

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

FINANCIAL STATEMENTS AUDIT REPORT
OF

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

January 1, 2015 to December 31, 2016



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tonya Thayer	01-01-15 to 12-31-19
Mayor	Harold "Huck" Lewis Matthew Gentry	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Board of Public Works and Safety	Harold "Huck" Lewis Matthew Gentry	01-01-15 to 12-31-15 01-01-16 to 12-31-18
President Pro Tempore of the Common Council	Preston Myers Steve Large John Copeland Keith Campbell	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18
General Manager of Utilities	Jay McCoskey Michael Whitman	01-01-15 to 12-11-15 12-12-15 to 12-31-18
President of the Utility Service Board	Dan Lamar Allen Woods Gary Ladd	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18
Utility Finance Manager	Sandra Morgan	01-01-15 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric, Water, Wastewater, and Telecommunications Utilities (Utilities), departments of the City of Lebanon (City), as of and for the years ended December 31, 2015 and 2016, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each Utility, as of December 31, 2015 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter


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 those portions of the City that are attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City as of December 31, 2015 and 2016, the changes in its financial position, or its cash flows, where applicable, for the years ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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, CPA
State Examiner

May 3, 2018

BASIC 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
December 31, 2015 and 2016

	2015	2016
Assets		
Current assets:		
Operating cash and cash equivalents	\$ 3,794,877	\$ 3,805,537
Accounts receivable - customer, net	1,455,759	1,695,680
Miscellaneous and other accounts receivable	41,169	42,497
Interfund receivable from associated city	4,742	24,095
Interfund receivable from associated utility	448,430	418,430
Materials and supplies	123,679	49,067
Prepaid items	14,158	11,543
Total current assets	<u>5,882,814</u>	<u>6,046,849</u>
Noncurrent assets:		
Restricted cash and cash equivalents		
Renewal & replacement cash and cash equivalents	1,049,438	1,206,203
Energy program cash and cash equivalents	6,467	12,927
Construction cash and cash equivalents	7,095,794	3,917,571
Debt service cash and cash equivalents	468,736	644,512
Bond and interest cash and cash equivalents	836	1,149
Customer deposit cash and cash equivalents	31,706	33,374
Total restricted assets	<u>8,652,977</u>	<u>5,815,736</u>
Capital assets:		
Land, improvements and construction in progress	6,062,616	7,023,460
Other capital assets, net of depreciation	<u>10,908,893</u>	<u>13,030,670</u>
Total capital assets	<u>16,971,509</u>	<u>20,054,130</u>
Total assets	<u>31,507,300</u>	<u>31,916,715</u>
Deferred Outflows of Resources		
Deferred outflow - pension obligation	<u>408,636</u>	<u>476,343</u>
Total deferred outflows of resources	<u>\$ 408,636</u>	<u>\$ 476,343</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 2,459,136	\$ 2,766,525
Accrued payroll and withholdings payable	68,848	31,801
Compensated absences payable	143,362	154,478
Taxes payable	87,748	96,702
Revenue bonds payable - current	520,000	535,000
Customer deposits	31,706	33,374
Total current liabilities	<u>3,310,800</u>	<u>3,617,880</u>
Noncurrent liabilities:		
Revenue bonds payable long-term (net of unamortized premium)	11,401,396	10,853,912
Net pension liabilities	<u>1,055,460</u>	<u>1,149,934</u>
Total noncurrent liabilities	<u>12,456,856</u>	<u>12,003,846</u>
Total liabilities	<u>15,767,656</u>	<u>15,621,726</u>
Deferred Inflows of Resources		
Deferred pension items	<u>14,179</u>	<u>43,553</u>
Net Position		
Net investment in capital assets	12,362,303	12,786,701
Restricted for debt service	469,572	645,661
Restricted for renewal and replacement	1,049,438	1,206,203
Restricted for energy program	6,467	12,927
Restricted for other	31,706	33,374
Unrestricted	<u>2,214,615</u>	<u>2,042,913</u>
Total net position	<u>\$ 16,134,101</u>	<u>\$ 16,727,779</u>

The accompanying notes are an integral part of the financial statements.

ELECTRIC UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2015 and 2016

	2015	2016
Operating revenues:		
Residential sales	\$ 8,402,272	\$ 8,552,629
Commercial sales	1,832,842	1,950,546
Industrial sales	9,536,787	9,682,321
Small power sales	2,249,919	2,284,153
Public street and highway lighting	151,223	156,244
Municipal sales	106,464	106,460
Penalties	88,128	87,921
Reconnect/disconnect	38,080	28,480
Other operating	388,031	127,497
	<u>22,793,746</u>	<u>22,976,251</u>
Operating expenses:		
Purchased power	17,023,459	17,857,037
Distribution expenses:		
Supervision and engineering	186,318	130,342
Board salaries	53,465	86,507
Station expense	24,961	38,152
Overhead lines	478,332	312,529
Underground lines	65,458	73,650
Tree trimming	65	162
Transportation	56,462	29,394
Fiber	844	139
Street lights and signals	10,871	6,629
Uniforms	15,534	11,464
Maintenance of general plant	6,132	13,724
Rent	2,113	7,463
Other	99,473	209,485
Customer records and collection		
Meter reading	47,777	51,975
meter expense	14,101	8,008
Billing	30,238	27,495
Bad debt expense	58,529	59,383
Administrative and general expense:		
Salaries	228,573	231,877
Office supplies / expense	106,442	106,177
Outside services employed	317,167	474,656
Insurance	67,446	67,577
Employee pension and benefits	801,611	890,585
Taxes	332,097	328,589
Utilities	33,128	33,950
Payment in lieu of taxes	136,728	139,574
Depreciation expense	580,493	606,765
Amortization	66,262	68,029
Lease principal - new building	3,232	3,213
Other	316,586	161,104
	<u>21,163,897</u>	<u>22,035,634</u>
Operating income	<u>1,629,849</u>	<u>940,617</u>
Nonoperating revenues (expenses):		
Gain on sale of asset	-	1,100
Interest Income	40,057	23,506
Loss on disposal of asset	(16,248)	(10,528)
Interest Expense	(378,026)	(361,017)
	<u>(354,217)</u>	<u>(346,939)</u>
Change in net position	1,275,632	593,678
Total net position - beginning, as previously reported	15,516,307	16,134,101
Prior period adjustment - net pension liabilities (see Note III.K)	(657,838)	-
	<u>14,858,469</u>	<u>16,134,101</u>
Total net position, beginning, as adjusted	<u>14,858,469</u>	<u>16,134,101</u>
Total net position - ending	<u>\$ 16,134,101</u>	<u>\$ 16,727,779</u>

The accompanying notes are an integral part of the financial statements.

ELECTRIC UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2016

	2015	2016
Cash flows from operating activities:		
Receipts from customers and users	\$ 22,909,826	\$ 22,736,670
Payments to suppliers and contractors	(20,079,654)	(20,586,573)
Payments to employees	(491,873)	(418,516)
Other receipts	25,258	10,647
Net cash provided by (used in) operating activities	2,363,557	1,742,228
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,172,671)	(3,698,814)
Principal paid on revenue bonds	(505,000)	(520,000)
Interest expense on revenue bonds and operating lease	(390,510)	(373,501)
Net cash provided by (used in) capital and related financing activities	(3,068,181)	(4,592,315)
Cash flows from investing activities:		
Interest received	40,057	23,506
Net cash provided by investing activities	40,057	23,506
Net increase (decrease) in cash and cash equivalents	(664,567)	(2,826,581)
Cash and cash equivalents, January 1 (Including \$9,667,327 and \$8,652,977 for the Electric Utility, reported in restricted accounts)	13,112,421	12,447,854
Cash and cash equivalents, December 31 (Including \$8,652,977 and \$5,815,736 for the Electric Utility, reported in restricted accounts)	\$ 12,447,854	\$ 9,621,273
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 1,629,849	\$ 940,617
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	580,493	606,765
(Increase) decrease in assets:		
Accounts receivable	76,893	(239,921)
Miscellaneous and other accounts receivable	7,481	(1,328)
Materials and supplies	346,136	74,612
Prepaid items	(3,639)	2,615
Interfund receivables	25,258	10,647
Increase (decrease) in liabilities:		
Accounts payable	(292,183)	307,389
Accrued payroll and withholdings payable	(10,755)	(37,047)
Compensated absence payable	(15,927)	11,116
Taxes payable	(14,920)	8,954
Customer deposits	31,706	1,668
(Increase) decrease in deferred outflows of resources		
Deferred pension items	(408,636)	(67,707)
Increase (decrease) in net pension liabilities	397,622	94,474
Increase (decrease) in deferred inflows of resources		
Deferred pension items	14,179	29,374
Total adjustments	733,708	801,611
Net cash provided by (used in) operating activities	\$ 2,363,557	\$ 1,742,228
Noncash investing, capital and financing activities:		
No items to report		

The accompanying notes are an integral part of the financial statements.

WATER UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF NET POSITION
December 31, 2015 and 2016

	2015	2016
Assets		
Current assets:		
Operating cash and cash equivalents	\$ 988,903	\$ 1,086,648
Accounts receivable - customer, net	201,110	217,366
Interfund receivable from associated utility	1,792,863	1,748,613
Materials and supplies	123,296	123,112
Prepaid items	7,917	4,906
Total current assets	3,114,089	3,180,645
Noncurrent assets:		
Restricted cash and cash equivalents		
Availability cash and cash equivalents	1,649,270	1,715,355
Depreciation cash and cash equivalents	2,536,481	2,287,171
Customer deposit cash and cash equivalents	6,081	5,264
Total restricted assets	4,191,832	4,007,790
Capital assets:		
Land, improvements and construction in progress	2,177,864	1,670,523
Other capital assets, net of depreciation	13,697,394	14,499,822
Total capital assets	15,875,258	16,170,345
Total assets	23,181,179	23,358,780
Deferred Outflows of Resources		
Deferred outflow - pension obligation	259,135	302,071
Total deferred outflows of resources	\$ 259,135	\$ 302,071
Liabilities		
Current liabilities:		
Accounts payable	\$ 38,073	\$ 14,460
Accrued payroll and withholdings payable	53,806	26,002
Compensated absences payable	204,931	222,219
Taxes payable	12,444	14,517
Customer deposits	6,081	5,264
Total current liabilities	315,335	282,462
Noncurrent liabilities:		
Net pension liabilities	669,316	729,226
Total liabilities	984,651	1,011,688
Deferred Inflows of Resources		
Deferred pension items	8,992	27,619
Net Position		
Net investment in capital assets	15,875,258	16,170,345
Restricted for availability	1,649,270	1,715,355
Restricted for depreciation	2,536,481	2,287,171
Restricted for other	6,081	5,264
Unrestricted	2,379,581	2,443,409
Total net position	\$ 22,446,671	\$ 22,621,544

The accompanying notes are an integral part of the financial statements.

WATER UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2015 and 2016

	2015	2016
Operating revenues:		
Residential sales	\$ 1,615,442	\$ 1,615,221
Commercial sales	743,563	774,479
Industrial sales	196,269	187,438
Fire protection	359,331	355,384
Availability fees	224,566	72,169
Reconnect / disconnect fees	23,840	16,240
Tap fees	100	-
Rent	10,271	10,305
Inspection/connection fee	27,036	13,970
Penalties	14,488	14,034
Other operating	56,701	12,339
Total operating revenues	3,271,607	3,071,579
Operating expenses:		
Source of supply / transmission		
Salaries and wages	155,125	189,983
Fuel and transportation	5,426	6,566
Chemicals	41,487	42,136
Well expense	5,530	-
Other	23,131	25,155
Distribution		
Salaries and wages	203,067	215,415
Fuel and transportation	9,639	5,335
Office supplies	462	828
Materials and supplies	23,974	12,823
Other	4,800	6,286
Customer records and collection		
Salaries and wages	81,637	86,196
Fuel and transportation	6,754	-
Office supplies	3,966	1,833
Postage	10,356	2,563
Bad debt expense	7,706	7,961
Administrative and general expense:		
Salaries and wages	303,030	315,811
Employee benefits	566,423	732,052
Office supplies / expense	55,407	62,215
Outside services	154,133	227,317
Regulatory fees	6,767	6,817
Depreciation	361,246	381,493
Insurance	61,643	64,945
Utilities	171,744	151,358
Taxes	42,208	39,119
Payment in lieu of taxes	134,296	130,558
General maintenance agreements	36,974	38,346
Lease principal - new building	66,262	68,029
Lease - copiers/printers	3,232	3,213
Other	74,345	65,670
Total operating expenses	2,620,770	2,890,023
Operating income	650,837	181,556
Nonoperating revenues (expenses):		
Interest Income	7,771	8,318
Loss on disposal of asset	(1,905)	-
Interest Expense	(16,635)	(15,001)
Total nonoperating revenues (expenses)	(10,769)	(6,683)
Change in net position	640,068	174,873
Total net position - beginning, as previously reported	22,223,769	22,446,671
Prior period adjustment - net pension liabilities (see Note III.K)	(417,166)	-
Total net position, beginning, as adjusted	21,806,603	22,446,671
Total net position - ending	\$ 22,446,671	\$ 22,621,544

The accompanying notes are an integral part of the financial statements.

WATER UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2016

	2015	2016
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,276,677	\$ 3,054,506
Payments to suppliers and contractors	(922,410)	(987,418)
Payments to employees	(1,314,344)	(1,514,372)
Other receipts	146,183	44,250
	1,186,106	596,966
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,116,729)	(676,580)
Interest expense on revenue bonds and operating lease	(16,635)	(15,001)
	(1,133,364)	(691,581)
Cash flows from investing activities:		
Interest received	7,771	8,318
	7,771	8,318
Net increase (decrease) in cash and cash equivalents	60,513	(86,297)
Cash and cash equivalents, January 1 (Including \$4,572,071 and \$4,191,832 for the Water Utility, reported in restricted accounts)	5,120,222	5,180,735
Cash and cash equivalents, December 31 (Including \$4,191,832 and \$4,007,790 for the Water Utility, reported in restricted accounts)	\$ 5,180,735	\$ 5,094,438
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 650,837	\$ 181,556
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	361,246	381,493
(Increase) decrease in assets:		
Accounts receivable	(1,011)	(16,256)
Materials and supplies	15,319	184
Prepaid items	(3,236)	3,011
Notes receivable	146,183	44,250
Increase (decrease) in liabilities:		
Accounts payable	16,400	(23,613)
Accrued payroll and withholdings payable	1,788	(27,804)
Compensated absence payable	(8,857)	17,288
Taxes payable	(651)	2,073
Customer deposits	6,081	(817)
(Increase) decrease in deferred outflows of resources		
Deferred pension items	(259,135)	(42,936)
Increase (decrease) in net pension liabilities	252,150	59,910
Increase (decrease) in deferred inflows of resources		
Deferred pension items	8,992	-
	535,269	415,410
Net cash provided by (used in) operating activities	\$ 1,186,106	\$ 596,966
Noncash investing, capital and financing activities: No items to report		

The accompanying notes are an integral part of the financial statements.

WASTEWATER UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF NET POSITION
December 31, 2015 and 2016

	2015	2016
Assets		
Current assets:		
Operating cash and cash equivalents	\$ 728,896	\$ 1,457,745
Accounts receivable - customer, net	226,747	377,129
Interfund receivable from associated utility	448,430	418,430
Materials and supplies	9,624	7,621
Prepaid items	11,840	8,073
Total current assets	1,425,537	2,268,998
Noncurrent assets:		
Restricted cash and cash equivalents		
Improvement cash and cash equivalents	354,750	320,269
Construction cash and cash equivalents	474,673	-
Debt service cash and cash equivalents	688,500	688,500
Customer deposit cash and cash equivalents	4,174	4,436
Bond and interest	2,965	4,340
Total restricted assets	1,525,062	1,017,545
Capital assets:		
Land, improvements and construction in progress	2,558,168	2,740,257
Other capital assets, net of depreciation	22,687,374	22,658,217
Total capital assets	25,245,542	25,398,474
Total assets	28,196,141	28,685,017
Deferred Outflows of Resources		
Deferred loss on refunding	52,892	43,535
Deferred outflow - pension obligations	289,035	336,926
Total deferred outflows of resources	\$ 341,927	\$ 380,461
Liabilities		
Current liabilities:		
Accounts payable	\$ 54,248	\$ 40,266
Accrued payroll and withholdings payable	58,299	24,452
Interfund payable to associated utility	1,344,433	1,330,183
Compensated absences payable	222,116	241,907
Revenue bonds payable - current	540,000	550,000
Customer deposits	4,174	4,436
Total current liabilities	2,223,270	2,191,244
Noncurrent liabilities:		
Revenue bonds payable long-term (net of unamortized premium)	5,220,000	4,670,000
Net pension liabilities	746,545	813,368
Total noncurrent liabilities	5,966,545	5,483,368
Total liabilities	8,189,815	7,674,612
Deferred Inflows of Resources		
Deferred pension items	10,029	30,806
Net Position		
Net investment in capital assets	19,538,434	20,222,009
Restricted for debt service	692,674	692,936
Restricted for improvements	354,750	320,269
Restricted for construction	474,673	-
Restricted for other	2,965	4,340
Unrestricted	(725,272)	120,506
Total net position (deficit)	\$ 20,338,224	\$ 21,360,060

The accompanying notes are an integral part of the financial statements.

WASTEWATER UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2015 and 2016

	2015	2016
Operating revenues:		
Residential sales	\$ 2,129,083	\$ 2,769,604
Commercial sales	1,073,912	1,520,613
Industrial sales	318,015	395,066
Stormwater	126,831	9,925
Availability fees	154,454	58,200
Tap fees	567	433
Penalties	61,990	78,945
Inspection fees	4,579	3,850
Other operating	12,835	17,140
Total operating revenues	3,882,266	4,853,776
Operating expenses:		
Collection system		
Salaries and wages	174,743	195,724
Fuel and transportation	10,631	7,750
Materials and supplies	20,204	18,821
Miscellaneous equipment	2,479	974
Other	14,500	20,725
Pumping expense		
Salaries and wages	50,887	53,001
Treatment and disposal		
Salaries and wages	156,458	175,867
Fuel and transportation	2,747	2,109
Sludge removal	89,375	122,215
Chemicals	18,538	26,678
Lift station expense	9,604	22,198
Contractual	86,927	66,467
Miscellaneous equipment	4,040	4,020
Other	24,302	22,416
Customer records and collection		
Salaries and wages	76,072	77,960
Meter expense	1,422	18
Postage	10,191	2,473
Bad debt expense	9,337	12,221
Administrative and general expense:		
Salaries and wages	325,021	341,885
Employee benefits	604,237	758,105
Office supplies	53,476	66,270
Outside services	145,725	197,056
Depreciation and amortization	704,017	723,577
Insurance	60,847	64,233
Payment in lieu of taxes	214,070	207,619
General maintenance agreements	34,776	36,843
Utilities	290,923	309,018
Regulatory expense	9,500	9,500
Lease principal - new building	66,262	68,029
Lease - copiers/printers	3,232	3,213
Other	76,319	71,927
Total operating expenses	3,350,862	3,688,912
Operating income	531,404	1,164,864
Nonoperating revenues (expenses):		
Interest Income	4,806	4,933
Loss on disposal of asset	(3,207)	-
Interest Expense	(172,254)	(147,961)
Total nonoperating revenues (expenses)	(170,655)	(143,028)
Change in net position	360,749	1,021,836
Total net position - beginning, as previously reported	20,442,775	20,338,224
Prior period adjustment - net pension liabilities (see Note III.K)	(465,300)	-
Total net position, beginning, as adjusted	19,977,475	20,338,224
Total net position - ending	\$ 20,338,224	\$ 21,360,060

The accompanying notes are an integral part of the financial statements.

WASTEWATER UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2016

	2015	2016
Cash flows from operating activities:		
Receipts from customers and users	\$ 3,912,739	\$ 4,703,656
Payments to suppliers and contractors	(1,385,809)	(1,385,255)
Payments to employees	(1,386,168)	(1,567,532)
Other receipts	30,000	30,000
Net cash provided by (used in) operating activities	<u>1,170,762</u>	<u>1,780,869</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,848,479)	(876,509)
Principal paid on revenue bonds	(525,000)	(540,000)
Repayment of interfund receivables	(172,254)	(147,961)
Net cash provided by (used in) capital and related financing activities	<u>(2,545,733)</u>	<u>(1,564,470)</u>
Cash flows from investing activities:		
Interest received	4,806	4,933
Net cash provided by investing activities	<u>4,806</u>	<u>4,933</u>
Net increase (decrease) in cash and cash equivalents	(1,370,165)	221,332
Cash and cash equivalents, January 1		
(Including \$2,927,154 and \$1,525,062 for the Wastewater Utility, reported in restricted accounts)	<u>3,624,123</u>	<u>2,253,958</u>
Cash and cash equivalents, December 31		
(Including \$1,525,062 and \$1,017,545 for the Wastewater Utility, reported in restricted accounts)	<u>\$ 2,253,958</u>	<u>\$ 2,475,290</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 531,404	\$ 1,164,864
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	704,017	723,577
(Increase) decrease in assets:		
Accounts receivable	26,299	(150,382)
Materials and supplies	2,361	2,003
Interfund receivable	30,000	30,000
Prepaid items	(7,803)	3,767
Increase (decrease) in liabilities:		
Accounts payable	(4,757)	(13,982)
Accrued payroll and withholdings payable	3,386	(33,847)
Compensated absence payable	(13,731)	19,791
Customer deposits payable	4,174	262
Interfund payable	(116,183)	(14,250)
(Increase) decrease in deferred outflows of resources		
Deferred pension items	(279,679)	(38,534)
Increase (decrease) in net pension liabilities	281,245	66,823
Increase (decrease) in deferred inflows of resources		
Deferred pension items	10,029	20,777
Total adjustments	<u>639,358</u>	<u>616,005</u>
Net cash provided by (used in) operating activities	<u>\$ 1,170,762</u>	<u>\$ 1,780,869</u>
Noncash investing, capital and financing activities:		
No items to report		

The accompanying notes are an integral part of the financial statements.

TELECOMMUNICATIONS UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF NET POSITION
As of December 31, 2015 and 2016

	2015	2016
Assets		
Current assets:		
Operating cash and cash equivalents	\$ 151,679	\$ 175,791
Accounts receivable - customer, net	28,320	38,393
Inventory	36,138	43,122
Prepaid items	2,259	703
Total current assets	218,396	258,009
Noncurrent assets:		
Restricted cash and cash equivalents		
Renewal & replacement cash and cash equivalents	52,054	93,879
Capital assets:		
Land, improvements and construction in progress	815	7,914
Other capital assets, net of depreciation	317,421	297,034
Total capital assets	318,236	304,948
Total assets	588,686	656,836
Deferred Outflows of Resources		
Deferred outflow - pension obligation	\$ 39,867	\$ 46,473
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,353	\$ 4,368
Interfund payable to associated utility	1,345,290	1,255,290
Accrued payroll and withholdings payable	7,869	3,889
Total current liabilities	1,359,512	1,263,547
Noncurrent liabilities:		
Net pension liabilities	102,972	112,189
Total liabilities	1,462,484	1,375,736
Deferred Inflows of Resources		
Deferred pension items	1,383	4,249
Net Position		
Net investment in capital assets	318,236	304,948
Restricted for renewal and replacement	52,054	93,879
Unrestricted	(1,205,604)	(1,075,503)
Total net position (deficit)	\$ (835,314)	\$ (676,676)

The accompanying notes are an integral part of the financial statements.

TELECOMMUNICATIONS UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2015 and 2016

	2015	2016
Operating revenues:		
Wireless residential	\$ 365,949	\$ 423,537
Wireless commercial	89,136	111,573
Wireless custom	14,833	7,980
Fiber commercial	90,562	101,685
Other operating	45,117	41,757
Total operating revenues	605,597	686,532
Operating expenses:		
Purchased services		
Bandwidth	52,094	53,145
Legal fees	5,131	3,927
Accounting fees	-	3,465
Consulting fees	16,006	35,482
Communication expense		
Communications equipment	1,692	722
Salaries and wages - customer install	36,027	33,902
Installation supplies	5,625	6,513
Tools and equipment	664	1,895
Fiber - overhead	944	139
Customer records and collection		
Billing	2,721	2,502
Bad debt expense	1,439	1,424
Administrative and general expense:		
Salaries and wages	76,407	98,620
Employee benefits	84,384	117,612
Computer equipment / communications	1,289	2,551
General maintenance agreements	5,729	6,188
Office supplies	5,868	6,400
Utilities	9,498	9,000
Transportation	3,677	3,494
Freight/shipping	2,223	1,692
Depreciation expense	42,033	41,927
Lease principal	14,962	15,361
Lease copier/printers	730	726
Gross income tax	9,018	8,500
Other	65,669	68,808
Total operating expenses	443,830	523,995
Operating income	161,767	162,537
Nonoperating revenues (expenses):		
Interest Income	254	352
Loss on disposal of asset	(2,699)	(864)
Interest Expense	(3,756)	(3,387)
Total nonoperating revenues (expenses)	(6,201)	(3,899)
Change in net position	155,566	158,638
Total net position - beginning, as previously reported	(926,701)	(835,314)
Prior period adjustment - net pension liabilities (see Note III.K)	(64,179)	-
Total net position, beginning, as adjusted	(990,880)	(835,314)
Total net position - ending	\$ (835,314)	\$ (676,676)

The accompanying notes are an integral part of the financial statements.

TELECOMMUNICATIONS UTILITY
CITY OF LEBANON
COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015 and 2016

	2015	2016
Cash flows from operating activities:		
Receipts from customers and users	\$ 600,615	\$ 676,459
Payments to suppliers and contractors	(301,902)	(329,347)
Payments to employees	(196,354)	(248,637)
Net cash provided by (used in) operating activities	102,359	98,475
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(27,748)	(29,503)
Interest expense on revenue bonds and operating lease	(3,756)	(3,387)
Net cash provided by (used in) capital and related financing activities	(31,504)	(32,890)
Cash flows from investing activities:		
Interest received	254	352
Net cash provided by investing activities	254	352
Net increase (decrease) in cash and cash equivalents	71,109	65,937
Cash and cash equivalents, January 1 (Including \$516,206 and \$52,054 for the Telecommunications Utility, reported in restricted accounts)	132,624	203,733
Cash and cash equivalents, December 31 (Including \$52,054 and \$93,879 for the Telecommunications Utility, reported in restricted accounts)	\$ 203,733	\$ 269,670
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 161,767	\$ 162,537
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	42,033	41,927
(Increase) decrease in assets:		
Accounts receivable	(4,982)	(10,073)
Inventory	(5,598)	(6,984)
Prepaid items	(930)	1,556
Increase (decrease) in liabilities:		
Accounts payable	(396)	(1,985)
Interfund payable	(89,999)	(90,000)
Accrued payroll and withholdings payable	155	(3,980)
(Increase) decrease in deferred outflows of resources:		
Deferred pension items	(39,867)	(6,606)
Increase (decrease) in net pension liabilities	38,793	9,217
Increase (decrease) in deferred inflows of resources:		
Deferred pension items	1,383	2,866
Total adjustments	(59,408)	(64,062)
Net cash provided by (used in) operating activities	\$ 102,359	\$ 98,475
Noncash investing, capital and financing activities: No items to report		

The accompanying notes are an integral part of the financial statements.

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2016

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 financial 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 Fund 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.

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

D. Assets, Liabilities and Net Position

1. Deposits and Investments

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2016

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.

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

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

2. Interfund Transactions and Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the calendar year are referred to as "interfund receivables/payables" (i.e., the current and noncurrent portion of interfund loans).

3. Inventories and Prepaid Items

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

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

4. 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.

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
 CITY OF LEBANON
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015 and 2016

5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets 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 acquisition value as of the date of acquisition.

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 reported are as follows:

	<u>Capitalization Threshold</u>		<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
	<u>Electric Utility</u>	<u>All Other Utilities</u>		<u>(in years)</u>
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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the utilities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the business-type activities during 2015 and 2016.

6. 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 Mach 8, 2006, unused sick leave does not accumulate from year to year.

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2016

- 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.

7. 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.

8. Pensions

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions expense, information about the fiduciary net position of the Utility Service Board Pension Plan, and additions to and deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with benefit terms. Pension investments are reported at fair value.

9. Deferred Outflows and Deferred Inflows

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 has two items that qualify for reporting in this category. The deferred charge on refunding reported in the statement of net position and deferred outflows for pension items. 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. Deferred outflows of resources are recorded with respect to pensions per GASB Statement No. 68.

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
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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 has only one type of items that qualify for reporting in this category. The deferred inflows for pension items. Deferred inflows of resources are recorded with respect to pensions per GASB Statement No. 68.

10. Net Position

The utilities utilize a net position presentation. The components of net position are categorized as follows

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted – This category represents resources that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents resources of the City not restricted for any project or other purpose.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

11. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the financial statements

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
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and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Future Adoption of Accounting Pronouncements

GASB has issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14 and Statement No. 83, Certain Asset Retirement Obligations*. The Utilities intend to implement these GASB Statements, as applicable, on their respective effective dates.

II. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds, and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities' deposit policy for custodial credit risk is to comply with Indiana Code 5-13-8-1. At December 31, 2015 and 2016, the Utilities have deposit balances in the amount of \$20,299,635 and \$17,657,636 respectively. The Federal Deposit Insurance Corporation or the Indiana Public Deposit Insurance Fund, which covers all public funds held in approved depositories, insured the bank balances.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Statutory Authorization for Investment Policies

Indiana Code 5-13-9 authorized the Utilities to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, federal agency, federal

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
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instrumentality, or federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, federal instrumentality, or federal government sponsored enterprise. These investments are allowed to have a stated final maturity of 2-5 years as long as the total investments within this period do not exceed the total portfolio of funds, including balances in Utilities' transaction accounts.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no load, and management-type investment company or investment trust registered under the provision of the Federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed fifty percent (50%) of the funds held by the Utilities and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise; or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities or interest in an investment company or investment trust must be rated as AAA, or its equivalent, by Standard and Poor's Corporation or its successor, or AAA, or if they have not defaulted in the last 20 years, by Moody's Investor's Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Utilities may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2016, all City investments and all collateral securities pledged against City investments are held by the counterparty's trust department or agent in the City's name. The City's investments in money market mutual funds were not

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2016

subject to custodial risk at December 31, 2015 and 2016, as their existence is not evidenced by securities that exist in physical book entry form.

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Utilities must follow state statute and limit the stated final maturities of the investments to no more than five years. The Utilities do not have a formal investment policy for interest rate risk for investments but has elected to follow Indiana State statutes.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utilities' investment policy for credit risk is to stay in compliance with Indiana Code.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Utilities' investment policy for concentration of credit risk is to limit investments to not more than 50% of the funds held by the investing officer and available for investment.

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
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Issuer	2015	2016
Principal Global Investors	\$2,390,466	\$2,258,096
T. Row Price/Brown Advisory	806,255	933,624
Other Sub Advisors	719,219	727,824
Causeway / Barrow Hanley	640,098	655,651
Mellon Capital Mgmt	486,903	429,609
Edge Asset Management, Inc	403,649	417,188
Principal Real Estate Inv	330,721	401,888
JP Morgan / Neuberger Berman	262,545	268,726
AB/CCI/Brown/Emerald	128,099	138,651
Robert Baird/William Blair	126,390	133,160
DFA/Vaughan Nelson/LA Capita	128,187	131,955
Principal Global/Barrow Hanley	126,238	129,950
Totals	<u>\$6,548,770</u>	<u>\$6,626,322</u>

Foreign Currency Risk

The Utilities do not have investments in foreign securities.

Fair Value Measurement

The utilities categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted process in active markets for identical assets; Level 2 inputs are significant and other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the utilities investments as of December 31, 2015 and 2016 are Level 1 inputs.

B. Receivables

Receivables as of December 31, 2015 are presented net of allowance as follows as of:

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
 CITY OF LEBANON
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<u>Description</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Electric			
Accounts	\$1,455,759		\$1,455,759
Other	41,169		41,169
Water			
Accounts	201,110		201,110
Wastewater			
Accounts	251,520	24,773	226,747
Telecommunications			
Accounts	28,320		28,320

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
 CITY OF LEBANON
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2015 and 2016

Receivables as of December 31, 2016 are presented net of allowance as follows:

<u>Description</u>	<u>Gross Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Electric			
Accounts	\$1,717,612	\$ 21,932	\$1,695,680
Other	42,497		42,497
Water			
Accounts	219,105	1,739	217,366
Wastewater			
Accounts	412,929	35,800	377,129
Telecommunications			
Accounts	38,735	342	38,393

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C. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

Electric Utility (2015)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 252,418	\$ -	\$ -	\$ 252,418
Construction in progress	<u>4,061,310</u>	<u>1,753,776</u>	<u>4,888</u>	<u>5,810,198</u>
Total capital assets, not being depreciated	<u>4,313,728</u>	<u>1,753,776</u>	<u>4,888</u>	<u>6,062,616</u>
Capital assets, being depreciated				
Buildings	1,088,518	-	-	1,088,518
Improvements other than buildings	7,382,251	261,299	30,470	7,613,080
Machinery and equipment	5,849,738	88,527	57,252	5,881,013
Transportation equipment	955,676	125,907	25,011	1,056,572
Intangible assets	<u>1,646,264</u>	<u>-</u>	<u>-</u>	<u>1,646,264</u>
Totals	<u>16,922,447</u>	<u>475,733</u>	<u>112,733</u>	<u>17,285,447</u>
Less accumulated depreciation for:				
Buildings	239,048	22,129	-	261,177
Improvements other than buildings	2,669,690	226,595	18,108	2,878,177
Machinery and equipment	2,163,455	186,790	54,268	2,295,977
Transportation equipment	598,046	71,840	(27,841)	697,727
Intangible assets	<u>170,357</u>	<u>73,139</u>	<u>-</u>	<u>243,496</u>
Totals	<u>5,840,596</u>	<u>580,493</u>	<u>44,535</u>	<u>6,376,554</u>
Total capital assets, being depreciated, net	<u>11,081,851</u>	<u>(104,760)</u>	<u>68,198</u>	<u>10,908,893</u>
Total capital assets, net	<u>\$ 15,395,579</u>	<u>\$ 1,649,016</u>	<u>\$ 73,086</u>	<u>\$ 16,971,509</u>

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Water Utility (2015)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 242,568	\$ -	\$ -	\$ 242,568
Construction in progress	998,904	966,143	29,751	1,935,296
Total capital assets, not being depreciated	1,241,472	966,143	29,751	2,177,864
Capital assets, being depreciated				
Buildings	3,687,625	24,427	-	3,712,052
Improvements other than buildings	13,168,561	-	-	13,168,561
Machinery and equipment	4,276,121	66,653	-	4,342,774
Transportation equipment	255,400	89,256	85,636	259,020
Totals	21,387,707	180,336	85,636	21,482,407
Less accumulated depreciation for:				
Buildings	2,229,369	72,762	-	2,302,131
Improvements other than buildings	4,165,089	162,183	-	4,327,272
Machinery and equipment	907,718	114,335	-	1,022,053
Transportation equipment	205,323	11,966	83,732	133,557
Totals	7,507,499	361,246	83,732	7,785,013
Total capital assets, being depreciated, net	13,880,208	(180,910)	1,904	13,697,394
Total capital assets, net	<u>\$ 15,121,680</u>	<u>\$ 785,233</u>	<u>\$ 31,655</u>	<u>\$ 15,875,258</u>

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Wastewater Utility (2015)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 319,969	\$ -	\$ -	\$ 319,969
Construction in progress	589,578	1,663,461	14,840	2,238,199
Total capital assets, not being depreciated	<u>909,547</u>	<u>1,663,461</u>	<u>14,840</u>	<u>2,558,168</u>
Capital assets, being depreciated				
Buildings	5,659,386	-	-	5,659,386
Improvements other than buildings	24,381,446	13,213	-	24,394,659
Machinery and equipment	6,932,169	174,068	72,028	7,034,209
Transportation equipment	392,666	12,576	61,682	343,560
Totals	<u>37,365,667</u>	<u>199,857</u>	<u>133,710</u>	<u>37,431,814</u>
Less accumulated depreciation for:				
Buildings	4,458,502	113,252	-	4,571,754
Improvements other than buildings	6,635,978	404,416	-	7,040,394
Machinery and equipment	2,763,232	169,509	69,416	2,863,325
Transportation equipment	313,215	16,840	61,088	268,967
Totals	<u>14,170,927</u>	<u>704,017</u>	<u>130,504</u>	<u>14,744,440</u>
Total capital assets, being depreciated, net	<u>23,194,740</u>	<u>(504,160)</u>	<u>3,206</u>	<u>22,687,374</u>
Total capital assets, net	<u>\$ 24,104,287</u>	<u>\$ 1,159,301</u>	<u>\$ 18,046</u>	<u>\$ 25,245,542</u>

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Telecommunications Utility (2015)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 15	\$ -	\$ -	\$ 15
Construction in progress	367	800	367	800
Total capital assets, not being depreciated	382	800	367	815
Capital assets, being depreciated				
Improvements other than buildings	374,185	-	-	374,185
Machinery and equipment	212,494	27,237	2,122	237,609
Transportation equipment	51,544	80	6,989	44,635
Intangible assets	73,228	-	-	73,228
Totals	711,451	27,317	9,111	729,657
Less accumulated depreciation for:				
Improvements other than buildings	205,887	11,129	-	217,016
Machinery and equipment	116,048	20,923	722	136,249
Transportation equipment	9,276	5,099	5,688	8,687
Intangible assets	45,402	4,882	-	50,284
Totals	376,613	42,033	6,410	412,236
Total capital assets, being depreciated, net	334,838	(14,716)	2,701	317,421
Total capital assets, net	\$ 335,220	\$ (13,916)	\$ 3,068	\$ 318,236

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Capital asset activity for the year ended December 31, 2016 was as follows:

Electric Utility (2016)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 252,418	\$ 16	\$ -	\$ 252,434
Construction in progress	<u>5,810,198</u>	<u>3,252,963</u>	<u>2,292,135</u>	<u>6,771,026</u>
Total capital assets, not being depreciated	<u>6,062,616</u>	<u>3,252,979</u>	<u>2,292,135</u>	<u>7,023,460</u>
Capital assets, being depreciated				
Buildings	1,088,518	11,221	-	1,099,739
Improvements other than buildings	7,613,080	1,022,220	9,141	8,626,159
Machinery and equipment	5,881,013	1,456,252	164,947	7,172,318
Transportation equipment	1,056,572	455,061	106,526	1,405,107
Intangible assets	<u>1,646,264</u>	<u>-</u>	<u>-</u>	<u>1,646,264</u>
Totals	<u>17,285,447</u>	<u>2,944,754</u>	<u>280,614</u>	<u>19,949,587</u>
Less accumulated depreciation for:				
Buildings	261,177	22,150	-	283,327
Improvements other than buildings	2,878,177	232,425	6,134	3,104,468
Machinery and equipment	2,295,977	192,546	5,767	2,482,756
Transportation equipment	697,727	86,504	52,501	731,730
Intangible assets	<u>243,496</u>	<u>73,140</u>	<u>-</u>	<u>316,636</u>
Totals	<u>6,376,554</u>	<u>606,765</u>	<u>64,402</u>	<u>6,918,917</u>
Total capital assets, being depreciated, net	<u>10,908,893</u>	<u>2,337,989</u>	<u>216,212</u>	<u>13,030,670</u>
Total capital assets, net	<u>\$ 16,971,509</u>	<u>\$ 5,590,968</u>	<u>\$ 2,508,347</u>	<u>\$ 20,054,130</u>

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Water Utility (2016)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 242,568	\$ -	\$ -	\$ 242,568
Construction in progress	1,935,296	549,153	1,056,494	1,427,955
Total capital assets, not being depreciated	<u>2,177,864</u>	<u>549,153</u>	<u>1,056,494</u>	<u>1,670,523</u>
Capital assets, being depreciated				
Buildings	3,712,052	-	-	3,712,052
Improvements other than buildings	13,168,561	1,080,271	-	14,248,832
Machinery and equipment	4,342,774	12,245	-	4,355,019
Transportation equipment	259,020	91,405	-	350,425
Totals	<u>21,482,407</u>	<u>1,183,921</u>	<u>-</u>	<u>22,666,328</u>
Less accumulated depreciation for:				
Buildings	2,302,131	73,048	-	2,375,179
Improvements other than buildings	4,327,272	177,041	-	4,504,313
Machinery and equipment	1,022,053	114,361	-	1,136,414
Transportation equipment	133,557	17,043	-	150,600
Totals	<u>7,785,013</u>	<u>381,493</u>	<u>-</u>	<u>8,166,506</u>
Total capital assets, being depreciated, net	<u>13,697,394</u>	<u>802,428</u>	<u>-</u>	<u>14,499,822</u>
Total capital assets, net	<u>\$ 15,875,258</u>	<u>\$ 1,351,581</u>	<u>\$ 1,056,494</u>	<u>\$ 16,170,345</u>

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Wastewater Utility (2016)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 319,969	\$ -	\$ -	\$ 319,969
Construction in progress	2,238,199	214,201	32,112	2,420,288
 Total capital assets, not being depreciated	 2,558,168	 214,201	 32,112	 2,740,257
Capital assets, being depreciated				
Buildings	5,659,386	6,777	-	5,666,163
Improvements other than buildings	24,394,659	516,767	-	24,911,426
Machinery and equipment	7,034,209	97,344	-	7,131,553
Transportation equipment	343,560	73,533	34,554	382,539
 Totals	 37,431,814	 694,421	 34,554	 38,091,681
Less accumulated depreciation for:				
Buildings	4,571,754	113,376	-	4,685,130
Improvements other than buildings	7,040,394	408,232	-	7,448,626
Machinery and equipment	2,863,325	181,704	-	3,045,029
Transportation equipment	268,967	20,265	34,553	254,679
 Totals	 14,744,440	 723,577	 34,553	 15,433,464
 Total capital assets, being depreciated, net	 22,687,374	 (29,156)	 1	 22,658,217
 Total capital assets, net	 \$25,245,542	 \$ 185,045	 \$ 32,113	 \$25,398,474

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Telecommunications Utility (2016)	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 15	\$ -	\$ -	\$ 15
Construction in progress	800	8,751	1,652	7,899
Total capital assets, not being depreciated	815	8,751	1,652	7,914
Capital assets, being depreciated				
Improvements other than buildings	374,185	119	-	374,304
Machinery and equipment	237,609	22,285	1,452	258,442
Transportation equipment	44,635	-	-	44,635
Intangible assets	73,228	-	-	73,228
Totals	729,657	22,404	1,452	750,609
Less accumulated depreciation for:				
Improvements other than buildings	217,016	10,809	-	227,825
Machinery and equipment	136,249	21,769	588	157,430
Transportation equipment	8,687	4,467	-	13,154
Intangible assets	50,284	4,882	-	55,166
Totals	412,236	41,927	588	453,575
Total capital assets, being depreciated, net	317,421	(19,523)	864	297,034
Total capital assets, net	\$ 318,236	\$ (10,772)	\$ 2,516	\$ 304,948

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

Business Type Activities:	2015	2016
Electric	\$ 580,493	\$ 606,765
Water	361,246	381,493
Wastewater	704,017	723,577
Telecommunication	42,033	41,927
Total depreciation expense	\$1,687,789	\$1,753,762

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D. Construction Commitments

Construction in progress as of December 31, 2015 is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2015	Committed
Electric utility improvements	\$ 13,015,356	\$ 5,810,198	\$7,205,158
Water utility improvements	3,313,600	1,935,296	1,378,304
Wastewater improvements	2,465,300	2,238,199	227,101
Telecommunications improvements	800	800	-
Totals	<u>\$ 18,795,056</u>	<u>\$ 9,984,493</u>	<u>\$8,810,563</u>

Construction in progress as of December 31, 2016 is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2016	Committed
Electric utility improvements	\$ 13,015,356	\$ 6,771,026	\$6,244,330
Water utility improvements	3,313,600	1,427,955	1,885,645
Wastewater improvements	2,465,300	2,420,288	45,012
Telecommunications improvements	8,000	7,899	101
Totals	<u>\$ 18,802,256</u>	<u>\$ 10,627,168</u>	<u>\$8,175,088</u>

E. Interfund Balance and Activity

Interfund Receivables/Payables

Interfund receivables/payables during December 31, 2015 were as follows:

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Due To	Due From			Total
	General Fund	Wastewater Utility	Telecommunication Utility	
Electric Utility	\$ 4,742	\$ -	\$ 448,430	\$ 453,172
Water Utility	-	1,344,433	448,430	1,792,863
Wastewater Utility	-	-	448,430	448,430
Totals	\$ 4,742	\$ 1,344,433	\$ 1,345,290	\$ 2,694,465

Interfund receivables/payables during December 31, 2016 were as follows:

Due To	Due From			Total
	General Fund	Wastewater Utility	Telecommunication Utility	
Electric Utility	\$ 24,095	\$ -	\$ 418,430	\$ 442,525
Water Utility	-	1,330,183	418,430	1,748,613
Wastewater Utility	-	-	418,430	418,430
Totals	\$ 24,095	\$ 1,330,183	\$ 1,255,290	\$ 2,609,568

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.

F. 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 as of December 31, 2015 are as follows:

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Purpose	Interest Rate	Amount
Electric:		
Electric Utility Revenue Bonds of 2013	3.00% to 3.375%	<u>\$ 11,705,000</u>
Total		11,705,000
Due within one year		<u>520,000</u>
Due in more than one year		<u>\$ 11,185,000</u>
Wastewater		
Sewage Works Refunding Revenue Bonds of 2013	1.99%	\$ 1,985,000
Sewage Works Refunding Revenue Bonds of 2014	2.30%	<u>3,775,000</u>
Total		5,760,000
Due within one year		<u>540,000</u>
Due in more than one year		<u>\$ 5,220,000</u>

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at December 31, 2016 are as follows:

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Purpose	Interest Rate	Amount
Electric:		
Electric Utility Revenue Bonds of 2013	3.00% to 3.375%	<u>\$ 11,185,000</u>
Total		11,185,000
Due within one year		<u>535,000</u>
Due in more than one year		<u>\$ 10,650,000</u>
Wastewater		
Sewage Works Refunding Revenue Bonds of 2013	1.99%	\$ 1,560,000
Sewage Works Refunding Revenue Bonds of 2014	2.30%	<u>3,660,000</u>
Total		5,220,000
Due within one year		<u>550,000</u>
Due in more than one year		<u>\$ 4,670,000</u>

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Revenue bonds debt service requirements to maturity as of December 31, 2015 are as follows:

Year Ended <u>December 31</u>	<u>Electric Utility</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 520,000	\$ 358,500
2017	535,000	342,825
2018	550,000	326,625
2019	555,000	310,125
2020	565,000	293,400
2021-2025	3,040,000	1,203,450
2026-2030	3,530,000	712,563
2031-2033	<u>2,410,000</u>	<u>142,887</u>
Totals	<u>\$ 11,705,000</u>	<u>\$ 3,690,375</u>

Year Ended <u>December 31</u>	<u>Wastewater Utility</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 540,000	\$ 123,605
2017	550,000	112,395
2018	560,000	101,028
2019	575,000	89,470
2020	595,000	77,614
2021-2025	<u>2,940,000</u>	<u>172,442</u>
Totals	<u>\$ 5,760,000</u>	<u>\$ 676,554</u>

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Revenue bonds debt service requirements to maturity as of December 31, 2016 are as follows:

Year Ended <u>December 31</u>	<u>Electric Utility</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 535,000	\$ 342,825
2018	550,000	326,625
2019	555,000	310,125
2020	565,000	293,400
2021	575,000	276,375
2022-2026	3,130,000	1,111,575
2027-2031	3,640,000	601,675
2032-2033	<u>1,635,000</u>	<u>69,275</u>
Totals	<u>\$ 11,185,000</u>	<u>\$ 3,331,875</u>

Year Ended <u>December 31</u>	<u>Wastewater Utility</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 550,000	\$ 112,395
2018	560,000	101,028
2019	575,000	89,470
2020	595,000	77,614
2021	620,000	64,113
2022-2024	<u>2,320,000</u>	<u>108,329</u>
Totals	<u>\$ 5,220,000</u>	<u>\$ 552,949</u>

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2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Revenue bonds payable:					
Electric Utility	\$ 12,210,000	\$ -	\$ 505,000	\$ 11,705,000	\$ 520,000
Wastewater Utility	6,285,000	-	525,000	5,760,000	540,000
Less deferred amount: for issuance (premiums)	(228,880)	12,484	-	(216,396)	-
Total	\$ 18,723,880	\$ (12,484)	\$ 1,030,000	\$ 17,681,396	\$ 1,060,000

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Revenue bonds payable:					
Electric Utility	\$ 11,705,000	\$ -	\$ 520,000	\$ 11,185,000	\$ 535,000
Wastewater Utility	5,760,000	-	540,000	5,220,000	550,000
Less deferred amount: for issuance premiums	(216,396)	12,484	-	(203,912)	-
Total	\$ 17,681,396	\$ (12,484)	\$ 1,060,000	\$ 16,608,912	\$ 1,085,000

G. 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 \$835,314 as of December 31, 2015 and \$676,676 as of December 31, 2016. 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, in 2014, \$60,000 in 2015, \$90,000 and in 2016, \$90,000. It is expected to make Net Margin in 2017 and carry out further contributions this year toward repayment of the loan.

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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 2016 the customer base has been expanded with major business customers having been added in this period 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.

H. Restricted Net Position

The Statement of Net Position reports restricted net position of \$1,557,183 for the electric utility, \$4,191,832 for the water utility, \$1,525,062 for the wastewater utility and \$52,054 for the telecommunications utility as of December 31, 2015 and \$1,898,165 for the electric utility, \$4,007,790 for the water utility, \$1,017,545 for the wastewater utility and \$93,879 for the electric utility as of December 31, 2016.

I. 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, 2015:

	Electric Utility	Water Utility	Wastewater Utility	Telecommunications Utility
Total capital assets	\$ 16,971,509	\$ 15,875,258	\$ 25,245,542	\$ 318,236
Less:				
Bonds payable	11,705,000	-	5,760,000	-
Deferred amount on refunding	-	-	(52,892)	-
Unspent bond proceeds	(7,095,794)	-	-	-
Total related net debt	4,609,206	-	5,707,108	-
Net investment in capital assets	<u>\$ 12,362,303</u>	<u>\$ 15,875,258</u>	<u>\$ 19,538,434</u>	<u>\$ 318,236</u>

The breakdown is scheduled as follows as of December 31, 2016:

	Electric Utility	Water Utility	Wastewater Utility	Telecommunications Utility
Total capital assets	\$ 20,054,130	\$ 16,170,345	\$ 25,398,474	\$ 304,948
Less:				
Bonds payable	11,185,000	-	5,220,000	-
Deferred amount on refunding	-	-	(43,535)	-
Unspent bond proceeds	(3,917,571)	-	-	-
Total related net debt	7,267,429	-	5,176,465	-
Net investment in capital assets	<u>\$ 12,786,701</u>	<u>\$ 16,170,345</u>	<u>\$ 20,222,009</u>	<u>\$ 304,948</u>

J. Revenues Pledged

Electric Utility Revenues Pledged

The Electric Utility has pledged future operating revenues, net of specified operating expenditures, to repay \$13,000,000 of revenue bonds issued in 2013. Proceeds from the bonds provided financing for improvements to the Electric Processing facilities. The bonds are payable solely from operating net revenues and are payable through 2025. Annual principal and interest payments are expected to require less than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$14,516,875.

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Wastewater Utility Revenues Pledged

The Wastewater Utility has pledged future operating revenues, net of specified operating expenditures, to repay \$3,000,000 of refunding revenue bonds issued in 2013 and \$3,885,000 of revenue bonds issued in 2014. Proceeds from the bonds provided financing for improvements to the Wastewater treatment facilities. The bonds are payable solely from operating net revenues and are payable through 2025. Annual principal and interest payments are expected to require less than 100 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$5,772,949.

K. Restatements and Reclassifications

For the year ended December 31, 2015, certain changes have been made to the financial statements to more appropriately reflect the financial activity of the utilities.

The prior period adjustments represent the recording of the pension.

The following schedule presents a summary of restated beginning balances:

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Telecommunications</u>
Net Position, December 31, 2014	\$ 15,516,307	\$ 22,223,769	\$ 20,442,775	\$ (926,701)
Cumulative effect of implementing Pensions	<u>(657,838)</u>	<u>(417,166)</u>	<u>(465,300)</u>	<u>(64,179)</u>
Net Position, December 31, 2014 (restated)	<u>\$ 14,858,469</u>	<u>\$ 21,806,603</u>	<u>\$ 19,977,475</u>	<u>\$ (990,880)</u>

III. Other Information

A. Risk Management

The utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risk 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 disasters 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.

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B. Rate Structure

1. Electric Utility

The current rate structure was approved by the Utility Service Board on September 19, 2012. The Utility has 9,044 customers.

2. Water Utility

The current rate structure was approved by the Utility Service Board on March 3, 2010. The Utility has 6,643 customers.

3. Wastewater Utility

The current rate structure was approved by the Utility Service Board on July 25, 2005. The Utility has 6,434 customers.

4. Telecommunication Utility

The current rate structure was approved by the Utility Service Board on May 23, 2005. The Utility has 979 customers.

C. Pension Plan

Plan Description

The City of Lebanon Utility Service Board Employees' Pension Plan (Utility Pension) 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.

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Plan Membership

Plan membership at December 31, 2015 and 2016, consisted of the following:

	2015	2016
Retirees and beneficiaries currently receiving benefits	29	29
Terminated employees entitled to but not yet receiving benefits	17	20
Current active employees	48	46

Benefits Provided

The Utility Service Board Employees’ Pension Plan benefit consists of the defined pension benefit provided by employer contributions. Pension benefits vest after 10 years of creditable service. At retirement, a member will receive the amount as an annuity.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is 1.25% of average compensation multiplied by accrual of service. The average annual compensation in this calculation uses the average monthly compensation for those highest consecutive five compensations which produce the highest average.

A member who has reached age 55 and has at least 15 years of creditable service or age 60 with age and years of vesting service equal to or greater than 85, is eligible for early retirement benefit. The accrued benefit on early retirement is reduced to reflect the fact that early retirement precedes normal retirement.

Retirement Benefits – Disability and Survivor Benefits

The Utility Service Board Employees’ Pension Plan also provides disability and survivor benefits. A member who has at least ten years of creditable service, becomes disabled, and qualifies for social security benefits may retire for the duration of the disability. The disability benefit is reduced to reflect the disability retirement date proceeds the normal retirement date.

Upon the death in service of an active member, a survivor benefit may be paid to the surviving spouse or dependent child. The amount paid is equal to the amount that would have been paid had the participant terminated employment on the date

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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.

Contributions

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, 2015 and December 31, 2016, were \$450,476 and \$450,476 respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the utilities recognized pension expense of \$458,916. The expense was allocated \$191,025 to the Electric Utility, \$121,138 to the Water Utility, \$135,116 to the Wastewater Utility and \$18,637 to the Telecommunication Utility.

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Electric Utility		Water Utility		Wastewater Utility		Telecom Utility	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 14,179	\$ -	\$ 8,992	\$ -	\$ 10,029	\$ -	\$ 1,383
Changes in assumptions	377,437	-	239,351	-	266,968	-	36,823	-
Net difference between projected and actual investments	31,199	-	19,784	-	22,067	-	3,044	-
Totals	<u>\$408,636</u>	<u>\$ 14,179</u>	<u>\$259,135</u>	<u>\$ 8,992</u>	<u>\$ 289,035</u>	<u>\$ 10,029</u>	<u>\$ 39,867</u>	<u>\$ 1,383</u>

For the year ended December 31, 2016, the utilities recognized pension expense of \$587,405. The expense was allocated \$240,837 to the Electric Utility, \$152,725 to the Water Utility, \$170,347 to the Wastewater Utility and \$23,496 to the Telecommunication Utility.

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At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Electric Utility		Water Utility		Wastewater Utility		Telecom Utility	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 38,658	\$ -	\$ 24,514	\$ -	\$ 27,343	\$ -	\$ 3,771
Changes in assumptions	285,154	4,895	180,829	3,105	201,695	3,463	27,820	478
Net difference between projected and actual investments	191,189	-	121,242	-	135,231	-	18,653	-
Totals	<u>\$476,343</u>	<u>\$ 43,553</u>	<u>\$302,071</u>	<u>\$ 27,619</u>	<u>\$ 336,926</u>	<u>\$ 30,806</u>	<u>\$ 46,473</u>	<u>\$ 4,249</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ending December 31, 2015			
	Electric Utility	Water Utility	Wastewater Utility	Telecom Utility
2016	\$ 96,616	\$ 61,268	\$ 68,338	\$ 9,426
2017	96,616	61,268	68,338	9,426
2018	96,616	61,268	68,338	9,426
2019	96,616	61,269	68,338	9,426
2020	7,993	5,069	5,654	780
Total	<u>\$394,457</u>	<u>\$250,142</u>	<u>\$ 279,006</u>	<u>\$38,484</u>

	Year Ending December 31, 2016			
	Electric Utility	Water Utility	Wastewater Utility	Telecom Utility
2017	\$ 129,206	\$ 81,936	\$ 91,390	\$ 12,606
2018	129,206	81,936	91,390	12,606
2019	129,207	81,936	91,390	12,606
2020	45,170	28,644	31,949	4,407
Total	<u>\$432,789</u>	<u>\$274,452</u>	<u>\$ 306,119</u>	<u>\$42,225</u>

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Pension Plan Investments – Policy and Rate of Return

The pension plan investment policy is consistent with the overall policy of the Utilities as described in Note II.A.2. The plan held \$6,548,770 and \$6,626,322 of investments at December 31, 2015 and 2016 respectively.

Net Pension Liability

The components of the net pension liability of the Utility Pension Plan at December 31, 2015, were as follows:

	Utility Pension	Allocated to:			
		Electric Utility	Water Utility	Wastewater Utility	Telecom Utility
Actuarial net pension liability	\$9,123,062	\$3,740,456	\$2,371,996	\$2,645,688	\$ 364,922
Plan fiduciary net position	<u>6,548,769</u>	<u>2,684,996</u>	<u>1,702,680</u>	<u>1,899,143</u>	<u>261,950</u>
Net pension liability	<u>\$2,574,293</u>	<u>\$1,055,460</u>	<u>\$ 669,316</u>	<u>\$ 746,545</u>	<u>\$ 102,972</u>
Fiduciary net position as a percentage of total pension liability	<u>71.78%</u>	<u>71.78%</u>	<u>71.78%</u>	<u>71.78%</u>	<u>71.78%</u>
Covered employee payroll	<u>\$2,675,032</u>	<u>\$2,675,032</u>	<u>\$2,675,032</u>	<u>\$2,675,032</u>	<u>\$2,675,032</u>
Net pension liability as a percentage of covered employee payroll	<u>96.23%</u>	<u>96.23%</u>	<u>96.23%</u>	<u>96.23%</u>	<u>96.23%</u>

The components of the net pension liability of the Utility Pension Plan at December 31, 2016, were as follows:

	Utility Pension	Allocated to:			
		Electric Utility	Water Utility	Wastewater Utility	Telecom Utility
Actuarial net pension liability	\$9,431,039	\$3,866,726	\$2,452,070	\$2,735,001	\$ 377,242
Plan fiduciary net position	<u>6,626,322</u>	<u>2,716,792</u>	<u>1,722,844</u>	<u>1,921,633</u>	<u>265,053</u>
Net pension liability	<u>\$2,804,717</u>	<u>\$1,149,934</u>	<u>\$ 729,226</u>	<u>\$ 813,368</u>	<u>\$ 112,189</u>
Fiduciary net position as a percentage of total pension liability	<u>70.26%</u>	<u>70.26%</u>	<u>70.26%</u>	<u>70.26%</u>	<u>70.26%</u>
Covered employee payroll	<u>\$2,654,273</u>	<u>\$2,654,273</u>	<u>\$2,654,273</u>	<u>\$2,654,273</u>	<u>\$2,654,273</u>
Net pension liability as a percentage of covered employee payroll	<u>105.67%</u>	<u>105.67%</u>	<u>105.67%</u>	<u>105.67%</u>	<u>105.67%</u>

Change in the net pension liabilities for 2015 and 2016 are as follows:

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<u>Change in Net Pension Liability</u>	<u>Utility Pension</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2014	\$ 7,678,278	\$ 6,073,795	\$ 1,604,483
Service cost	186,826	-	186,826
Interest cost	517,693	-	517,693
Differences between expected and actual experience (gain)/loss	(43,039)	-	(43,039)
Changes in assumptions (gain)/loss	1,145,660	-	1,145,660
Employee contributions	-	85,863	(85,863)
Employer contributions	-	450,476	(450,476)
Net investment income	-	319,377	(319,377)
Administrative expenses	-	(18,385)	18,385
Benefit payments, including refunds	<u>(362,356)</u>	<u>(362,357)</u>	<u>1</u>
Net changes	<u>1,444,784</u>	<u>474,974</u>	<u>969,810</u>
Balance December 31, 2015	<u>\$ 9,123,062</u>	<u>\$ 6,548,769</u>	<u>\$ 2,574,293</u>

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<u>Change in Net Pension Liability</u>	<u>Utility Pension</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2015	\$ 9,123,062	\$ 6,548,769	\$ 2,574,293
Service cost	161,968	-	161,968
Interest cost	613,647	-	613,647
Differences between expected and actual experience (gain)/loss	(87,578)	-	(87,578)
Changes in assumptions (gain)/loss	(15,344)	-	(15,344)
Employee contributions	-	75,841	(75,841)
Employer contributions	-	450,476	(450,476)
Net investment income	-	(65,624)	65,624
Administrative expenses	-	(18,425)	18,425
Benefit payments, including refunds	(364,716)	(364,715)	(1)
Net changes	307,977	77,553	230,424
Balance December 31, 2016	<u>\$ 9,431,039</u>	<u>\$ 6,626,322</u>	<u>\$ 2,804,717</u>

Actuarial Assumptions

The total pension liability in the December 31, 2015 and 2016 reports were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2015</u>	<u>2016</u>	
Inflation	2.25%	2.00%	per annum
Salary increases	3.50%	3.50%	per annum
Long-term rate of return	6.75%	6.50%	per annum
Interest rate for employee accumulations	5.00%	5.00%	per annum
Asset method	Market	Market	
Cost method	Entry Age	Entry Age	
Muni bond rate and basis	4.05%	4.09%	per annum

Mortality rates were based on RP-2006 (baseline table from SOA RP-2014 study based on experience data for private pension plans). The actuarial cost method used

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for computing the total pension liability is the experience data for private pension plans.

The actuarial assumptions used in the December 31, 2015 valuation differed from the 2014 valuation. Inflation changed from 2.25% in 2015 to 2.00% in 2016, the long-term rate of return went from 6.75% to 6.50% and the Muni bond rate and basis went from 4.05% to 4.09%.

Annual Pension Cost

For 2015 and 2016, the Utilities' annual pension cost and related information for the Utility Pension Plan, as provided by the actuary, is presented in this note.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from units will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Projected Cash Flows

The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate of 6.75 percent is equal to the long-term expected return of plan investments. The rate was applied to all remaining periods.

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 2015 to 2017.

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 12/31/2015 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportional share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate for the period ending December 31, 2015 and 2016 respectively:

	5.75%	6.75%	7.75%
2015 Net Pension Liability	1% Decrease	Current Rate	1% Increase
Electric	\$ 1,499,522	\$ 1,055,460	\$ 682,645
Water	950,917	669,316	432,897
Wastewater	1,060,638	746,545	482,847
Telecommunications	<u>146,295</u>	<u>102,972</u>	<u>66,600</u>
Total	<u>\$ 3,657,372</u>	<u>\$ 2,574,293</u>	<u>\$ 1,664,989</u>
	5.75%	6.75%	7.75%
2016 Net Pension Liability	1% Decrease	Current Rate	1% Increase
Electric	\$ 1,596,132	\$ 1,149,934	\$ 774,632
Water	1,012,181	729,226	491,230
Wastewater	1,128,971	813,368	547,911
Telecommunications	<u>155,720</u>	<u>112,189</u>	<u>75,574</u>
Total	<u>\$ 3,893,004</u>	<u>\$ 2,804,717</u>	<u>\$ 1,889,347</u>

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are report by the plan. The plan uses the economic resources

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measurement focus and the full accrual basis of accounting. Contribution revenue is recorded, as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

b. Financial Statements for Defined Benefit Plans

Combining Statements of Fiduciary Net Position – Pension Trust Funds:

	2015	2016
<u>Assets</u>		
Investments at fair value		
Equity securities	\$ 6,157,333	\$ 6,208,256
Other	391,436	418,066
Total assets	\$ 6,548,769	\$ 6,626,322
 <u>Net Position</u>		
Held in trust for employees' pension benefits	\$ 6,548,769	\$ 6,626,322

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Statements of Changes in Fiduciary Net Position – Pension Trust Funds:

	2015	2016
<u>Additions:</u>		
Contributions:		
Employee	\$ 85,863	\$ 75,841
Employer	450,476	450,476
Total contributions	536,339	526,317
Investment income (loss):		
Net change in fair value of investments	319,377	(65,624)
Total additions	855,716	460,693
<u>Deductions:</u>		
Benefit payments	362,357	364,715
Administrative expenses	18,385	18,425
Total deductions	380,742	383,140
Net change	474,974	77,553
Net position - beginning	6,073,795	6,548,769
Net position - ending	\$ 6,548,769	\$ 6,626,322

c. 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 remit 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

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this defined benefit plan. State statutes (IC-5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPR) 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 contribute 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 Capital, Suite 001
Indianapolis, IN 43204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The Board of Trustees of INPRS establishes the contribution requirements of the plan members for PERF.

E. Contingencies

In the normal course of business, the Utilities are, from time to time, subject to allegations that may result in litigation. Some of these allegations could be in areas not covered by the Utility's insurance programs; for example, allegations regarding employment practices or performance of contracts. The Utility evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of internal counsel, and external counsel when necessary, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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F. Subsequent Events

Sewage Works Bond Anticipation Notes of 2017

The Lebanon Wastewater Utility issued Sewage Works Bond Anticipation Notes (BANs) for \$2,825,000 for preliminary project costs associated with the proposed wastewater improvements. These BANs were sold on September 29, 2017 with the closing on October 18, 2017 at 1.70% interest rate. The BANs mature in one year with final payment due on October 18, 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

The Required Supplementary Information presented was prepared by management of the Electric, Water, Wastewater, and Telecommunications Utilities. It is presented as intended by management.

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Utility Pension
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	1.00	1.00
Proportionate share of the net pension liability (asset)	\$ 2,804,717	\$ 2,574,292
Covered-employee payroll	\$ 2,654,273	\$ 2,675,032
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	105.67%	96.23%
Plan fiduciary net position as a percentage of total pension liability	70.26%	71.78%

Information is not available prior to 2015.
Additional years will be added until 10 years of historical data is shown.

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Utility Pension
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 357,203	\$ 298,873
Contributions in relation to the contractually required contribution	(450,476)	(450,476)
Contribution deficiency (excess)	\$ (93,273)	\$ (151,603)
Covered-employee payroll	\$ 2,654,273	\$ 2,675,032
Contributions as a percentage of covered-employee payroll	16.97%	16.84%

Information is not available prior to 2015.

Additional years will be added until 10 years of historical data is shown.

* - Information not available

ELECTRIC, WATER, WASTEWATER AND TELECOMMUNICATIONS UTILITIES
CITY OF LEBANON
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the years ended December 31, 2015 and 2016
Utility Pension

a. No changes in benefit terms were made in 2015 or 2016.

b. No changes in assumptions were made in 2015 or 2016.

Assumptions:

Asset Method	Market value of assets as of the measurement date.
Discount Rate and Basis	6.75% long-term rate of return assumption
Muni Bond Rate and Basis	3.98% Barclays Municipal GO Long Term (17+ Y) index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date.
Cost Method	Entry age cost method, level percent of pay. Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages, through retirement.
Participant Group	The active, deferred vested and retiree census is as of the 12/31/2015 and 12/31/2014 respectively. No new participants join the group during the projection period.
Long-Term Rate of Return on Plan Assets	6.75% The interest rate is developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of broad asset classes' arithmetic returns of the plan's target asset allocation, and then converted to the geometric under lognormal distribution assumption.
Interest Rate for Employee Accumulations	5.00%
Retirement	Active participants are assumed to retire at the earlier of age 60 and 25 years of service, or age 65. All inactive participants are assumed to retire at age 65. This assumption is based on the results of the recent experience analysis and anticipated future experience.

OTHER REPORTS

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