Interest Income	16,719	57,340
Interest Expense	(584,260)	(404,949)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>(\$571,069)</b>	<b>(\$359,536)</b>
<b>Net Income (Loss)</b>	<b>\$703,517</b>	<b>\$628,884</b>
<b>Net Position - Beginning of Period</b>	<b>14,183,906</b>	<b>14,887,423</b>
<b>Net Position - End of Period</b>	<b>\$14,887,423</b>	<b>\$15,516,307</b>

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 Years Ended December 31, 2013 and 2014

	2013	2014
<b>Cash Flows From Operating Activities:</b>		
Receipts from Customers and Users	\$20,731,765	\$22,130,701
Payments to Suppliers and Contractors	(17,486,369)	(19,210,792)
Payments to Employees	(1,426,814)	(1,322,476)
Other Receipts	81,802	121,453
Net Cash Provided (Used) By Operating Activities	<u>\$1,900,384</u>	<u>\$1,718,886</u>
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Principal Received from Revenue Bonds	\$13,249,668	\$0
Principal Paid on Revenue Bonds	(315,000)	(475,000)
Repayment on Interfund Receivables	231,291	65,091
Interest Expense on Revenue Bonds and Operating Lease	(590,981)	(404,949)
Acquisition and Construction of Capital Assets	(1,942,525)	(3,214,131)
Net Cash Provided (Used) By Capital & Related Financing Activities	<u>\$10,632,453</u>	<u>(\$4,028,989)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on Investments	\$18,243	\$57,751
Net Cash Provided (Used) By Investing Activities	<u>\$18,243</u>	<u>\$57,751</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$12,551,080	(\$2,252,352)
<b>Cash and Cash Equivalents - January 1</b>	<u>2,813,693</u>	<u>15,364,773</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$15,364,773</u>	<u>\$13,112,421</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>		
Operating Income	\$1,274,586	\$988,420
Adjustments To Reconcile Operating Income To Net Cash Provided by Operating Activities:		
Depreciation & Amortization	\$565,577	\$557,162
Bad Debt Expense	0	0
(Increase) Decrease in Assets:		
Accounts Receivable - Customer	(272,511)	107,224
Accounts Receivable - Other	74,353	(12,311)
Inventory - Materials & Supplies	(32,373)	13,779
Prepaid Expense	(130)	1,863
Increase (Decrease) in Liabilities:		
Accounts Payable	263,554	120,747
Accrued Payroll and Withholdings Payable	4,064	6,441
Compensated Absences Payable	18,597	(71,980)
Taxes Payable	4,667	7,541
Total Adjustments	<u>\$625,798</u>	<u>\$730,466</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$1,900,384</u>	<u>\$1,718,886</u>

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, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<b><u>Assets</u></b>		
Current Assets:		
Operating Cash and Cash Equivalents	\$536,209	\$548,151
Accounts Receivable - Customers, Net	231,274	200,099
Interfund Receivable from Associated Utility	2,003,048	1,939,046
Materials and Supplies	94,068	138,615
Prepaid Expense	6,871	4,681
Interest Receivable	251	0
Total Current Assets	<u>\$2,871,721</u>	<u>\$2,830,592</u>
Restricted Assets:		
Availability Cash & Cash Equivalents	\$1,417,872	\$1,467,672
Depreciation Cash & Cash Equivalents	3,675,697	3,104,399
Total Restricted Assets	<u>\$5,093,569</u>	<u>\$4,572,071</u>
Capital Assets:		
Land, Improvements, and Construction in Progress	\$349,738	\$1,241,473
Other Capital Assets, Net of Depreciation	14,170,178	13,880,207
Total Fixed Assets, Net	<u>\$14,519,916</u>	<u>\$15,121,680</u>
<b>Total Assets</b>	<u><u>\$22,485,206</u></u>	<u><u>\$22,524,343</u></u>
<b><u>Liabilities</u></b>		
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$17,413	\$21,673
Accrued Wages Payable	55,184	52,018
Compensated Absences Payable	255,665	213,788
Taxes Payable	11,738	13,095
Total Current Liabilities	<u>\$340,000</u>	<u>\$300,574</u>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	\$14,519,916	\$15,121,680
Restricted for Availability	1,417,872	1,467,672
Restricted for Depreciation	3,675,697	3,104,399
Unrestricted	<u>2,531,721</u>	<u>2,530,018</u>
<b>Total Net Position</b>	<u><u>\$22,145,206</u></u>	<u><u>\$22,223,769</u></u>

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

WATER UTILITY  
CITY OF LEBANON  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<b>Operating Revenue:</b>		
Residential	\$1,456,679	\$1,577,068
Commercial	613,885	675,316
Industrial	174,571	189,647
Fire Protection	318,385	342,379
Availability Fees	210,080	40,165
Reconnect / Disconnect Fees	13,600	12,180
Rent	8,351	11,318
Inspection/Connection Fees	33,105	11,147
Late Penalties	12,425	11,236
Other	58,088	15,367
Total	<u>\$2,899,169</u>	<u>\$2,885,823</u>
<b>Operating Expenses:</b>		
Source of Supply / Transmission:		
Salaries & Wages	\$197,748	\$196,986
Fuel / Transportation	9,944	8,620
Chemicals	38,950	49,081
Well Expense	9	6,367
Miscellaneous	21,125	19,494
Distribution		
Salaries & Wages	208,579	208,724
Fuel / Transportation	11,735	12,832
Office Supplies	1,332	1,324
Materials & Supplies	40,812	27,373
Line Maintenance	2,600	4,245
Miscellaneous	5,438	3,018
Customer Accounts:		
Salaries & Wages	74,843	88,083
Materials & Supplies	736	4,995
Postage	23,674	22,824
Bad Debt Expense	0	64,020
Administrative & General		
Salaries & Wages	287,825	293,357
Employee Benefits	594,362	618,896
Office Supplies / Expense	63,849	75,077
Outside Services	72,778	176,313
Regulatory Fees	6,765	6,767
Depreciation	324,507	361,765
Insurance	49,725	58,458
Utilities	148,845	148,205
Taxes	30,419	37,819
Payment in Lieu of Taxes	125,171	124,203
General Maintenance Agreements	29,789	37,103
Lease Principal - New Building	55,661	64,495
Other	51,702	61,009
Total Operating Expenses	<u>\$2,478,923</u>	<u>\$2,781,453</u>
<b>Operating Income (Loss)</b>	<u>\$420,246</u>	<u>\$104,370</u>
<b>Nonoperating Revenue (Expenses):</b>		
Loss on Sale of Asset	\$0	(\$17,479)
Interest Income	8,282	8,346
Interest Expense	(31,330)	(16,674)
Total Nonoperating Revenue (Expenses)	<u>(\$23,048)</u>	<u>(\$25,807)</u>
<b>Net Income</b>	\$397,198	\$78,563
<b>Net Position - Beginning of Period</b>	<u>21,748,008</u>	<u>22,145,206</u>
<b>Net Position- End of Period</b>	<u>\$22,145,206</u>	<u>\$22,223,769</u>

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 Years Ended December 31, 2013 and 2014

	<b>2013</b>	<b>2014</b>
<b>Cash Flows From Operating Activities:</b>		
Receipts from Customers and Users	\$2,787,276	\$2,837,611
Payments to Suppliers and Contractors	(813,178)	(986,362)
Payments to Employees	(1,331,631)	(1,451,089)
Other Receipts	58,088	15,367
	\$700,555	\$415,527
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Interest Expense on Operating Lease	(\$31,330)	(\$16,674)
Payment on Notes Receivable	203,740	64,002
Acquisition and Construction of Capital Assets	(137,463)	(981,008)
	\$34,947	(\$933,680)
<b>Cash Flows From Investing Activities:</b>		
Interest on Investments	\$9,289	\$8,597
	\$9,289	\$8,597
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$744,791	(\$509,556)
<b>Cash and Cash Equivalents - January 1</b>	4,884,987	5,629,778
<b>Cash and Cash Equivalents - December 31</b>	\$5,629,778	\$5,120,222
<b>Reconciliation of Operating Income to Net Cash Provided (Used)</b>		
<b>By Operating Activities:</b>		
Operating Income (Loss)	\$420,246	\$104,370
Adjustments To Reconcile Operating Income To		
Net Cash Provided By Operating Activities:		
Depreciation & Amortization	\$324,507	\$361,765
Bad Debt Expense	0	0
(Increase) Decrease in Assets:		
Accounts Receivable - Customer	(53,805)	31,175
Inventory - Materials & Supplies	(14,695)	(44,547)
Prepaid Expense	(1,710)	2,190
Increase (Decrease) in Liabilities:		
Accounts Payable	(7,284)	4,260
Wages & FICA Payable	12,155	(3,166)
Compensated Absences Payable	19,571	(41,877)
Taxes Payable	1,570	1,357
Total Adjustments	\$280,309	\$311,157
<b>Net Cash Provided (Used) by Operating Activities</b>	\$700,555	\$415,527

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, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<b>Assets</b>		
Current Assets:		
Operating Cash and Cash Equivalents	\$458,557	\$696,969
Accounts Receivable - Customers, Net	227,026	253,046
Interfund Receivable from Associated Utility	498,430	478,430
Materials and Supplies	12,617	11,985
Prepaid Expense	6,138	4,037
Interest Receivable	301	0
Total Current Assets	<u>\$1,203,069</u>	<u>\$1,444,467</u>
Restricted Assets:		
Improvement Cash & Cash Equivalents	\$1,910,516	\$1,449,346
Construction Cash & Cash Equivalents	787,081	788,091
Debt Service Cash & Cash Equivalents	743,328	688,500
Bond & Interest	9,434	1,217
Total Restricted Assets	<u>\$3,450,359</u>	<u>\$2,927,154</u>
Capital Assets:		
Land, Improvements, and Construction in Progress	462,970	909,548
Other Capital Assets, Net of Depreciation	23,831,426	23,194,739
Total Fixed Assets, Net	<u>\$24,294,396</u>	<u>\$24,104,287</u>
<b>Total Assets</b>	<u><u>\$28,947,824</u></u>	<u><u>\$28,475,908</u></u>
<b>Deferred Outflows of Resources</b>		
Unamortized Loss on Refunding	<u>\$45,234</u>	<u>\$62,248</u>
<b>Liabilities</b>		
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$43,789	\$59,005
Accrued Wages Payable	60,898	54,913
Interfund Payable to Associated Utility	1,504,618	1,460,616
Compensated Absences Payable	252,894	235,847
Revenue Bond Payable - Short Term	500,000	525,000
Total Current Liabilities	<u>\$2,362,199</u>	<u>\$2,335,381</u>
Long - Term Liabilities		
Revenue Bond Payable - Long Term (Net of Unamortized Premium)	<u>\$6,193,797</u>	<u>\$5,760,000</u>
Total Long - Term Liabilities	<u>\$6,193,797</u>	<u>\$5,760,000</u>
Total Liabilities	<u><u>\$8,555,996</u></u>	<u><u>\$8,095,381</u></u>
<b>Net Position</b>		
Net Investment in capital assets	\$17,619,630	\$17,881,535
Restricted for Debt Service	752,762	689,717
Restricted for Improvements	1,910,516	1,449,346
Restricted for Construction	787,081	788,091
Unrestricted	<u>(632,927)</u>	<u>(365,914)</u>
<b>Total Net Position</b>	<u><u>\$20,437,062</u></u>	<u><u>\$20,442,775</u></u>

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

WASTEWATER UTILITY  
CITY OF LEBANON  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<b>Operating Revenue:</b>		
Residential	\$2,146,245	\$2,168,596
Commercial	1,003,936	1,054,552
Industrial	328,812	328,307
Stormwater	128,136	115,488
Availability Fees	188,561	38,908
Late Penalties	59,737	49,277
Inspection Fees	6,941	3,367
Other	6,085	4,178
Total	<u>\$3,868,453</u>	<u>\$3,762,673</u>
<b>Operating Expenses:</b>		
Collection System:		
Salaries & Wages	\$214,155	\$205,073
Fuel & Transportation	15,018	15,538
Materials & Supplies	16,382	17,285
Miscellaneous Equipment	5,497	502
Other	12,929	9,804
Pumping Expense:		
Salaries & Wages (Lab)	79,250	38,653
Miscellaneous	0	6,505
Treatment & Disposal:		
Salaries & Wages	193,322	186,228
Fuel & Transportation	4,406	6,300
Sludge Removal	125,147	131,627
Chemicals	14,419	24,877
Liftstation Expense	20,013	22,508
Contractual	78,648	117,772
Other	47,427	39,711
Customer Accounts:		
Salaries & Wages	71,123	82,725
Meter Expense	362	1,904
Postage	23,652	22,629
Administrative & General		
Salaries & Wages	319,223	308,780
Employee Benefits	688,634	608,604
Office Supplies	63,024	72,801
Outside Services	40,855	57,508
Depreciation Expense	696,945	706,231
Amortization Expense	6,766	9,189
Insurance	48,008	58,600
Payment in lieu of Taxes	208,240	207,814
General Maintenance Agreements	28,879	42,685
Utilities	275,740	278,100
Lease Principal - New Building	55,661	64,495
Other	68,022	90,182
Total Operating Expenses	<u>\$3,421,747</u>	<u>\$3,434,630</u>
<b>Operating Income</b>	<u>\$446,706</u>	<u>\$328,043</u>
<b>Nonoperating Revenue (Expenses):</b>		
Loss on Sale of Asset	\$0	(\$16,915)
Interest Income	7,100	6,473
Interest Expense	(396,138)	(311,888)
Total Nonoperating Revenue (Expenses)	<u>(\$389,038)</u>	<u>(\$322,330)</u>
<b>Net Income</b>	<u>\$57,668</u>	<u>\$5,713</u>
<b>Net Position - Beginning of Period (Restated)</b>	<u>20,379,394</u>	<u>20,437,062</u>
<b>Net Position - End of Period</b>	<u>\$20,437,062</u>	<u>\$20,442,775</u>

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 Years Ended December 31, 2013 and 2014

	<b>2013</b>	<b>2014</b>
<b>Cash Flows From Operating Activities:</b>		
Receipts from Customers and Users	\$3,801,647	\$3,732,476
Payments to Suppliers and Contractors	(1,157,926)	(1,271,198)
Payments to Employees	(1,565,947)	(1,453,095)
Other Receipts	6,085	4,178
Net Cash Provided (Used) By Operating Activities	<u>\$1,083,859</u>	<u>\$1,012,361</u>
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Principal Paid on Revenue Bonds	(\$450,000)	(\$500,000)
Interest on Revenue Bonds & Operating Lease	(396,138)	(311,888)
Payments on Interfund Receivable	10,000	20,000
Payments on Interfund Payables	(193,740)	(44,002)
Revenue Bond Proceeds - 2013	3,000,000	3,885,000
Revenue Bond Refunding - 2002	(2,865,000)	(3,820,000)
Call Premium on Refunding 2002 Bonds	(28,650)	0
Acquisition and Construction of Capital Assets	(524,167)	(533,038)
Net Cash Provided (Used) By Capital & Related Financing Activities	<u>(\$1,447,695)</u>	<u>(\$1,303,928)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on Investments	\$8,250	\$6,774
Net Cash Provided (Used) By Investing Activities	<u>\$8,250</u>	<u>\$6,774</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(\$355,586)	(\$284,793)
<b>Cash and Cash Equivalents - January 1</b>	4,264,502	3,908,916
<b>Cash and Cash Equivalents - December 31</b>	<u>\$3,908,916</u>	<u>\$3,624,123</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>		
Operating Income	\$446,706	\$328,043
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation & Amortization	\$703,711	\$715,420
(Increase) Decrease in Assets:		
Accounts Receivable - Customer	(60,721)	(26,019)
Inventory - Materials & Supplies	(4,230)	632
Prepaid Expense	(1,516)	2,101
Increase (Decrease) in Liabilities:		
Accounts Payable	139	15,216
Salary & Wages Payable	10,562	(5,985)
Compensated Absences Payable	(10,792)	(17,047)
Total Adjustments	<u>\$637,153</u>	<u>\$684,318</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$1,083,859</u>	<u>\$1,012,361</u>

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, 2013 and 2014

	<b>2013</b>	<b>2014</b>
<b><u>Assets</u></b>		
Current Assets:		
Operating Cash and Cash Equivalents	\$115,645	\$116,418
Accounts Receivable - Customers, Net	27,271	23,338
Inventory	31,011	30,540
Prepaid Expense	1,209	1,329
Interest Receivable	40	0
Total Current Assets	\$175,176	\$171,625
Restricted Assets:		
Project Fund	\$0	\$0
Renewal & Replacement Cash and Cash Equivalents	29,103	16,206
Total Restricted Assets	\$29,103	\$16,206
Capital Assets:		
Land, Improvements, and Construction in Progress	\$3,439	\$382
Other Capital Assets, Net of Depreciation	297,427	334,838
Total Fixed Assets, Net	\$300,866	\$335,220
<b>Total Assets</b>	<b>\$505,145</b>	<b>\$523,051</b>
<b><u>Liabilities</u></b>		
Current Liabilities:		
Accounts Payable	\$5,690	\$6,749
Interfund Payable to Associated Utility	1,495,289	1,435,289
Wages Payable	8,046	7,714
Total Current Liabilities	\$1,509,025	\$1,449,752
Total Liabilities	\$1,509,025	\$1,449,752
<b><u>Net Position</u></b>		
Net Investment in capital assets	\$300,866	\$335,220
Restricted for Renewal and Replacement	29,103	16,206
Unrestricted	(1,333,849)	(1,278,127)
<b>Total Net Position</b>	<b>(\$1,003,880)</b>	<b>(\$926,701)</b>

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

TELECOMMUNICATIONS UTILITY  
CITY OF LEBANON  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<b>Operating Revenue:</b>		
Wireless Residential	\$281,872	\$319,334
Wireless Commercial	67,126	72,970
Wireless Custom	19,570	15,428
Fiber Commercial	72,953	81,582
Other	81,132	71,364
Total Operating Revenue	<u>\$522,653</u>	<u>\$560,678</u>
<b>Operating Expenses:</b>		
Purchased Services:		
Bandwidth	\$30,162	\$45,196
Legal Fees	3,822	4,165
Accounting Fees	2,919	0
Consulting Fees	4,991	52,969
Communication Expense:		
Communications Equipment	2,599	3,089
Salaries & Wages - Customer Install	21,572	33,431
Installation Supplies	6,975	6,336
Tools & Equipment	2,120	561
Fiber - Overhead	832	0
Fiber - Underground	133	3,424
Customer Records and Collection:		
Billing	2,207	2,339
Bad Debt Expense	0	7,444
Administrative and General Expenses:		
Salaries & Wages	120,092	77,937
Employee Benefits	93,458	85,992
Computer Equipment / Communication	1,943	2,557
General Maintenance Agreements	4,010	5,326
Office Supplies	10,111	10,004
Utilities	8,677	8,334
Transportation	5,049	4,851
Freight / Shipping	3,236	1,821
Depreciation Expense	30,050	40,581
Lease Principal	12,569	14,563
Gross Income Tax	5,700	7,800
Miscellaneous	56,782	57,121
Total Operating Expenses	<u>\$430,009</u>	<u>\$475,841</u>
<b>Operating Income (Loss)</b>	<u>\$92,644</u>	<u>\$84,837</u>
<b>Nonoperating Revenue (Expenses):</b>		
Loss on Sale of Asset	(\$4,285)	(\$4,114)
Interest Income	264	221
Interest Expense	(7,075)	(3,765)
Total Nonoperating Revenue (Expenses)	<u>(\$11,096)</u>	<u>(\$7,658)</u>
<b>Net Income (Loss)</b>	<u>\$81,548</u>	<u>\$77,179</u>
<b>Net Position - Beginning of Period</b>	<u>(1,085,428)</u>	<u>(1,003,880)</u>
<b>Net Position - End of Period</b>	<u><u>(\$1,003,880)</u></u>	<u><u>(\$926,701)</u></u>

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 Years Ended December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<b>Cash Flow From Operating Activities:</b>		
Receipts from Customers and Users	\$433,579	\$485,803
Payments to Suppliers and Contractors	(164,942)	(229,046)
Payments to Employees	(234,061)	(197,692)
Other Receipts	81,132	71,364
	<u>\$115,708</u>	<u>\$130,429</u>
<b>Cash Flows From Capital And Related Financing Activities:</b>		
Interest Expense on Operating Lease	(\$7,075)	(\$3,765)
Payments on Interfund Payable	(30,000)	(60,000)
Acquisition and Construction of Capital Assets	(86,446)	(79,049)
	<u>(\$123,521)</u>	<u>(\$142,814)</u>
<b>Cash Flow From Investing Activities:</b>		
Interest on Investments	\$417	\$261
	<u>\$417</u>	<u>\$261</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(\$7,396)	(\$12,124)
<b>Cash and Cash Equivalents - January 1</b>	152,144	144,748
<b>Cash and Cash Equivalents - December 31</b>	<u>\$144,748</u>	<u>\$132,624</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used)</b>		
<b>By Operating Activities:</b>		
Operating Income	\$92,644	\$84,837
Adjustments To Reconcile Operating Income To		
Net Cash Provided By Operating Activities:		
Depreciation & Amortization	\$30,050	\$40,581
(Increase) Decrease in Assets:		
Accounts Receivable - Customer	(7,942)	3,933
Prepaid Expense	(308)	(120)
Inventory	11,601	471
Increase (Decrease) in Liabilities:		
Accounts Payable	(11,398)	1,059
Accrued Payroll and Withholdings Payable	1061	(332)
Total Adjustments	<u>\$23,064</u>	<u>\$45,592</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$115,708</u>	<u>\$130,429</u>

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

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 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.

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

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 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 Useful Life (in years)
	Electric Utility	All Other Utilities		
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

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 TELECOMMUNICATIONS 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 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.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government does not have any types of items that qualify for reporting in this category.

II. Detailed Notes on All Funds

A. Deposits and Investments

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

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Electric Utility:</b>				
Capital assets, not being depreciated:				
Land	\$ 250,848	\$ 1,570	\$ -	\$ 252,418
Construction in progress	10,079	1,669,602	220,954	1,458,727
<b>Total capital assets, not being depreciated</b>	<b>260,927</b>	<b>1,671,172</b>	<b>220,954</b>	<b>1,711,145</b>
Capital assets, being depreciated:				
Buildings	1,086,854	1,664	-	1,088,518
Improvements other than buildings	6,834,253	395,032	23,544	7,205,741
Machinery and equipment	5,575,844	63,227	-	5,639,071
Transportation equipment	794,379	32,402	25,824	800,957
Intangible assets	1,646,264	-	-	1,646,264
<b>Totals</b>	<b>15,937,594</b>	<b>492,325</b>	<b>49,368</b>	<b>16,380,551</b>
Less accumulated depreciation for:				
Buildings	194,805	22,114	-	216,919
Improvements other than buildings	2,285,348	211,999	20,015	2,477,332
Machinery and equipment	1,814,689	117,796	-	2,006,485
Transportation equipment	488,415	68,132	25,827	530,720
Intangible assets	24,080	73,138	-	97,218
<b>Totals</b>	<b>4,807,337</b>	<b>567,179</b>	<b>45,842</b>	<b>5,328,674</b>
<b>Total capital assets, being depreciated, net</b>	<b>11,130,257</b>	<b>(74,854)</b>	<b>3,526</b>	<b>11,051,877</b>
<b>Total capital assets, net</b>	<b>\$ 11,391,184</b>	<b>\$ 1,596,318</b>	<b>\$ 224,480</b>	<b>\$ 12,763,022</b>
<b>Water Utility:</b>				
Capital assets, not being depreciated:				
Land	\$ 242,568	\$ -	\$ -	\$ 242,568
Construction in progress	2,024,325	62,584	1,979,739	107,170
<b>Total capital assets, not being depreciated</b>	<b>2,266,893</b>	<b>62,584</b>	<b>1,979,739</b>	<b>349,738</b>
Capital assets, being depreciated:				
Buildings	3,659,185	28,440	-	3,687,625
Improvements other than buildings	13,151,028	17,533	-	13,168,561
Machinery and equipment	2,262,941	1,992,286	-	4,255,227
Transportation equipment	218,369	16,359	5,552	229,176
<b>Totals</b>	<b>19,291,523</b>	<b>2,054,618</b>	<b>5,552</b>	<b>21,340,589</b>
Less accumulated depreciation for:				
Buildings	2,080,785	74,035	-	2,154,820
Improvements other than buildings	3,840,776	162,131	-	4,002,907
Machinery and equipment	735,126	80,386	-	815,512
Transportation equipment	194,769	7,955	5,552	197,172
<b>Totals</b>	<b>6,851,456</b>	<b>324,507</b>	<b>5,552</b>	<b>7,170,411</b>
<b>Total capital assets, being depreciated, net</b>	<b>12,440,067</b>	<b>1,730,111</b>	<b>-</b>	<b>14,170,178</b>
<b>Total capital assets, net</b>	<b>\$ 14,706,960</b>	<b>\$ 1,792,695</b>	<b>\$ 1,979,739</b>	<b>\$ 14,519,916</b>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 312,969	\$ -	\$ -	\$ 312,969
Construction in progress	<u>79,218</u>	<u>434,641</u>	<u>363,859</u>	<u>150,000</u>
Total capital assets, not being depreciated	<u>392,187</u>	<u>434,641</u>	<u>363,859</u>	<u>462,969</u>
Capital assets, being depreciated:				
Buildings	5,659,386	-	-	5,659,386
Improvements other than buildings	24,023,731	348,584	-	24,372,315
Machinery and equipment	6,845,242	64,848	-	6,910,090
Transportation equipment	<u>352,310</u>	<u>39,954</u>	<u>5,552</u>	<u>386,712</u>
Totals	<u>36,880,669</u>	<u>453,386</u>	<u>5,552</u>	<u>37,328,503</u>
Less accumulated depreciation for:				
Buildings	4,231,998	113,252	-	4,345,250
Improvements other than buildings	5,835,099	395,243	-	6,230,342
Machinery and equipment	2,452,791	173,711	-	2,626,502
Transportation equipment	<u>285,795</u>	<u>14,739</u>	<u>5,552</u>	<u>294,982</u>
Totals	<u>12,805,683</u>	<u>696,945</u>	<u>5,552</u>	<u>13,497,076</u>
Total capital assets, being depreciated, net	<u>24,074,986</u>	<u>(243,559)</u>	<u>-</u>	<u>23,831,427</u>
Total capital assets, net	<u>\$ 24,467,173</u>	<u>\$ 191,082</u>	<u>\$ 363,859</u>	<u>\$ 24,294,396</u>
Telecommunications Utility				
Capital assets, not being depreciated:				
Land	\$ 15	\$ -	\$ -	\$ 15
Construction in progress	<u>3,825</u>	<u>49,911</u>	<u>50,312</u>	<u>3,424</u>
Total capital assets, not being depreciated	<u>3,840</u>	<u>49,911</u>	<u>50,312</u>	<u>3,439</u>
Capital assets, being depreciated:				
Improvements other than buildings	319,922	47,262	-	367,184
Machinery and equipment	150,623	37,390	4,832	183,181
Transportation equipment	8,726	2,191	-	10,917
Intangible	<u>73,228</u>	<u>-</u>	<u>-</u>	<u>73,228</u>
Totals	<u>552,499</u>	<u>86,843</u>	<u>4,832</u>	<u>634,510</u>
Less accumulated depreciation for:				
Improvements other than buildings	187,058	7,895	-	194,953
Machinery and equipment	81,178	16,348	550	96,976
Transportation equipment	3,706	928	-	4,634
Intangible	<u>35,641</u>	<u>4,879</u>	<u>-</u>	<u>40,520</u>
Totals	<u>307,583</u>	<u>30,050</u>	<u>550</u>	<u>337,083</u>
Total capital assets, being depreciated, net	<u>244,916</u>	<u>56,793</u>	<u>4,282</u>	<u>297,427</u>
Total capital assets, net	<u>\$ 248,756</u>	<u>\$ 106,704</u>	<u>\$ 54,594</u>	<u>\$ 300,866</u>



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

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Electric Utility:</b>				
Capital assets, not being depreciated:				
Land	\$ 252,418	\$ -	\$ -	\$ 252,418
Construction in progress	1,458,727	2,783,898	181,315	4,061,310
<b>Total capital assets, not being depreciated</b>	<b>1,711,145</b>	<b>2,783,898</b>	<b>181,315</b>	<b>4,313,728</b>
Capital assets, being depreciated:				
Buildings	1,088,518	-	-	1,088,518
Improvements other than buildings	7,205,741	205,011	28,501	7,382,251
Machinery and equipment	5,639,071	251,818	41,151	5,849,738
Transportation equipment	800,957	206,669	51,950	955,676
Intangible assets	1,646,264	-	-	1,646,264
<b>Totals</b>	<b>16,380,551</b>	<b>663,498</b>	<b>121,602</b>	<b>16,922,447</b>
Less accumulated depreciation for:				
Buildings	216,919	22,129	-	239,048
Improvements other than buildings	2,477,332	218,057	25,699	2,669,690
Machinery and equipment	2,006,485	188,995	32,025	2,163,455
Transportation equipment	530,720	67,326	-	598,046
Intangible assets	97,218	73,139	-	170,357
<b>Totals</b>	<b>5,328,674</b>	<b>569,646</b>	<b>57,724</b>	<b>5,840,596</b>
<b>Total capital assets, being depreciated, net</b>	<b>11,051,877</b>	<b>93,852</b>	<b>63,878</b>	<b>11,081,851</b>
<b>Total capital assets, net</b>	<b>\$ 12,763,022</b>	<b>\$ 2,877,750</b>	<b>\$ 245,193</b>	<b>\$ 15,395,579</b>
<b>Water Utility:</b>				
Capital assets, not being depreciated:				
Land	\$ 242,568	\$ -	\$ -	\$ 242,568
Construction in progress	107,170	891,734	-	998,904
<b>Total capital assets, not being depreciated</b>	<b>349,738</b>	<b>891,734</b>	<b>-</b>	<b>1,241,472</b>
Capital assets, being depreciated:				
Buildings	3,687,625	-	-	3,687,625
Improvements other than buildings	13,168,561	-	-	13,168,561
Machinery and equipment	4,255,227	63,049	42,155	4,276,121
Transportation equipment	229,176	26,224	-	255,400
<b>Totals</b>	<b>21,340,589</b>	<b>89,273</b>	<b>42,155</b>	<b>21,387,707</b>
Less accumulated depreciation for:				
Buildings	2,154,820	74,549	-	2,229,369
Improvements other than buildings	4,002,907	162,162	-	4,165,069
Machinery and equipment	815,512	116,883	24,677	907,718
Transportation equipment	197,172	8,151	-	205,323
<b>Totals</b>	<b>7,170,411</b>	<b>361,765</b>	<b>24,677</b>	<b>7,507,499</b>
<b>Total capital assets, being depreciated, net</b>	<b>14,170,178</b>	<b>(272,492)</b>	<b>17,478</b>	<b>13,880,208</b>
<b>Total capital assets, net</b>	<b>\$ 14,519,916</b>	<b>\$ 619,242</b>	<b>\$ 17,478</b>	<b>\$ 15,121,680</b>

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Wastewater Utility:</b>				
Capital assets, not being depreciated:				
Land	\$ 312,969	\$ 7,000	\$ -	\$ 319,969
Construction in progress	150,000	448,709	9,131	589,578
<b>Total capital assets, not being depreciated</b>	<b>462,969</b>	<b>455,709</b>	<b>9,131</b>	<b>909,547</b>
Capital assets, being depreciated:				
Buildings	5,659,386	-	-	5,659,386
Improvements other than buildings	24,372,315	9,131	-	24,381,446
Machinery and equipment	6,910,090	71,376	49,297	6,932,169
Transportation equipment	386,712	5,954	-	392,666
<b>Totals</b>	<b>37,328,503</b>	<b>86,461</b>	<b>49,297</b>	<b>37,365,667</b>
Less accumulated depreciation for:				
Buildings	4,345,250	113,252	-	4,458,502
Improvements other than buildings	6,230,342	405,636	-	6,635,978
Machinery and equipment	2,626,502	169,110	32,380	2,763,232
Transportation equipment	294,982	18,233	-	313,215
<b>Totals</b>	<b>13,497,076</b>	<b>706,231</b>	<b>32,380</b>	<b>14,170,927</b>
<b>Total capital assets, being depreciated, net</b>	<b>23,831,427</b>	<b>(619,770)</b>	<b>16,917</b>	<b>23,194,740</b>
<b>Total capital assets, net</b>	<b>\$ 24,294,396</b>	<b>\$ (164,061)</b>	<b>\$ 26,048</b>	<b>\$ 24,104,287</b>
<b>Telecommunication sUtility</b>				
Capital assets, not being depreciated:				
Land	\$ 15	\$ -	\$ -	\$ 15
Construction in progress	3,424	36,556	39,613	367
<b>Total capital assets, not being depreciated</b>	<b>3,439</b>	<b>36,556</b>	<b>39,613</b>	<b>382</b>
Capital assets, being depreciated:				
Improvements other than buildings	367,184	7,001	-	374,185
Machinery and equipment	183,181	34,478	5,165	212,494
Transportation equipment	10,917	40,627	-	51,544
Intangible	73,228	-	-	73,228
<b>Totals</b>	<b>634,510</b>	<b>82,106</b>	<b>5,165</b>	<b>711,451</b>
Less accumulated depreciation for:				
Improvements other than buildings	194,953	10,934	-	205,887
Machinery and equipment	96,976	20,123	1,051	116,048
Transportation equipment	4,634	4,642	-	9,276
Intangible	40,520	4,882	-	45,402
<b>Totals</b>	<b>337,083</b>	<b>40,581</b>	<b>1,051</b>	<b>376,613</b>
<b>Total capital assets, being depreciated, net</b>	<b>297,427</b>	<b>41,525</b>	<b>4,114</b>	<b>334,838</b>
<b>Total capital assets, net</b>	<b>\$ 300,866</b>	<b>\$ 78,081</b>	<b>\$ 43,727</b>	<b>\$ 335,220</b>

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

	2013	2014
Electric	\$ 567,179	\$ 569,646
Water	324,507	361,765
Wastewater	696,945	706,231
Telecommunication	30,050	40,581
 Total depreciation expense	 \$ 1,618,681	 \$ 1,678,223

C. Construction Commitments

Construction work in progress as of December 31, 2013 is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2013	Committed	Required Future Funding
Electric utility improvements	\$ 12,896,756	\$ 1,458,727	\$ 11,438,029	\$ -
Water utility improvements	950,000	107,170	842,830	-
Wastewater utility improvements	1,355,000	150,000	1,205,000	-
Telecommunications utility improvements	40,000	3,424	36,576	-
 Totals	 \$ 15,241,756	 \$ 1,719,321	 \$ 13,522,435	 \$ -

Construction work in progress as of December 31, 2014 is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2014	Committed	Required Future Funding
Electric utility improvements	\$ 13,015,356	\$ 4,061,310	\$ 8,954,046	\$ -
Water utility improvements	3,313,600	998,904	2,314,696	-
Wastewater utility improvements	2,164,725	589,578	1,575,147	-
Telecommunications utility improvements	4,200	367	3,833	-
 Totals	 \$ 18,497,881	 \$ 5,650,159	 \$ 12,847,722	 \$ -

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D. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2013, is as follows:

Due To	Due From			Total
	General Fund	Wastewater Utility	Telecommunication Utility	
Electric Utility	\$ 45,091	\$ -	\$ 498,430	\$ 543,521
Water Utility	-	1,504,618	498,430	2,003,048
Wastewater Utility	-	-	498,430	498,430
Totals	<u>\$ 45,091</u>	<u>\$ 1,504,618</u>	<u>\$ 1,495,290</u>	<u>\$ 3,044,999</u>

The composition of interfund balances as of December 31, 2014, is as follows:

Due To	Due From			Total
	General Fund	Wastewater Utility	Telecommunication Utility	
Electric Utility	\$ -	\$ -	\$ 478,430	\$ 478,430
Water Utility	-	1,460,616	478,430	1,939,046
Wastewater Utility	-	-	478,430	478,430
Totals	<u>\$ -</u>	<u>\$ 1,460,616</u>	<u>\$ 1,435,290</u>	<u>\$ 2,895,906</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 as of December 31, 2013 are as follows:

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Purpose	Interest Rates	Amount
Electric:		
2013 Expansion Projects	3.75% to 4.50%	<u>\$ 12,685,000</u>
Total		12,685,000
Due within one year		<u>(475,000)</u>
Due in more than one year		<u>\$ 12,210,000</u>
Wastewater:		
2013 Refunding of 2002 Expansion Projects	3.75% to 4.50%	2,810,000
2005 Expansion Projects	3.50% to 4.30%	<u>3,910,000</u>
Total		6,720,000
Due within one year		<u>(500,000)</u>
Due in more than one year		<u>\$ 6,220,000</u>

The Utilities issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at as of December 31, 2014 are as follows:

Purpose	Interest Rates	Amount
Electric:		
2013 Expansion Projects	3.75% to 4.50%	<u>12,210,000</u>
Total		12,210,000
Due within one year		<u>(505,000)</u>
Due in more than one year		<u>\$ 11,705,000</u>
Wastewater:		
2013 Refunding of 2002 Expansion Projects	3.75% to 4.50%	2,400,000
2014 Refunding of 2005 Expansion Projects	3.50% to 4.30%	<u>3,885,000</u>
Total		6,285,000
Due within one year		<u>(525,000)</u>
Due in more than one year		<u>\$ 5,760,000</u>

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Revenue bonds debt service requirements to maturity as of December 31, 2013 are as follows:

Year Ended December 31	Electric Utility	
	Principal	Interest
2014	\$ 475,000	\$ 388,275
2015	505,000	373,875
2016	520,000	358,500
2017	535,000	342,825
2018	550,000	326,625
2019-2023	2,890,000	1,380,075
2024-2028	3,325,000	919,500
2029-2033	3,885,000	362,850
Totals	<u>\$ 12,685,000</u>	<u>\$ 4,452,525</u>

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2014	\$ 500,000	\$ 215,910
2015	505,000	204,376
2016	520,000	192,609
2017	530,000	180,324
2018	540,000	167,748
2019-2023	3,055,000	579,276
2024-2028	1,070,000	46,245
Totals	<u>\$ 6,720,000</u>	<u>\$ 1,586,488</u>

Revenue bonds debt service requirements to maturity as of December 31, 2014 are as follows:

Year Ended December 31	Electric Utility	
	Principal	Interest
2015	\$ 505,000	\$ 373,875
2016	520,000	358,500
2017	535,000	342,825
2018	550,000	326,625
2019	555,000	310,125
2020-2024	2,960,000	1,292,850
2025-2029	3,425,000	818,331
3030-3034	3,160,000	241,119
Totals	<u>\$ 12,210,000</u>	<u>\$ 4,064,250</u>

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2015	\$ 525,000	\$ 136,428
2016	540,000	123,605
2017	550,000	112,395
2018	560,000	101,028
2019	575,000	89,470
2020-2024	3,190,000	246,089
2025-2029	345,000	3,967
Totals	<u>\$ 6,285,000</u>	<u>\$ 812,982</u>

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2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Revenue bonds payable:					
Electric Utility	\$ -	\$ 13,000,000	\$ 315,000	\$ 12,685,000	\$ 475,000
Wastewater Utility	7,035,000	3,000,000	3,315,000	6,720,000	500,000
Total	<u>\$ 7,035,000</u>	<u>\$ 16,000,000</u>	<u>\$ 3,630,000</u>	<u>\$ 19,405,000</u>	<u>\$ 975,000</u>

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Electric Utility	\$ 12,685,000	\$ -	\$ 475,000	\$ 12,210,000	\$ 505,000
Wastewater Utility	6,720,000	3,885,000	4,320,000	6,285,000	525,000
Total	<u>\$ 19,405,000</u>	<u>\$ 3,885,000</u>	<u>\$ 4,795,000</u>	<u>\$ 18,495,000</u>	<u>\$ 1,030,000</u>

3. Current Refundings

- a. On July 2, 2013, the City of Lebanon issued \$3,000,000 in sewage works refunding revenue bonds with an average interest rate of 1.99 percent to currently refund the remainder of its Sewage Works Revenue Bonds of 2002 to take advantage of favorable interest rates and lower future debt service payments. The net proceeds of \$2,903,972 (after payment of \$96,028 in issuance costs) were used to redeem \$2,865,000 in bonds. In so doing, the City saved \$134,908 in debt service costs over the remaining life of the bonds.
- b. On December 23, 2014, the City of Lebanon issued \$3,885,000 in sewage works refunding revenue bonds with an average interest rate of 2.30 percent to currently refund the remainder of its Sewage Works Revenue Bonds of 2005 to take advantage of favorable interest rates and lower future debt service payments. The net proceeds of \$3,795,409 (after payment of \$89,591 in issuance costs) were used to redeem \$3,820,000 in bonds. In so doing, the City saved \$460,292 in debt service costs over the remaining life of the bonds.

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F. 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 position deficiency of \$1,003,880 as of December 31, 2013 and \$926,701 as of December 31, 2014. 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 \$1,623,981.79 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, in 2012 \$30,000 in 2013 \$30,000 and in 2014, \$60,000. It is expected to make Net Margin in 2015 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 2014 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 entered the market in 2011. 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 Statement of Net Position reports restricted net position of \$11,867,144 for the electric utility, \$5,093,569 for the water utility, \$3,450,359 for the wastewater utility and \$29,103 for the telecommunications utility as of December 31, 2013 and \$9,667,327 for the electric utility, \$4,572,071 for the water utility, \$2,927,154 for the wastewater utility and \$16,206 for the telecommunications utility as of December 31, 2014 all of which is restricted by enabling legislation.

H. Net Investment in Capital Assets

The net investment in capital assets is composed of the outstanding debt associated with the acquisition of capital assets less the unspent proceeds from bond issues at year end.



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The Breakdown is scheduled as follows as of December 31, 2013:

Business-Type Activities:

	Electric Utility	Water Utility	Wastewater Utility	Telecommunications Utility
Total Capital Assets	\$ 12,763,022	\$ 14,519,916	\$ 24,294,396	\$ 300,866
Less:				
Bonds Payable	12,685,000	-	6,720,000	-
Deferred Amount on Refunding	-	-	(45,234)	-
Deduct Unspent Proceeds	<u>(11,474,184)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Related Net Debt	<u>1,210,816</u>	<u>-</u>	<u>6,674,766</u>	<u>-</u>
Investment in Capital Assets	<u>\$ 11,552,206</u>	<u>\$ 14,519,916</u>	<u>\$ 17,619,630</u>	<u>\$ 300,866</u>

The Breakdown is scheduled as follows as of December 31, 2014:

	Electric Utility	Water Utility	Wastewater Utility	Telecommunications Utility
Total Capital Assets	\$ 15,395,579	\$ 15,121,680	\$ 24,104,287	\$ 335,220
Less:				
Bonds Payable	12,210,000	-	6,285,000	-
Deferred Amount on Refunding	-	-	(62,248)	-
Deduct Cash on Hand	<u>(8,693,392)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Related Net Debt	<u>3,516,608</u>	<u>-</u>	<u>6,222,752</u>	<u>-</u>
Investment in Capital Assets	<u>\$ 11,878,971</u>	<u>\$ 15,121,680</u>	<u>\$ 17,881,535</u>	<u>\$ 335,220</u>

I. Revenues Pledged

The Electric Utility has pledged future receipts, net of specified operating expenditures, to repay the revenue bonds issued in 2013. 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.

The Wastewater Utility has pledged future receipts, net of specified operating expenditures, to repay the revenue bonds issued in 2013 and 2014. 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.

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J. Restatements

For the year ended December 31, 2013, certain changes have been made to the financial statements to more appropriately reflect financial activity of the primary government.

The prior period adjustment represents the elimination of deferred charges according to GASB 65.

The following schedule presents a summary of restated beginning balances:

	Balance as Reported December 31 <u>2012</u>	Prior Period Adjustments	Balance as Restated January 1 <u>2013</u>
Net Position			
Wastewater Utility			
GASB 65 elimination of deferred charges	\$ 20,515,693	\$ (136,299)	\$ 20,379,394

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 Service Board on September 19, 2012. The Utility has 8,925 customers.

2. Water Utility

The current rate structure was approved by the Utility Service Board on March 3, 2010. The Utility has 6,578 customers.

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3. Wastewater Utility

The current rate structure was approved by the Utility Service Board on July 25, 2005. The Utility has 6,346 customers.

4. Telecommunication Utility

The current rate structure was approved by the Utility Service Board on May 23, 2005. The Utility has 799 customers.

C. Pension Plan

Single-Employer Defined Benefit Pension Plan

I. Utility Service Board Employees' Pension Plan:

Plan Description:

The City of Lebanon Utility Service Board Employees' Pension Plan is a single-employer defined benefit pension plan sponsored by City of Lebanon Utility. An employee becomes a participant on a voluntary basis upon completion of 1 year 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. There are no non-employer contributing entities as defined by GASB 67 and 68 for this plan. There are no special funding situations, as defined by GASB 67 and 68 for this 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. The Utilities' contributions to the plan for the year ending December 31, 2013, were \$450,476 and for the plan year ending December 31, 2014 were \$450,476.

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Annual Pension Cost:

For 2013, 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.

Actuarial Information for the Above Plan:

Annual required contribution	\$ 295,968
Interest on net pension obligation	(1,578)
Adjustment to annual required contribution	<u>(2,633)</u>
Annual pension cost	297,023
Contributions made	<u>450,476</u>
Increase (decrease) in net pension obligation	(153,453)
Net pension obligation, beginning of year	<u>(23,378)</u>
Net pension obligation, end of year	<u>\$ (176,831)</u>

The following are the significant actuarial assumptions used for the plan:

Valuation Date	1/1/2014
Actuarial Cost Method	Entry age normal- frozen initial liability
Asset Valuation Method	Market
Actuarial Assumptions:	
Investment rate of return	6.75%
Interest on Employee Contributions	5.00%
Projected future salary increases:	
Total	3.5%
Attributed to inflation	3.0%
Attributed to merit/seniority	.50%

Annual Pension cost and percentage of required contributions contributed are as follows:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-11	\$ 419,685	113%	\$ (24,471)
12-31-12	431,538	100%	(23,378)
12-31-13	297,023	152%	(176,831)

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Membership in the City of Lebanon Utility Service Board Employees' Pension Plan as of the most recent actuarial valuation was comprised of the following:

Active plan members	48
Inactive plan members entitled to but not yet receiving benefits	17
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	29
Total	94

The funded status of the plan as of January 1, 2014, 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)	Ratio (a/b)	Annual Covered Payroll (c)	(Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
01/01/14	6,073,795	7,725,657	1,651,862	79%	3,029,538	55%

Benefits Provided:

Plan Eligibility:

- One year of service and executes any required forms regarding the withholding of required contributions.

Normal Retirement Benefit:

- Attained age 65.
- Monthly annuity payable for life (optional forms may be elected in advance of retirement).
- 1.25% of average compensation multiplied by accrual of service.

Early Retirement Benefit:

- Attained age 55.
- Completed 15 years of vesting service.
- Same as normal retirement benefit.
- Accrued benefit on early retirement date reduced to reflect the fact that early retirement date precedes normal retirement date.

Special Early Retirement Benefit:

- Attained age 60.
- The sum of the attained age and the number of completed years of vesting service is equal to or greater than 85.
- Same as normal retirement benefit.
- Accrued benefit on special early retirement date.

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Late Retirement Benefit:

- No maximum age.
- Same as normal retirement
- Accrued benefit on late retirement date.

Termination Benefit:

- 100% after 10 years of vesting service.
- Same as normal retirement benefit with income deferred until normal retirement date.
- Accrued benefit on date of termination multiplied by the vesting percentage. At any time after termination, but prior to meeting eligibility requirements for early, normal or disability retirement, the participant may elect to receive his required contribution account in a lump sum distribution. Such distribution is not considered a forfeiture of any excess accrued benefit remaining as of the date of distribution.

Disability Benefit:

- Qualified for disability benefits under the Federal Social Security Act.
- 10 years of vesting service.
- Monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the normal retirement date.
- Accrued benefit on the date of disability reduced to reflect the fact that disability retirement date precedes normal retirement date.

Death Benefit:

1. Survivor Annuity Death Benefit:
  - a. Active participant.
  - b. Monthly annuity payable to spouse or dependent child, deferred to participant's earliest retirement date if later than the date of death.
  - c. If death occurs, the amount paid to the surviving spouse or dependent child is equal to the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 100% survivor annuity in effect, then died the next day.
2. Single Sum Death Benefit:
  - a. Not eligible for 1., above.
  - b. Single sum distribution
  - c. Required contribution account as of the date of death.

Contributions:

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses.

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Employees are currently required to contribute 3% of salary.

Investments:

Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for the plan.

Detail of Plan Assets by Category:

Investments are valued as of the measurement date. A measurement date of 12/31/2014 has been used:

<b>Large U.S. Equity</b>		
Edge Asset Management, Inc	Equity Income Sep Acct-Sig	403,648.73
Principal Global Investors	LargeCap Value Sep Acct-Sig	403,414.52
Principal Global Investors	LargeCap S&P 500 Index SA-Sig	362,926.81
T. Rowe Price/Brown Advisory	LargeCap Gowth I Sep Acct-Sig	806,254.73
<b>Small/Mid U.S. Equity</b>		
Principal Global/Barow Hanley	MidCap Value III Sep Acct-Sig	126,238.26
Robert Baird/William Blair	MidCap Growth III SA-Signatu	126,390.32
DFA/Vaughn Nelson/LA Capital	SmallCap Value II Sep Acct-Sig	128,186.99
AllianceBern/CCI/Brown/Emerald	SmallCap Growth I Sep Acct-Sig	128,099.31
<b>International Equity</b>		
Principal Global Investors	Intl Emerging Mkts SA-Sig	162,276.23
Causeway/Barrow Hanley	Overseas Sep Acct-Sig	640,097.65
Origin Asset Management LLP	International I Sep Acct-Sig	0.00
<b>Balanced/Asset Allocation</b>		
Multiple Sub-Advisors	Diversified Real Asset SA-Sig	327,781.31
<b>Fixed Income</b>		
JP Morgan/Neuberger Berman	High Yield I Separate Acct-Sig	262,544.79
Mellon Capitol Mgnt	Bond Market Index SA-Sig	486,903.13
PIMCO	Core Plus Bond I SA-Sig	0.00
Principal Global Investors	Bond and Mtg SA-Sig	1,416,848.78
Edge Asset Management, Inc.	Government & HQ Bnd SA-Sig	0.00
Principal Real Estate Inv	U.S. Property SA-Sig	330,720.63
<b>Other</b>		
Multiple Sub-Advisors	Global multi-Str Sep Acct-Sig	391,437.35
<b>Ending Balance</b>		<b>6,548,769.54</b>

Receivables:

At December 31, 2014 the plan had no receivables due from long-term contracts with the Utility.

Allocated Insurance Contracts:

At December 31, 2014, the plan did not have allocated insurance contracts excluded from pension plan assets.

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Reserves:

At December 31, 2014, the plan had no reserves.

Deferred Retirement Option Program:

At December 31, 2014, the plan did not have a deferred retirement option plan.

Net Pension Liability of the Utility:

The components of the net pension liability of the plan at December 31, 2014, was as follows:

	<u>Qualified</u>
Total Pension Liability	9,123,062
Plan Fiduciary Net Position	<u>6,548,770</u>
Net pension Liability	<u>2,574,292</u>
 Plan fiduciary net position	 71.78%

*Actuarial Assumptions:* The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50%
Long-term rate of return	6.75%
Interest rate for employee accumulations	5.00%
Asset method	Market
Cost method	Entry Age
Muni bond rate and basis	4.05%

*Discount rate:* The discount rate used to determine the end of the period Total Pension Liability is 6.75%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2014 to 2108. Benefit payments after 2108 are projected to be \$0.

The long-term rate of return of 6.75% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 4.05% is used. The municipal bond rate is from Barclays Municipal GO long Term (17+Y) index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 12/31/2014 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate described.



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The discount rate used to determine the beginning of period total pension liability is 6.75%

*Sensitivity of the net pension liability to changes in the discount rate:* The following presents the net pension liability of the plan, calculated using the discount rate disclosed, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability	3,657,372	2,574,292	1,644,989

Public Employees' Retirement Fund:

*Plan Description*

The Utilities pays a portion of the salary for four individuals of the City. Because the City is under the Indiana Public Employees' Retirement Fund (PERF) the utilities remits their portion of PERF to the City for these employees. Any and all liability through PERF is with the City and not the Utilities

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

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

Indiana Public Retirement System  
 One North Capitol, Suite 001  
 Indianapolis, IN 46204  
 Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

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

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Utilities. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.