

**NEW ISSUE**  
**Book-Entry-Only**

**Rating: S&P Global Ratings “AA-”**

***This Preliminary Official Statement is deemed “nearly final”  
and is dated September 26, 2018***

In the opinion of Krieg DeVault LLP (“Bond Counsel”), under federal statutes, decisions, regulations and rulings, interest on the Bonds (hereinafter defined) is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof, for federal income tax purposes and is not a specific item of tax preference for purpose of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018. Such exclusion is conditioned on continuing compliance with the Tax Covenants (hereinafter defined). In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is exempt from income taxation in the State of Indiana. The Bonds are not bank qualified. See “TAX MATTERS” herein.

**\$9,650,000**  
**CITY OF LEBANON, INDIANA**  
**SEWAGE WORKS REVENUE BONDS OF 2018**

Original Date: Date of Delivery (Anticipated to be October 17, 2018)

Due: January 1 and July 1, as shown below

The City of Lebanon, Indiana, Indiana (the “City”) is issuing \$9,650,000 of Sewage Works Revenue Bonds of 2018 (the “Bonds”) for the purpose of paying the costs of certain additions, extensions and improvements (the “Project”) to the City’s municipal sewage works (the “Sewage Works”), to retire the outstanding Sewage Works Bond Anticipation Note of 2017, and to pay issuance expenses.

The Bonds will be issued as provided in Ordinance No. 2017-07 adopted by the Common Council on June 12, 2017 (the “Bond Ordinance” or “Ordinance”). The Bonds are payable solely from and constitute a first charge upon the Net Revenues (hereinafter defined) of the City’s Sewage Works as more fully described in this Official Statement. The Bonds shall not constitute an indebtedness of the City within the meaning of the provisions and limitations of the constitution of the State of Indiana. The Bonds will rank on parity with the Sewage Works Refunding Revenue Bonds of 2013, dated July 2, 2013 (the “2013 Bonds”), now outstanding in the amount of \$910,000 and the Sewage Works Refunding Revenue Bonds of 2014, dated December 23, 2014 (the “2014 Bonds”), now outstanding in the amount of \$3,480,000.

The Bonds will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”). Purchases of beneficial interests in the Bonds will be made in book-entry-only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds (the “Beneficial Owners”) will not receive physical delivery of certificates representing their interests in the Bonds. Interest on the Bonds will be payable semiannually on January 1<sup>st</sup> and July 1<sup>st</sup> of each year, beginning January 1, 2019. Principal and interest will be disbursed on behalf of the City by U.S. Bank National Association, in Indianapolis, Indiana (the “Registrar” and “Paying Agent”). Interest on the Bonds will be paid by check, mailed one business day prior to the interest payment date or by wire transfer to depositories. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the designated corporate trust office of the Paying Agent. Interest on, together with the principal of, the Bonds will be paid directly to DTC by the Paying Agent so long as DTC or its nominee is the registered owner of the Bonds. The final disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the DTC Participants and the Indirect Participants. See “BOOK-ENTRY-ONLY SYSTEM”. The Bonds will be subject to optional redemption prior to maturity, as more fully described herein. The Bonds may be issued as “Term Bonds” at the Underwriter’s (hereinafter defined) discretion and subject to mandatory sinking fund redemption as more fully described herein.

**MATURITY SCHEDULE**  
(Base CUSIP\* \_\_\_\_\_)

<u>Maturity</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
January 1, 2026	\$330,000				January 1, 2032	\$400,000			
July 1, 2026	340,000				July 1, 2032	405,000			
January 1, 2027	345,000				January 1, 2033	415,000			
July 1, 2027	350,000				July 1, 2033	420,000			
January 1, 2028	355,000				January 1, 2034	430,000			
July 1, 2028	360,000				July 1, 2034	435,000			
January 1, 2029	365,000				January 1, 2035	445,000			
July 1, 2029	370,000				July 1, 2035	450,000			
January 1, 2030	380,000				January 1, 2036	460,000			
July 1, 2030	380,000				July 1, 2036	470,000			
January 1, 2031	385,000				January 1, 2037	480,000			
July 1, 2031	395,000				July 1, 2037	485,000			

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*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

## INFORMATION FOR BIDDING

**Date and Time of Sale:** Upon 24 hours' notice. Anticipated on October 4, 2018, at 11:00 A.M. (EDT)

**Place of Sale:** Umbaugh, 8365 Keystone Crossing, Suite 300, Indianapolis, Indiana 46240

**Maximum Interest Rate:** 5%

**Minimum Purchase Price\*:** 99% (\$9,553,500)

**Multiples:** 1/8 or 1/100 of 1%, non-descending

**Anticipated Closing Date:** October 17, 2018

**Good Faith Deposit:** \$96,500 certified or cashier's check or wire transfer submitted by the winning bidder no later than 3:30 p.m. (EDT) on the business day following the award

**Method of Bidding:** Electronic bidding by PARITY® or traditional bidding.

**Basis of Award:** Net Interest Cost (NIC)

**Issue Price Determination:** As described in Appendix F to this Preliminary Official Statement, the winning bidder agrees by submission of its bid to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" certificate, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All interested bidders should read Appendix F regarding the City's requirement for the winning bidder to establish the issue price of the Bonds within the meaning of the Code.

For a complete description of terms and conditions for bidding, please refer to the next section of this Official Statement (Appendix i) for the Notice of Intent to Sell Bonds.

The Bonds are being offered for delivery when, as and if issued and received by the Underwriter (hereinafter defined) and subject to the approval of legality by Krieg DeVault LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on by Krieg DeVault LLP, as Attorney for the City. The Bonds are expected to be available for delivery to DTC, in New York, New York on or about October 17, 2018.

THE CITY IS NOT OBLIGATED TO PAY THE BONDS OR INTEREST THEREON EXCEPT FROM THE NET REVENUES, AS DESCRIBED HEREIN, OF ITS SEWAGE WORKS, AND THE BONDS ARE NOT IN ANY RESPECT A CORPORATE INDEBTEDNESS OF THE CITY WITHIN THE PROVISIONS AND LIMITATIONS OF THE CONSTITUTION OF THE STATE OF INDIANA.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities described herein by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the securities described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of delivery of the securities described herein to the initial purchaser thereof. However, upon delivery of the securities, the City will provide a certificate stating there have been no material changes in the information contained in the Final Official Statement since its delivery.

REFERENCES TO WEB SITE ADDRESSES PRESENTED HEREIN ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER'S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEB SITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS OFFICIAL STATEMENT FOR THE PURPOSES OF, AND AS THAT TERM IS DEFINED IN, SEC RULE 15C2-12.

\* Minimum Purchase Price shall mean the par amount of the Bonds less total discount submitted with bid, including any underwriter discount, purchaser discount, original issue discount or any expenses submitted by the bidder which will reduce the amount of bond proceeds to be received by the City, and adding any amortizable bond premium.

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\*The General Information section contains information regarding the tax base of the City; however, NO PROPERTY TAXES ARE PLEDGED TO PAYMENT OF THE BONDS.

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## PROJECT PERSONNEL

Names and positions of officials and professionals who have taken part in the planning of the project and bond issue are:

### Common Council

Keith Campbell, President  
John Copeland  
Dan Fleming  
M.R. Jones  
Mike Kincaid  
Dick Robertson  
Brent Wheat

### Mayor

Honorable Matthew Gentry

### Utility Service Board

Gary Ladd, Chairman of the Board  
Neil Taylor, Vice Chairman  
James Urban  
Dan Lamar  
Bill Stoner

### Clerk-Treasurer

Tonya Thayer

### Utility General Manager

Mike Whitman

### Local Counsel

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H.J. Umbaugh & Associates  
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Indianapolis, Indiana 46240

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*This introduction to the Official Statement contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

## **PRELIMINARY OFFICIAL STATEMENT**

**\$9,650,000**

### **CITY OF LEBANON, INDIANA SEWAGE WORKS REVENUE BONDS OF 2018**

#### **INTRODUCTION TO THE OFFICIAL STATEMENT**

The City of Lebanon, Indiana, Indiana (the “City”) is issuing \$9,650,000 of Sewage Works Revenue Bonds of 2018 (the “Bonds”). The City owns and operates the Sewage Works.

#### **SECURITY AND SOURCES OF PAYMENT**

The Bonds are payable from the Net Revenues (defined in the Bond Ordinance as the gross revenues after deduction only for the payment of the reasonable expenses of operation, repair and maintenance) of the Sewage Works. The Bonds will rank on parity with the Sewage Works Refunding Revenue Bonds of 2013, dated July 2, 2013, originally issued in the amount of \$3,000,000, currently outstanding in the amount of \$910,000, and maturing semiannually over a period ending July 1, 2020 (the “2013 Bonds”) and the Sewage Works Refunding Revenue Bonds of 2014 dated December 23, 2014, originally issued in the amount of \$3,885,000, currently outstanding in the amount of \$3,480,000, and maturing semiannually over a period ending July 1, 2025 (the “2014 Bonds”).

#### **PURPOSE**

The Bonds are being issued for the purpose of paying the costs of certain additions, extensions and improvements to the Sewage Works, including various system upgrades and expansions (the “Project”), to retire the outstanding Sewage Works Bond Anticipation Notes of 2017 (the “BAN”), and to pay issuance expenses. Funding for the Project will be provided from proceeds of the Bonds and interest earnings during construction.

#### **REDEMPTION PROVISIONS**

The Bonds are subject to optional redemption beginning July 1, 2027 as more fully described herein. The Bonds may be issued as Term Bonds at the discretion of the Underwriter and in that case, would be subject to mandatory sinking fund redemption as more fully described herein.

#### **DENOMINATIONS**

The Bonds are being issued in the denomination of \$5,000 or integral multiple thereof.

#### **REGISTRATION AND EXCHANGE FEATURES**

Each registered bond shall be transferable or exchangeable only on such record at the designated corporate trust office of the Registrar and Paying Agent, U.S. Bank National Association, at the written request of the registered owner thereof or his attorney duly authorized in writing upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. A further description of the registration and exchange features of the Bonds can be found in the Bond Ordinance.

#### **BOOK-ENTRY-ONLY SYSTEM**

The Bonds shall initially be issued and held in book-entry form on the books of the central depository system. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. The City and the Registrar and Paying Agent may deem and treat the Clearing Agency (Cede & Co.) as the absolute owner and holder of such Bond for all purposes including, without limitation, the receiving of payment of the principal of, premium, if any, and interest on such Bonds, the receiving of notice and the giving of consent.

Interest payable January 1, 2019, and semiannually thereafter, will be paid by check mailed one business day prior to the interest payment date to the registered owner or by wire transfer on the interest payment date to the depository shown as the registered owner (Refer to “Book-Entry-Only System” herein).

#### PROVISIONS FOR PAYMENT

The principal on the Bonds shall be payable at the designated corporate trust office of the Registrar and Paying Agent, or by wire transfer to DTC or any successor depository. All payments of interest on the Bonds shall be paid by check, mailed one business day prior to the interest payment date to the registered owners as the names appear as of the fifteenth day of the month immediately preceding the interest payment date and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Registrar or by wire transfer to DTC or any successor depository. If payment of principal or interest is made to DTC or any successor depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). Payments on the Bonds shall be made in lawful money of the United States of America, which, on the date of such payment, shall be legal tender.

So long as DTC or its nominee is the registered owner of the Bonds, principal and interest on the Bonds will be paid directly to DTC by the Paying Agent. (The final disbursement of such payments to the Beneficial Owners of the Bonds will be the responsibility of the DTC Participants and Indirect Participants, as defined and more fully described herein.)

#### NOTICES

Notice of redemption shall be mailed to the registered owners of all Bonds, not less than 30 nor more than 45 days prior to the date fixed for redemption.

#### TAX MATTERS

In the opinion of Krieg DeVault LLP (“Bond Counsel”), interest on the Bonds is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of federal alternative minimum tax imposed on individuals. Such exclusion is conditioned on continuing compliance with the Tax Covenants, hereinafter defined. In the opinion of Bond Counsel, interest on the Bonds is exempt from income taxation in the State of Indiana. See Appendix D.

The Bonds are not bank qualified.

#### MISCELLANEOUS

The information contained in this Official Statement has been compiled from City officials and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, it is believed to be correct as of this date. However, the Official Statement speaks only as of its date, and the information contained herein is subject to change.

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the owners thereof. Additional information may be requested from the Clerk-Treasurer, City of Lebanon, Indiana, 401 South Meridian Street, Lebanon, Indiana 46052, phone (765) 482-1218.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.



## THE PROJECT

### PROJECT DESCRIPTION

The Project (hereinafter defined) provides biosolids dewatering and loading facilities to the existing wastewater treatment plant to facilitate the removal of dry biosolids (the “Improvements Project”). This includes the addition of a new loading building and supporting appurtenances. The Project also provides capacity of 5.0 million gallons per day of average daily flow capacity at the existing wastewater treatment plant (the “Expansion Project”). The Expansion Project includes new grit removal, additional aeration capacity, secondary clarification, ultraviolet disinfection, process piping electrical modifications, and instrumentation and control modifications. The Project also includes yard piping, process piping, demolition, excavation, dewatering, regrading, paving, landscaping, coatings and other appurtenances (the Improvements Project and the Expansion Project together the “Project”).

### CONSTRUCTION PROGRAM

Construction of the Expansion Project will begin in October 2018 and is anticipated to be completed by March of 2020. Construction of the Improvements Project was funded with the proceeds of the Sewage Works Revenue Bond Anticipation Note of 2017 and is complete.

### ESTIMATED PROJECT COSTS AND FUNDING

#### Estimated Project Costs

##### Estimated Construction Costs and Contingency:

##### Wastewater expansion project:

Raw sewage pumps	\$300,000
Grit structure	620,000
Anaerobic basin	820,000
Oxidation ditch	300,000
Final clarifiers	2,000,000
UV disinfection	850,000
Site work and yard pumping	600,000
Electrical and I&C	700,000
Construction contingency (5%)	310,000

Total Estimated Construction Costs	<u>6,500,000</u>
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##### Estimated Non-Construction Costs:

Engineering - wastewater expansion project	438,000
Allowance for bond issuance costs, contingencies and rounding	256,719
Retire BAN (1)	2,825,000
Accrued interest on BAN (2)	48,025

Total Estimated Non-Construction Costs	<u>3,567,744</u>
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Total Estimated Project Costs	<u>\$10,067,744</u>
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#### Estimated Project Funding

Proposed Sewage Works Revenue Bonds of 2018	\$9,650,000
Remaining BAN proceeds (3)	417,744

Total Estimated Project Funding	<u>\$10,067,744</u>
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- (1) Assumes a portion of the principal amount of the Sewage Works Bond Anticipation Note of 2017 (“BAN”) will be retired with remaining proceeds.
- (2) Assumes the BAN will be retired on October 18, 2018
- (3) Assumed to be equal to the remaining BAN construction funds at closing on the Bonds.

SCHEDULE OF AMORTIZATION OF \$9,650,000 PRINCIPAL AMOUNT OF  
SEWAGE WORKS REVENUE BONDS OF 2018

<u>Payment</u> <u>Date</u>	<u>Principal</u> <u>Outstanding</u> (-----In Thousands-----)	<u>Principal</u>	<u>Interest</u> <u>Rates</u> (%)	<u>Interest</u>	<u>Total</u>	<u>Budget Year</u> <u>Total</u>
01/01/2019	\$9,650					
07/01/2019	9,650					
01/01/2020	9,650					
07/01/2020	9,650					
01/01/2021	9,650					
07/01/2021	9,650					
01/01/2022	9,650					
07/01/2022	9,650					
01/01/2023	9,650					
07/01/2023	9,650					
01/01/2024	9,650					
07/01/2024	9,650					
01/01/2025	9,650					
07/01/2025	9,650					
01/01/2026	9,650	\$330				
07/01/2026	9,320	340				
01/01/2027	8,980	345				
07/01/2027	8,635	350				
01/01/2028	8,285	355				
07/01/2028	7,930	360				
01/01/2029	7,570	365				
07/01/2029	7,205	370				
01/01/2030	6,835	380				
07/01/2030	6,455	380				
01/01/2031	6,075	385				
07/01/2031	5,690	395				
01/01/2032	5,295	400				
07/01/2032	4,895	405				
01/01/2033	4,490	415				
07/01/2033	4,075	420				
01/01/2034	3,655	430				
07/01/2034	3,225	435				
01/01/2035	2,790	445				
07/01/2035	2,345	450				
01/01/2036	1,895	460				
07/01/2036	1,435	470				
01/01/2037	965	480				
07/01/2037	485	<u>485</u>				
Totals		<u>\$9,650</u>				

## SECURITIES BEING OFFERED

### AUTHORIZATION AND APPROVAL PROCESS

The Bonds are to be issued under the authority of Indiana law, including, without limitation, Indiana Code Title 36, Article 9, Chapter 23, as in effect on the date of delivery of the Bonds and pursuant to the Bond Ordinance (Appendix C) adopted by the City of Lebanon, Indiana on June 12, 2017.

Prior to issuing revenue bonds, the political subdivision must adopt a bond ordinance to authorize the issuance and sale of the Bonds. The revenues pledged in the bond ordinance must not already be pledged to another bond issue, unless permitted by the terms of the prior issue. The political subdivision prepares a report showing the sufficiency of the proposed revenues to finance the Bonds. With a few exceptions, revenue bonds must be sold through a competitive public sale and may not be negotiated.

The political subdivision may also need to adopt a rate ordinance authorizing a sufficient increase in rates and charges in order to pay debt service on the revenue bonds. Owners of property served by the utility may file a petition objecting to the increased rates and charges. If the petition is filed properly, a court hearing will be set to hear evidence from the political subdivision and the objecting petitioners. The court will confirm the rates and charges set by the political subdivision or the court will set rates and charges they deem appropriate and the political subdivision must follow the decision of the court.

### SECURITY AND SOURCES OF PAYMENT

The Bonds are payable solely out of the Net Revenues (defined as the gross revenues of the sewage works of the City remaining after the payment of the reasonable expenses of operation, repair and maintenance and excluding transfers for payment in lieu of property taxes) of the sewage works of the City now owned or hereafter acquired. The Bonds constitute a first charge upon the Net Revenues of the Sewage Works and will rank on parity with the Sewage Works Refunding Revenue Bonds of 2013, dated July 2, 2013, originally issued in the amount of \$3,000,000, currently outstanding in the amount of \$910,000, and maturing semiannually over a period ending July 1, 2020 (the “2013 Bonds”) and the Sewage Works Refunding Revenue Bonds of 2014 dated December 23, 2014, originally issued in the amount of \$3,885,000, currently outstanding in the amount of \$3,480,000, and maturing semiannually over a period ending July 1, 2025 (the “2014 Bonds”).

The Bonds are further secured by a Debt Service Reserve Account (the “Reserve Account”). It is anticipated that the Reserve Account will be funded over a five-year period from the date of delivery of the Bonds.

The City irrevocably pledges the Net Revenues of the Sewage Works to the payment of the principal of and interest on the Bonds and any bonds ranking on parity therewith to the extent necessary. The City covenants that it will cause to be fixed, maintained and collected such rates and charges for services rendered by the Sewage Works as are sufficient in each year for the payment of the proper and reasonable expenses of operation, repair and maintenance of the Sewage Works and for the payment of the sums required by the Sinking Fund under the provisions of the Bond Ordinance.

The Net Revenues of the Sewage Works that are pledged to payment of the Bonds are fully described in the Bond Ordinance, as is the pledge of net revenues (Section 12), flow of funds (Sections 13 through 16), rate covenant (Section 19), additional bond provisions (Section 20), further covenants of the City (Section 21), tax covenants (Section 23) and other pertinent matters. Only the Net Revenues of the Sewage Works are pledged as security for the Bonds.

### FUNDS AND ACCOUNTS

*Construction Account:* The proceeds from the sale of the Bonds, to the extent not used to refund BANs, and BAN proceeds, shall be deposited in a bank or banks which are legally designated depositories for the funds of the City, in a special account or accounts to be designated as “City of Lebanon, Sewage Works Construction Account” (“Construction Account”). All funds deposited to the credit of the Sinking Fund (as defined herein) or Construction Account shall be deposited, held, secured or invested in accordance with the laws of the State of Indiana relating to the depositing, holding, securing or investing of public funds, including particularly Indiana Code 5-13, as amended and supplemented. The funds in the Construction Account shall be expended only for the purpose of paying the cost of the Project, refunding the BANs, if issued, or as otherwise required by the Act or for the remaining expenses of

issuance of the Bonds. The cost of obtaining any insurance, surety bonds, credit ratings and the legal services of Krieg DeVault LLP, shall be considered as a part of the cost of the Project on account of which the BANs and Bonds are issued. Any balance or balances remaining unexpended in such special account or accounts after completion of the Project, which are not required to meet unpaid obligations incurred in connection with such Project, shall either (1) be paid into the Sinking Fund and used solely for the purposes of the Sinking Fund, or (2) be used for the same purpose or type of project for which the Bonds were originally issued, all in accordance with Indiana Code 5-1-13, as amended and supplemented. This is in accordance with Section 9 of the Bond Ordinance.

*Revenue Fund:* All revenues derived from the operation of the sewage works and from the collection of sewer rates and charges shall be deposited in the Revenue Fund ("Revenue Fund"), hereby continued, and segregated and deposited as set forth in the Ordinance. Of these revenues the proper and reasonable expenses of operation, repair and maintenance of the works shall be paid, the principal and interest of all bonds and fiscal agency charges of registrars or paying agents shall be paid, the reserve shall be funded, and the costs of replacements, extensions, additions and improvements shall be paid. This is in accordance with Section 13 of the Bond Ordinance.

*Operation and Maintenance Fund:* The Operation and Maintenance Fund ("O&M Fund") is hereby continued. On the last day of each calendar month, revenues of the sewage works shall thereafter be transferred from the Revenue Fund to the O&M Fund. The balance maintained in the O&M Fund shall be sufficient to pay the expenses of operation, repair and maintenance for the then next succeeding two (2) calendar months. The moneys credited to the O&M Fund shall be used for the payment of the reasonable and proper operation, repair and maintenance expenses of the sewage works on a day-to-day basis but none of the moneys in the fund shall be used for transfers for payment in lieu of property taxes, depreciation, improvements, extensions or additions. Any moneys in the O&M Fund may be transferred to the Sewage Works Sinking Fund if necessary to prevent a default in the payment of principal or of interest on the outstanding bonds of the sewage works. This is in accordance with Section 14 of the Bond Ordinance.

*Sinking Fund:* The Sinking Fund consists of the Bond and Interest Account and Debt Service Reserve Account ("Reserve Account"). Net Revenues of the Sewage Works shall be credited on the last day of each calendar month to the Bond and Interest Account in an amount equal to at least one-sixth (1/6) of the interest and at least one-sixth (1/6) of the principal on all then outstanding bonds payable on the next succeeding interest and principal payment date until the Bond and Interest Account shall equal the interest payable during the next succeeding six (6) calendar months. The Reserve Account provides the margin for safety against default on the Bonds. The balance to be maintained in the Reserve Account shall equal but not exceed the least of (i) the maximum annual debt service on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with claim on the Debt Service Reserve Account, (ii) 125% of average annual debt service on 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with claim on the Debt Service Reserve Account or, (iii) 10% of the proceeds of 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with claim on the Debt Service Reserve Account (the "Reserve Requirement"). The Reserve Requirement is anticipated to be funded over a five-year period from the date of delivery of the Bonds. This is in accordance with Section 15(c) of the Bond Ordinance. This is in accordance with Section 15 of the Bond Ordinance.

*Improvement Fund:* The Improvement Fund is to be used for improvements, replacements, additions and extensions of the Sewage Works or for any other lawful purpose. Money in the Improvement Fund may be transferred to the Sinking Fund, if necessary, to prevent a default on outstanding bonds, eliminate deficiencies of the Reserve Account, or transferred to the Operation and Maintenance Fund to meet unforeseen contingencies. Moneys in the Improvement Fund may also be transferred for payments in lieu of property taxes to the City. This is in accordance with Section 16 of the Bond Ordinance.

See Sections 13 through 16 of the Bond Ordinance for a complete description of the funds of the Sewage Works.

#### ADDITIONAL BONDS

The City reserves the right to authorize and issue additional bonds or other obligations payable out of the Net Revenues of its sewage works ranking on a parity with the Bonds for the purpose of financing the cost of future additions, extensions and improvements to its sewage works, or to refund obligations. See Section 20 of the Bond Ordinance.

## INVESTMENT OF FUNDS

The proceeds of this issue are to be invested in accordance with the laws of the State of Indiana relating to the depositing, holding, securing or investing of public funds, including particularly Indiana Code 5-13, and the acts amendatory thereof and supplemental thereto. The City shall direct the investment of Bond proceeds.

## THE BONDS

### INTEREST CALCULATION

Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

### REDEMPTION PROVISIONS

#### Optional Redemption:

The Bonds maturing on or after January 1, 2028 are redeemable prior to maturity at the option of the City in whole or in part in any order of maturity as determined by the City and by lot within maturities, on any date not earlier than July 1, 2027, at face value plus accrued interest to the date fixed for redemption and without any redemption premium.

#### Mandatory Sinking Fund Redemption:

If any Bonds are issued as Term Bonds, the Paying Agent shall credit against the mandatory sinking fund requirement for the Term Bonds, and corresponding mandatory redemption obligation, in the order determined by the City, any Term Bonds which have previously been redeemed (otherwise than as a result of a previous mandatory redemption requirement) or delivered to the Paying Agent for cancellation or purchased for cancellation by the Paying Agent and not theretofore applied as a credit against any redemption obligation. Each Term Bond so delivered or canceled shall be credited by the Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory redemption date, and any excess of such amount shall be credited on future redemption obligations, and the principal amount of that Term Bond to be redeemed by operation of the mandatory sinking fund requirement shall be accordingly reduced; provided, however, the Paying Agent shall only credit such Term Bond to the extent received on or before 45 days preceding the applicable mandatory redemption date.

If fewer than all the Bonds are called for redemption at one time, the Bonds shall be redeemed in order of maturity determined by the City and by lot within maturity. Each \$5,000 principal amount shall be considered a separate bond for purposes of optional and mandatory redemption. If some Bonds are to be redeemed by optional and mandatory sinking redemption on the same date, the Paying Agent shall select by lot the Bonds for optional redemption before selecting the Bonds by lot for the mandatory sinking fund redemption.

#### Notice of Redemption:

Notice of redemption shall be mailed to the registered owners of all Bonds to be redeemed at least 30 days but not more than 45 days prior to the date fixed for such redemption. If any of the Bonds are so called for redemption, and payment therefore is made to the Paying Agent in accordance with the terms of the Bond Ordinance, then such Bonds shall cease to bear interest from and after the date fixed for redemption in the call.

### BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form in the principal amount of \$5,000 or any integral multiple thereof. DTC will act as the initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS (OR THE OWNERS) WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee)

or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and redemption amounts, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriter takes any responsibility for the accuracy thereof.

In the event that the book-entry-only system is discontinued, the Paying Agent will provide for the registration of the Bonds in the name of the Beneficial Owners thereof. The City, the Registrar, Paying Agent and any other Fiduciary would treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purposes of making and receiving payment of the principal thereof and interest thereon, and for all other purposes, and none of these parties would be bound by any notice or knowledge to the contrary.

*Revision of Book-Entry-Only System:*

In the event that either (1) the City receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Bonds or (2) the City elects to discontinue its use of DTC as a clearing agency for the Bonds, then the City and the Paying Agent will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Bonds and to transfer the ownership of each of the Bonds to such person or persons, including any other clearing agency, as the holder of such Bonds may direct in accordance with the Ordinance. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Bonds will be paid by the City.

CONTINUING DISCLOSURE

Pursuant to continuing disclosure requirements promulgated by the Securities and Exchange Commission in SEC Rule 15c2-12, as amended (the "Rule"), the City will enter into a Continuing Disclosure Undertaking (the "Undertaking"), to be dated the date of the closing of the Bonds. Pursuant to the terms of the Undertaking, the City will agree to provide the following information while any of the Bonds are outstanding:

- Audited Financial Statements. To the MSRB, when and if available, the audited financial statements of the City for each fiscal year as prepared and examined by the State Board of Accounts for each twelve (12) month period ending December 31, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt from the State Board of Accounts; and
- Financial Information in this Official Statement. To the MSRB, within 180 days of each December 31, unaudited annual financial information for the City for such calendar year including (i) unaudited financial statements of the City and (ii) operating data (excluding any demographic information or forecast) of the general type provided under the following headings in this Official Statement (collectively, the "Annual Information") (which updated information may be provided in such format as the City deems appropriate):

## APPENDIX A

### - LARGE USERS

• Reportable Events. Within ten business days, to the MSRB, notice of the following events, if material, with respect to the Bonds (which determination of materiality shall be made by the City):

1. non-payment related defaults;
2. modifications to rights of Bondholders;
3. bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the obligated person, or entry into or termination of a definitive agreement relating to the foregoing; and
6. appointment of a successor or additional trustee or the change of name of a trustee.

Within ten business days, to the MSRB, notice of the following events, regardless of materiality:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. defeasances;
6. rating changes;
7. adverse tax opinions or other material events affecting the tax-exempt status of the Bonds; the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material events, notices or determinations with respect to the tax status of the securities;
8. tender offers; and
9. bankruptcy, insolvency, receivership or similar event of the obligated person.

• Failure to Disclose. In a timely manner, to the MSRB, notice of the City failing to provide the annual financial information as described above.

The City may, from time to time, amend or modify the Undertaking without the consent of or notice to the owners of the Bonds if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City, or type of business conducted; (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date of execution of the Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) such amendment or modification does not materially impair the interests of the holders of the Bonds, as determined either by (A) nationally recognized bond counsel or (B) an approving vote of the holders of the Bonds at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds the Undertaking) is permitted by the SEC Rule, then in effect.

The City may, at its sole discretion, utilize an agent in connection with the dissemination of any annual financial information required to be provided by the City pursuant to the terms of the Undertaking.

The purpose of the Undertaking is to enable the Underwriter to purchase the Bonds by providing for an undertaking/ a contract by the City in satisfaction of the Rule. The Undertaking is solely for the benefit of the owners of the Bonds and creates no new contractual or other rights for the SEC, underwriters, brokers, dealers, municipal securities dealers, potential customers, other obligated persons or any other third party. The sole remedy against the City for any failure to carry out any provision of the Undertaking shall be for specific performance of the City's disclosure obligations under the Undertaking and not for money damages of any kind or in any amount or any other remedy. The City's failure to honor its covenants under the Undertaking shall not constitute a breach or default of the Bonds, the Bond Ordinance or any other agreement.

In the previous five years, the City has not failed to comply with its previous undertakings.



The City makes no representations as to any potential materiality of such prior instances, as materiality is dependent upon individual facts and circumstances. The City has instituted procedures for ongoing compliance with such previous undertakings thereafter. The City has retained Umbaugh (as hereinafter defined) as its dissemination agent.

#### BOND RATING

S&P Global Ratings (“S&P Global”) has assigned a bond rating of “AA-” to the Bonds. Such rating reflects only the view of S&P Global and any explanation of the significance of such rating may only be obtained from S&P Global.

The rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by S&P Global. Any downward revision or withdrawal of the rating may have an adverse effect upon the market price of the Bonds.

The City did not apply to any other rating service for a rating on the Bonds.

#### UNDERWRITING

The Bonds are being purchased by \_\_\_\_\_ (the “Underwriter”) at a purchase price of \$\_\_\_\_\_, which is the par amount of the Bonds of \$\_\_\_\_\_ less the underwriter’s discount of \$\_\_\_\_\_ plus the original issue premium of \$\_\_\_\_\_. The Notice of Intent to Sell Bonds provides that all of the Bonds will be purchased by the Underwriter if any of such Bonds are purchased.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may allow concessions to certain dealers (including dealers in a selling group of the Underwriter and other dealers depositing the Bonds into investment trusts), who may reallow concessions to other dealers. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

#### MUNICIPAL ADVISOR

H.J. Umbaugh & Associates, Certified Public Accountants, LLP (the “Municipal Advisor”) (“Umbaugh”) has been retained by the City to provide certain financial advisory services including, among other things, preparation of the deemed “nearly final” Preliminary Official Statement and the Final Official Statement (the “Official Statements”). The information contained in the Official Statements has been compiled from records and other materials provided by City officials and other sources deemed to be reliable. The Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the Official Statements.

The Municipal Advisor’s duties, responsibilities and fees arise solely as Municipal Advisor to the City and they have no secondary obligations or other responsibility. However, Umbaugh is preparing the Parity Report for the Bonds. The Municipal Advisor’s fees are expected to be paid from proceeds of the Bonds.

#### *Municipal Advisor Registration:*

Umbaugh is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, Umbaugh is providing certain specific municipal advisory services to the City, but is neither a placement agent to the City nor a broker/dealer and cannot participate in the underwriting of the Bonds.

The offer and sale of the Bonds shall be made by the City, in the sole discretion of the City, and under its control and supervision. The City agrees that Umbaugh does not undertake to sell or attempt to sell the Bonds, and will take no part in the sale thereof.

#### *Other Financial Industry Activities and Affiliations:*

Umbaugh Cash Advisory Services, LLC (“UCAS”) is a wholly-owned subsidiary of Umbaugh. UCAS is registered as an investment adviser with the Securities and Exchange Commission under the federal Investment Advisers Act. UCAS provides non-discretionary investment advice with the purpose of helping clients create and maintain a disciplined approach to investing their funds prudently and effectively. UCAS may provide advisory services to the clients of Umbaugh.

UCAS has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

### LEGISLATIVE PROPOSALS

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Legislation affecting municipal bonds is considered from time to time by the United States Congress and the Executive Branch, including some proposed changes under consideration at the time of issuance of the Bonds. Bond Counsel's opinion is based upon the law in existence on the date of issuance of the Bonds. It is possible that legislation enacted after the date of issuance of the Bonds or proposed for consideration will have an adverse effect on the excludability of all or a part of the interest on the Bonds from gross income, the manner in which such interest is subject to federal income taxation or the market price of the Bonds.

Legislation affecting municipal bonds is considered from time to time by the Indiana legislature and Executive Branch. It is possible that legislation enacted after the date of the Bonds or proposed for consideration will have an adverse effect on payment or timing of payment or other matters impacting the Bonds.

The City cannot predict the outcome of any such federal or state proposals as to passage, ultimate content or impact if passed, or timing of consideration or passage. Purchasers of the Bonds should reach their own conclusions regarding the impact of any such federal or state proposals.

### TAX MATTERS

In the opinion of Krieg DeVault LLP, Indianapolis, Indiana, Bond Counsel, under federal statutes, decisions, regulations and rulings, the interest on the Bonds is excludable for federal tax income purposes from gross income under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Interest on the Bonds is not treated as a specific preference item for purposes of the federal alternative minimum tax, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior January 1, 2018. Such exclusion is conditioned on continuing compliance by City with the Tax Covenants (as hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income taxation retroactive to the date of issue. In the opinion of Krieg DeVault LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is exempt from income taxation in the State of Indiana ("State"). See Appendix D for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. The City will covenant not to take any action, within its power and control, nor fail to take any action with respect to the Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to Section 103 of the Code (collectively, "Tax Covenants"). The Bond Ordinance and certain certificates and agreements to be delivered on the date of delivery of the Bonds establish procedures to permit compliance with the requirements of the Code. It is not an event of default under the Bond Ordinance if interest on the Bonds is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Bonds.

IC 6-5.5 imposes a franchise tax on certain taxpayers (as defined in IC 6-5.5) which, in general, include all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code.

Although Bond Counsel will render an opinion that interest on the Bonds is excluded from federal gross income and exempt from State income tax, the accrual or receipt of interest on the Bonds may otherwise affect a bondholder's federal income tax or state tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and a bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, individuals, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Bonds should consult their own tax advisors with regard to the federal and State tax consequences of owning the Bonds other than those consequences set forth in the form of opinion of Bond Counsel.

The Bonds are not bank qualified.

#### ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Bonds maturing on \_\_\_\_\_ through and including \_\_\_\_\_ (collectively, the "Discount Bonds") is less than the principal amount payable at maturity. As a result the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the cover page of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount." A taxpayer who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity and who holds such Discount Bond to maturity may treat the full amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes and will not, under present federal income tax law, realize taxable capital gain upon payment of the Discount Bond at maturity.

The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on January 1<sup>st</sup> and July 1<sup>st</sup> (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

As described above in "Tax Matters," the original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

### AMORTIZABLE BOND PREMIUM

The initial offering price of the Bonds maturing on \_\_\_\_\_ through and including \_\_\_\_\_ (collectively, the “Premium Bonds”), is greater than the principal amount payable at maturity or call date. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the “Bond Premium”). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner’s basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity or call). The amount of amortizable Bond Premium will be computed on the basis of the owner’s yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth in Section 171(b) of the Code. No income tax deduction for the amount of amortizable Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning treatment of Bond Premium.

### LITIGATION

To the knowledge of the officers and counsel for the City, there is no litigation pending or threatened, against the City, which in any way questions or affects the validity of the Bonds, the collection of revenues of the Sewage Works, the pledge of Net Revenues to the payment of the Bonds, or any proceedings or transactions relating to the issuance, sale or delivery thereof.

The officers and counsel for the City will certify at the time of delivery of the Bonds that there is no litigation pending or in any way threatened questioning the validity of the Bonds, or any of the proceedings had relating to the authorization, issuance and sale of the Bonds, the Bond Ordinance or the Project would result in a material adverse impact on the financial condition of the City.

### CERTAIN LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Krieg DeVault LLP, Indianapolis, Indiana, Bond Counsel, whose approving opinion will be available at the time of delivery of the Bonds. Krieg DeVault LLP has not been asked nor has it undertaken to review the accuracy or sufficiency of this Official Statement, and will express no opinion thereon. The form of opinion of Bond Counsel is included as Appendix D of this Official Statement.

### LEGAL OPINIONS AND ENFORCEABILITY OF REMEDIES

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The remedies available to the bondholders upon a default under the Bond Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Bond Ordinance may not be readily available or may be limited. Under federal and State environmental laws certain liens may be imposed on property of the City from time to time, but the City has no reason to believe, under existing law, that any such lien would have priority over the lien on the Net Revenues pledged to the payment of debt service of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by the valid exercise of the constitutional powers of the City, the State of Indiana and the United States of America and bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

These exceptions would encompass any exercise of federal, State or local police powers (including the police powers of the City), in a manner consistent with the public health and welfare. Enforceability of the Bond Ordinance in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

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The City certifies to the best of its knowledge and belief that this Official Statement, as of its date and as it relates to the City and its economic and financial condition, (i) is complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material facts or information which would make the statements contained herein misleading.

This Official Statement and its execution are duly authorized.

CITY OF LEBANON, INDIANA

By: 

Mayor

Attest: 

Clerk-Treasurer

## APPENDIX i





## OFFICIAL NOTICE OF INTENT TO SELL BONDS

Upon not less than twenty four (24) hours' notice given by email or telephone by H.J. Umbaugh & Associates, Certified Public Accountants, LLP (the "Municipal Advisor"), as designee for the City of Lebanon, Indiana ("City"), the City will receive and consider bids for the purchase of the bonds described below. Any person interested in submitting a bid for the bonds may furnish in writing to the undersigned Clerk-Treasurer of the City, c/o its Municipal Advisor, 8365 Keystone Crossing, Suite 300, Indianapolis, Indiana 46240, (317) 465-1500 (telephone) or bids@umbaugh.com (email), the person's name, address, and telephone number, on or before 11:00 a.m. (EDT) by October 3, 2018. The persons may also furnish a telex or telecopy number or an e-mail address. Bids may also be submitted electronically via PARITY© in accordance with this notice. To the extent any instructions or directions set forth in PARITY© conflict with this notice, the terms of this notice shall control. For further information about PARITY©, potential bidders may contact bids@umbaugh.com. The undersigned Clerk-Treasurer will notify (or cause to be notified) each person so registered of the date and time bids will be received not less than twenty four (24) hours before the date and time of sale. The notification shall be made by telephone at the number furnished by such person and also by e-mail if an e-mail address has been received. The sale is expected to take place on or about October 4, 2018.

At the time designated for the sale, the Clerk-Treasurer will receive and consider bids for the purchase of the bonds of the City designated as "Sewage Works Revenue Bonds of 2018" in the aggregate amount of \$9,650,000. Bidders may bid a discount not to exceed 1.00% of the par value of the bonds. The bonds will bear interest at a rate or rates not to exceed 5% per annum (the exact interest rate or rates will be determined by bidding). Interest will be payable semiannually on January 1 and July 1 of each year beginning on January 1, 2019. Interest will be calculated on a 360-day year consisting of twelve 30-day months. Said bonds will be dated as of the date of delivery of the bonds, will be in the denominations of \$5,000 or integral multiples thereof and will mature semiannually on January 1 and July 1 in the years and in the amounts as provided by the City at least 24 hours prior to the time of the sale.

All or a portion of the bonds may be issued as one or more term bonds, upon election of the successful bidder. Such term bonds shall have a stated maturity or maturities of January 1 or July 1, in the years as determined by the successful bidder but no later than the final maturity established by the City prior to the sale. The term bonds shall be subject to mandatory sinking fund redemption and final payment(s) at maturity at 100% of the principal amount thereof, plus accrued interest to the redemption date, on dates consistent with the schedule provided.

The bonds of this issue maturing on or after January 1, 2028 are redeemable at the option of the City on July 1, 2027, or any date thereafter, on thirty (30) days' notice, in whole or in part, in the order of maturity determined by the City and by lot within a maturity, at face value, with no premium, plus in each case accrued interest to the date fixed for redemption.

Principal is payable at the office of a registrar and paying agent to be designated by the City. Interest shall be paid by check mailed to the registered owners or by wire transfer to depositories. The bonds will be issued in fully registered form.

Each bid must be for all of the bonds and must state the rate or rates of interest in multiples of 1/8 or 1/100 of one percent (1%). Any bids specifying two or more interest rates shall also specify the amount and maturities of the bonds bearing each rate, but all bonds

maturing on the same date shall bear the same single interest rate. The award will be made to the best bidder complying with the terms of sale and offering the lowest net interest cost to the City, to be determined by computing the total interest on all of the bonds to their maturities and adding thereto the discount bid, if any, and deducting therefrom the premium bid, if any. Although not a term of sale, it is requested that each bid show the net dollar interest cost to final maturity and the net effective average interest rate on the entire issue. No conditional bid or bids for less than 99.00% of the par value of the bonds will be considered. The right is reserved to reject any and all bids. In the event no satisfactory bids are received at the time of the sale, the sale will be continued from day to day thereafter, without further advertisement for a period of thirty (30) days during which time no bid which provides a higher net interest cost to the City than the best bid received at the time of the advertised sale will be considered.

Each bid not submitted via PARITY© must be on a customary bid form which shall be enclosed in a sealed envelope addressed to the undersigned Clerk-Treasurer c/o the Municipal Advisor and marked "Bid for City of Lebanon Sewage Works Revenue Bonds of 2018" or e-mailed to the Municipal Advisor at the e-mail address listed above.

If a potential bidder has questions related to the City, the financing or submission of bids, questions should be submitted by email to the address above no later than October 3, 2018 by 11:00 a.m. (Indianapolis time). To the best of the City's ability, all questions will be addressed by the City and sent to potential bidders, including any bidders requesting 24 hours' notice of sale, no later than October 3, 2018 by 5:00 p.m. (Indianapolis time). Additionally, upon request, the written responses will be emailed to any other interested bidder. Bidders should review this notice as well as the preliminary official statement and submit any questions in advance of this deadline to submit questions.

The winning bidder will be notified and instructed to submit a good faith deposit which may consist of either a certified or cashier's check or a wire transfer in the amount of \$96,500 ("Deposit"). If a check is submitted, it shall be drawn on a bank or trust company which is insured by the Federal Deposit Insurance Corporation and shall be submitted to the City (or shall wire transfer such amount *as* instructed by the City) not later than 3:30 p.m. (EDT) on the next business day after the date of the award. In either case, the Deposit shall be payable to the "City of Lebanon," and shall be held as a guaranty of the performance of the bid. No interest on the Deposit will accrue to the successful bidder. In the event the successful bidder fails to honor its accepted bid, the Deposit will be retained by the City. The successful bidder will be required to make payment for such bonds in Federal Reserve funds or other immediately available funds and accept delivery of the bonds within five days after being notified that the bonds are ready for delivery, at such bank in the City of Indianapolis, Indiana, or the City, as the purchaser shall designate, or at such other location which may be mutually agreed to by the City and such bidder. It is anticipated that the bonds will be ready for delivery within thirty days after the date of the sale and if not ready for delivery within forty five days after the sale date, the purchaser shall be entitled to rescind the sale and obtain the return of the Deposit. The successful bidder may, at its option, apply to a securities depository registered with the SEC to make such bonds depository eligible.

The winning bidder shall assist the City in establishing the issue price of the bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the bonds, together with the supporting pricing wires or equivalent communications, substantially in

the form attached to the Preliminary Official Statement in Appendix F, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and bond counsel. All actions to be taken by the City to establish the issue price of the bonds may be taken on behalf of the City by the City's Municipal Advisor identified herein and any notice or report to be provided to the City may be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the bonds) will apply to the initial sale of the bonds (the "competitive sale requirements") because: (1) the City shall disseminate this Official Notice of Intent to Sell Bonds ("Notice") to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (2) all bidders shall have an equal opportunity to bid; (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (4) the City anticipates awarding the sale of the bonds to the bidder who submits a firm offer to purchase the bonds at the highest price (or lowest interest cost), as set forth in this Notice.

Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of each maturity of the bonds (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the City if any maturity of the bonds satisfies the 10% test as of the date and time of the award of the bonds. The City shall promptly advise the winning bidder, at or before the time of award of the bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the bonds. **Bidders should prepare their bids on the assumption that some or all of the maturities of the bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the bonds.**

By submitting a bid, the winning bidder shall confirm that the underwriters have offered or will offer the bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder. The winning bidder further shall agree, on behalf of the underwriters participating in the purchase of the bonds, that the underwriters will neither offer nor sell unsold bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (1) the close of the fifth (5th) business day after the sale date; or (2) the date on which the underwriters have sold at least 10% of that maturity of the bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the bonds of that maturity or all bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the bonds of that maturity or all bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice. Further, for purposes of this Notice: (i) "public" means any person other than an underwriter or a related party, (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the bonds to the public

(including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the bonds to the public), (iii) a purchaser of any of the bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder; and (v) "Closing" and "Closing Date" mean the day the bonds are delivered to the successful bidder and payment is made thereon by the City.

The opinion of Krieg DeVault LLP, bond counsel of Indianapolis, Indiana, approving the legality of said bonds, together with a transcript of the bond proceedings, and closing certificates in the usual form showing no litigation, will be furnished to the successful bidder at the expense of the City.

The bonds may be issued, at the option of the successful bidder, by means of a book-entry-only system with no physical distribution of bond certificates made to the public. In this case, one bond certificate for each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. The successful bidder, as a condition of delivery of the bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC.

It is anticipated that CUSIP identification numbers will be printed on the bonds, but neither the failure to print such numbers on any bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder therefor to accept delivery of and pay for the bonds in accordance with the terms of its bid. No CUSIP identification number shall be deemed to be a part of any bond or a part of the contract evidenced thereby and no liability shall hereafter attach to the City or any of its officers or agents because of or on account of such numbers. All expenses in relation to the printing of CUSIP identification numbers on the bonds shall be paid for by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the successful bidder. The successful bidder will also be responsible for any other fees or expenses it incurs in connection with the resale of the bonds.

The bonds are being issued under the provisions of Indiana Code 36-9-23 for the purpose of providing funds to be applied on the costs of the construction of additions and improvements to the sewage works of the City, retire the outstanding Sewage Works Bond Anticipation Note of 2017 and pay issuance expenses. The bonds will be payable solely out of a special fund from the net revenues of the sewage works of the City. In the opinion of bond counsel, under the federal statutes, decisions, regulations and rulings existing on this date, the interest on the bonds is excludable from gross income for purposes of federal income taxation.

The City has outstanding certain: (i) Sewage Works Refunding Revenue Bonds of 2013, dated July 2, 2013 ("2013 Bonds"), now outstanding in the amount of \$910,000, and maturing

annually over a period ending July 1, 2020; (ii) Sewage Works Refunding Revenue Bonds of 2014 ("2014 Bonds"), dated December 23, 2014 ("2014 Bonds"), now outstanding in the amount of \$3,480,000, and maturing annually over a period ending July 1, 2025 (hereinafter, collectively, "Outstanding Bonds"). The bonds now being offered will rank on a parity with the Outstanding Bonds. The City has reserved the right to issue additional bonds ranking on a parity with the bonds now being offered, upon certain terms and conditions specifically set forth in the ordinance authorizing issuance of the bonds.

The bonds are subject to the Internal Revenue Code of 1986 as in effect on the date of their issuance ("Code") which imposes limitations on the issuance of obligations like the bonds under federal tax law. The City has covenanted to comply with those limitations to the extent required to preserve the exclusion of interest on the bonds from gross income for federal income tax purposes.

The City has prepared an Official Statement relating to the bonds which it deems to be nearly final. A copy of the nearly final Official Statement may be obtained from the City's Municipal Advisor or from PARITY©.

Within seven (7) business days of the sale, the City will provide the successful bidder with up to 20 copies of the final Official Statement at the City's expense and such additional copies as may be requested, within five (5) business days of the sale, by the successful bidder at the expense of the successful bidder. Inquiries concerning matters contained in the nearly final Official Statement must be made and pricing and other information necessary to complete the final Official Statement must be submitted by the successful bidder within two (2) business days following the sale to be included in the final Official Statement.

In the ordinance approving the bonds and pursuant to a Continuing Disclosure Undertaking to be delivered by the City upon delivery of the bonds, the City will covenant to comply with Securities and Exchange Commission Rule 15c2-12, as in effect of the date of delivery of the bonds ("Rule 15c2-12"). The City will covenant to provide the most recent annual financial information and operating data relating to the City as described in the Preliminary Official Statement prepared in connection with the sale of the bonds. Further, with respect to the bonds, the City will undertake to provide notice of those material events required by Rule 15c2-12.

/s/ Tonya Thayer, Clerk-Treasurer,  
City of Lebanon, Indiana

## APPENDIX A





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The General Information section contains information regarding the tax base of the City; however, NO PROPERTY TAXES ARE PLEDGED TO PAYMENT OF THE SEWAGE WORKS REVENUE BONDS OF 2018.

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## **CITY OF LEBANON**

### **SYSTEM OVERVIEW**

The existing Lebanon WWTP has a design average daily flow (ADF) of 3.3 million gallons per day (MGD) and a maximum flow capacity of 8.6 MGD. The facility is a traditional secondary treatment facility using an extended aeration process. The plant is presently comprised of influent screening, grit removal, oxidation ditches, secondary clarification, chlorination, dichlorination, aerobic digestion and sludge dewatering. Due to recent residential and industrial growth within the City, the volumetric and mass loadings to the facility are nearing design values. Expansion of both the flow capacity and the loading capacity of the plant is critical for continued growth in Lebanon.

### **PROJECT DESCRIPTION**

The Project (including the Improvements Project and the Expansion Project as herein defined) provides biosolids dewatering and loading facilities to the existing wastewater treatment plant to facilitate the removal of dry biosolids (the "Improvements Project"). This includes the addition of a new loading building and supporting appurtenances. The Project also provides capacity of 5.0 million gallons per day of average daily flow capacity at the existing wastewater treatment plant (the "Expansion Project"). The Expansion Project also includes new grit removal, additional aeration capacity, secondary clarification, ultraviolet disinfection, process piping electrical modifications, and instrumentation and control modifications. The Project also includes yard piping, process piping, demolition, excavation, dewatering, regrading, paving, landscaping, coatings and other appurtenances.

### **RATES**

The rates for the Sewage Works are set and approved by the Common Council of the City. The last rate increase was adopted on November 23, 2015 and became effective January 1, 2016.

### **RATE HISTORY**

<u>Year</u>	<u>Rate Approved</u>	<u>Ordinance</u>	<u>Bill – 533 Cubic Feet (4,000 Gallons)</u>
2003	July 14, 2003	03-11	\$25.26
2004	October 24, 2004	04-10	33.38
2005	July 25, 2005	05-09	35.37
2015	November 23, 2015	15-17	46.71

### **DEBT SERVICE COVERAGE**

<u>Year</u>	<u>Net Revenues</u>	<u>Debt Service</u>	<u>Coverage</u>
2014	\$1,142,265	\$676,889	169%
2015	1,196,827	687,898	174%
2016	2,091,067	678,605	308%
2017*	2,483,651	685,455	362%
2018**	2,436,021	673,784	362%

\* 2017 and the twelve months ended June 30, 2018 both include a one-time availability fee from Ken's Food in the amount of \$549,100.

\*\*Twelve months ended June 30, 2018.

Source: Based on the historical financial statements.

### USER CONNECTIONS

Based upon information provided by the Indiana State Board of Accounts and utility billing personnel, the number of Sewage Works customers is reported as follows:

<u>Year</u>	<u>Number of Customers</u>
2009	6,093
2010	6,175
2011	6,196
2012	6,205
2013	6,266
2014	6,312
2015	6,358
2016	6,408
2017	6,453
2018*	6,515

\*As of June 30, 2018.

### CUSTOMER USE

#### Percent of Total Billed Flow

	<u>Commercial</u>	<u>Industrial</u>	<u>Residential</u>	<u>Total</u>
2014	33.8%	11.3%	54.9%	100.0%
2015	34.9%	11.1%	54.0%	100.0%
2016	36.5%	10.3%	53.2%	100.0%
2017	36.7%	10.4%	52.9%	100.0%
2018*	36.5%	11.0%	52.5%	100.0%

#### Percent of Total Revenues

	<u>Commercial</u>	<u>Industrial</u>	<u>Residential</u>	<u>Total</u>
2014	29.7%	9.2%	61.1%	100.0%
2015	30.5%	9.0%	60.5%	100.0%
2016	32.5%	8.4%	59.1%	100.0%
2017	32.0%	8.5%	59.5%	100.0%
2018*	31.8%	8.8%	59.4%	100.0%

\*Twelve months ended June 30, 2018.

### LARGE USERS

The following is a list of the ten largest users of the Sewage Works, according to the utility records. Total billed revenue for the twelve months ended June 30, 2018 was \$4,790,266. The ten largest users as presented below accounted for approximately 14.48% percent of billed revenue.

<u>Name</u>	<u>Type of Business</u>	Twelve Months Ended 6/30/18		
		<u>Usage</u> (Gallons)	<u>Billed Revenue</u>	<u>%</u>
Skjodt-Barrett Foods	Mfg. complex food ingredients	22,963,825	\$176,277	3.68%
Maplehurst Bakeries LLC	Mfg. baked goods	11,484,864	90,858	1.90%
Witham Memorial Hospital	Acute health care facility	10,377,113	82,812	1.73%
Kise Estates (J.M. Smith)	Apartment complex	8,216,536	67,635	1.41%
Herman & Kittle Properties	Apartment complex	5,603,807	58,539	1.22%
Boone County Jail	County correctional facility	7,062,572	55,382	1.16%
Lebanon Community School Corp.	Public school corporation	4,896,026	51,242	1.07%
White Castle	Meat processing facility	4,921,871	41,086	0.86%
Pilot Travel Centers	Gas station and convenience store	4,251,344	35,071	0.73%
Parkwood Healthcare Center	Healthcare facility	<u>4,451,223</u>	<u>34,566</u>	<u>0.72%</u>
Totals		<u>84,229,181</u>	<u>\$693,468</u>	<u>14.48%</u>

Note: In May 2018, Ken's Foods opened a 320,000 square-foot facility in Lebanon and is expected to become a large user of the Sewage Works (see page A-11).

## **GENERAL PHYSICAL AND DEMOGRAPHIC INFORMATION**

### **LOCATION**

The City of Lebanon (the “City”) is the county seat of Boone County. The City is located in central Indiana and is approximately 30 miles northwest of Indianapolis, midway between downtown Indianapolis and Lafayette, Indiana.

### **GENERAL CHARACTERISTICS**

The City is home to many entertainment and cultural activities for residents and visitors to enjoy. The City’s Parks and Recreation Department maintains several parks and facilities. Lebanon Memorial Park is 40 acres and offers basketball and baseball complexes, a walking course, and a 50-meter pool. The 50-acre Abner Longley Park is home to a variety of sports fields and courts, as well as to the Indianapolis Symphony Orchestra’s annual Symphony at Sunset.

The City square around the Boone County Courthouse was recently placed on the National Register of Historic Places. The historic courthouse was built in 1912 and is known for its limestone pillars and having the second largest stained glass dome in the state. The Boone County Historical Society is headquartered in the City at the Cragun House, which is an 1893 museum house giving visitors a glimpse into the late-nineteenth century.

In May 2018, the City broke ground on a \$7 million downtown improvement project that will provide new streetscapes with brick pavers, new lighting fixtures and sidewalks. The project will also connect the Big 4 Trail, the City’s multi-use trail, to run along the south side of the historic downtown square.

Library services are provided to residents through the Lebanon Public Library. The Library offers traditional lending services as well as a Heritage Center, which occupies the original library building built in 1905, and contains genealogical and historical resources related to Boone county as well as an Indiana collection.

### **ADMINISTRATION AND STAFF**

The management of the City Sewage Works, along with the electric and water utilities, is under the direction of the five-member City Utility Service Board. The day-to-day operations are under the management of the General Manager. The Sewage Works superintendent oversees the day-to-day operations of the system and plant. The Sewage Works currently employs 18 employees. The City employs approximately 106 full-time, 5 part-time and 53 seasonal employees with no union representation.

### **PLANNING AND ZONING**

The City has a nine-member Plan Commission to provide orderly growth for residential, commercial and industrial areas within the City and a two-mile jurisdiction surrounding its limits. The City also has a five-member Board of Zoning Appeals.

### **EDUCATION**

The Lebanon Community School Corporation serves residents of the City, operating one high school, one middle school and four elementary schools. The superintendent’s office reports 2017-2018 enrollment for the School Corporation at 3,485 students, with approximately 225 certified and 205 non-certified employees. The School Corporation offers special education programming, pre-kindergarten special education programming, and extensive career and technical programming for its students.

## **PENSION OBLIGATIONS**

*The following information has been excerpted from the Lebanon Electric, Water, Wastewater and Telecommunications Utilities January 1, 2015 to December 31, 2016 State Board of Accounts audit report B50271. For further information assumptions and other inputs, the complete audit is available at <http://www.in.gov/sboa/resources/reports/audit/>.*

### **Utility Service Board Employees' 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 the Lebanon Municipal Utilities. An employee becomes a participant on a voluntary basis upon completion of 1 year of service. State statute (Indiana Code 8-1.5-3-7) provided for the establishment of the plan, authorized employee contributions, and any amendments. Covered employees may retire with full benefits (determined in accordance with the plan agreement) at either age 65, age 55 with 15 years of vesting service or age 60 with age and years of vesting service equal to or greater than 85. Benefits vest at 10 years of service. Employee benefits are based on 1 1/4 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.

#### **Plan Membership**

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

	<u>2015</u>	<u>2016</u>
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 precedes 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 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 years ended December 31, 2015 and December 31, 2016, were \$450,476 and \$450,476 respectively. The Sewage Works portion of the contribution for 2017 was \$139,647.

### 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:

	<u>Electric Utility</u>		<u>Water Utility</u>		<u>Wastewater Utility</u>		<u>Telecom Utility</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
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 differences between projected and actual investments	<u>31,199</u>	<u>-</u>	<u>19,784</u>	<u>-</u>	<u>22,067</u>	<u>-</u>	<u>3,044</u>	<u>-</u>
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.



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

	<u>Electric Utility</u>		<u>Water Utility</u>		<u>Wastewater Utility</u>		<u>Telecom Utility</u>	
	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 differences between projected and actual investments	<u>191,189</u>	<u>-</u>	<u>121,242</u>	<u>-</u>	<u>135,231</u>	<u>-</u>	<u>18,653</u>	<u>-</u>
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:

	<u>Year Ended December 31, 2015</u>			
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Telecom Utility</u>
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	<u>7,993</u>	<u>5,069</u>	<u>5,654</u>	<u>780</u>
Totals	<u>\$ 394,457</u>	<u>\$250,142</u>	<u>\$ 279,006</u>	<u>\$ 38,484</u>

	<u>Year Ended December 31, 2016</u>			
	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Telecom Utility</u>
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	<u>45,170</u>	<u>28,644</u>	<u>31,949</u>	<u>4,407</u>
Totals	<u>\$432,789</u>	<u>\$274,452</u>	<u>\$ 306,119</u>	<u>\$ 42,225</u>

#### 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. of the State Board of Accounts audit report. 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:

	Utility Pension		
<u>Change in Net Pension Liability</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 at December 31, 2015	<u>\$9,123,062</u>	<u>\$6,548,769</u>	<u>\$2,574,293</u>

Utility Pension			
<u>Change in Net Pension Liability</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	<u>(364,716)</u>	<u>(364,715)</u>	<u>(1)</u>
Net changes	<u>307,977</u>	<u>77,553</u>	<u>230,424</u>
Balance at December 31, 2016	<u>\$9,431,039</u>	<u>\$6,626,322</u>	<u>\$2,804,717</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 reported by the plan. The plan uses the economic resources 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.

#### Financial Statements for Defined Benefit Plans

##### Combining Statements of Fiduciary Net Position – Pension Trust Funds:

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

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

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

*The following information has been excerpted from the following actuarial report: City of Lebanon Utility Service Board Employees' Pension Plan - Financial Reporting for Pension Plans – Government Accounting Standards Board (GASB) Statement No. 67 for plan year ending December 31, 2017 and City of Lebanon Utility - Accounting and Financial Reporting for Pensions - GASB Statement No. 68 for fiscal year ending December 31, 2018, dated 8/28/18 as prepared by Principal.*

Plan Membership

Plan Membership Fiscal year end 12/31/18

Active plan members	47
Inactive plan members entitled to but not yet receiving benefits	23
Retired plan members or beneficiaries currently receiving benefits	<u>32</u>
Total	<u>102</u>

Contributions

The Utilities' contributions to the plan for the years ended December 31, 2017 and December 31, 2018, were \$450,476 and \$457,194, respectively.

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

For the years ended December 31, 2017 and December 31, 2018, the utilities recognized pension expense was \$670,361 and \$541,611 respectively.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) <u>of Resources</u>
Differences between expected and actual experience	\$63,986	\$(157,667)
Effects of changes in assumptions	364,726	(35,977)
Net differences between expected and net investment income	<u>          </u>	<u>(235,395)</u>
Total deferred outflows and (inflows) of resources	<u>\$428,712</u>	<u>\$(429,039)</u>

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

<u>Fiscal Year</u> <u>ending 12/31</u>	<u>Amount to be</u> <u>recognized</u>
2019	\$235,093
2020	30,124
2021	(99,669)
2022	(163,297)
2023	(2,578)
Thereafter	0

The components of the net pension liability of the Utility Pension Plan at December 31, 2017 and 2018, were as follows:

	<u>2018</u>	<u>2017</u>
Actuarial net pension liability	\$10,458,447	\$10,185,314
Plan fiduciary net position	<u>8,405,340</u>	<u>7,162,461</u>
Net Pension liability	<u>\$2,053,107</u>	<u>\$3,022,853</u>
Fiduciary net position as a Percentage of total pension liability	<u>80.37%</u>	<u>70.32%</u>
Covered employee payroll	<u>\$3,007,765</u>	<u>\$2,980,208</u>
Net pension liability as a percentage of covered employee payroll	<u>68.26%</u>	<u>101.43%</u>

Change in the net pension liabilities for 2017 and 2018 are as follows:

	Utility Pension		
<u>Change in Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2016	\$9,431,039	\$6,626,322	\$2,804,717
Service cost	155,951		155,951
Interest cost	634,778		634,778
Differences between expected and Actual experience (gain)/loss	111,208		111,208
Changes in assumptions (gain)/loss	207,500		207,500
Employee contributions		84,738	(84,738)
Employer contributions		450,476	(450,476)
Net investment income		374,472	(374,472)
Administrative expenses		(18,385)	18,385
Benefit payments, including refunds	<u>(355,162)</u>	<u>(355,162)</u>	<u>0</u>
Net changes	<u>754,275</u>	<u>536,139</u>	<u>218,136</u>
Balance at December 31, 2017	<u>\$10,185,314</u>	<u>\$7,162,461</u>	<u>\$3,022,853</u>

	Utility Pension		
<u>Change in Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance at December 31, 2017	\$10,185,314	\$7,162,461	\$3,022,853
Service cost	173,532		173,532
Interest cost	661,109		661,109
Differences between expected and Actual experience (gain)/loss	(148,402)		(148,402)
Changes in assumptions (gain)/loss	(38,416)		(38,416)
Employee contributions		82,640	(82,640)
Employer contributions		457,194	(457,194)
Net investment income		1,102,580	(1,102,580)
Administrative expenses		(24,845)	24,845
Benefit payments, including refunds	<u>(374,690)</u>	<u>(374,690)</u>	<u>0</u>
Net changes	<u>273,133</u>	<u>1,242,879</u>	<u>(969,746)</u>
Balance at December 31, 2018	<u>\$10,458,447</u>	<u>\$8,405,340</u>	<u>\$2,053,107</u>

Statement of Fiduciary Net Position – Pension Trust Funds

<u>Assets</u>	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>
Investments:		
Large U.S. Equity	\$2,759,317	\$2,345,740
Small/Mid U.S. Equity	492,016	427,096
International Equity	1,372,624	934,989
Balanced /Asset Allocation	169,050	144,873
Fixed Income	3,113,147	2,880,115
Other	<u>499,186</u>	<u>429,648</u>
Total Assets	<u>\$8,405,340</u>	<u>\$7,162,461</u>
Fiduciary Net Position	<u>\$8,405,340</u>	<u>\$7,162,461</u>

Statement of Changes in Fiduciary Net Position

	Fiscal Year End <u>12/31/18</u>
<u>Additions:</u>	
Contributions:	
Employee	\$82,640
Employer	<u>457,194</u>
Total contributions	<u>539,834</u>
Investment income (loss):	
Net investment income	<u>1,102,580</u>
Total additions	<u>1,642,414</u>
<u>Deductions:</u>	
Benefit payments	374,690
Administrative expenses	<u>24,845</u>
Total deductions	<u>399,535</u>
Net change	1,242,879
Net position – beginning	<u>7,162,461</u>
Net position - ending	<u>\$8,405,340</u>

## Public Employees' Retirement Fund

### Plan Description

The Lebanon Municipal Utilities ("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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

### Funding Policy and Annual Pension Cost

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

Employer contributions for 2017 were \$161,146.

### Other Postemployment Benefits

Retirees are eligible to remain on the City's health insurance and life insurance plans. There are currently no retirees on the City's health insurance plan. There are two retirees that continued life insurance coverage; however, the retiree pays the premium.

Upon termination of employment, the City pays out unused vacation days. In 2017, the City paid out a total of \$7,088 for this benefit.



## **GENERAL ECONOMIC AND FINANCIAL INFORMATION**

### **COMMERCE AND INDUSTRY**

The City has a variety of employment opportunities for residents including manufacturing, healthcare, distribution, and education. While the City is home to major manufacturing and industrial companies, downtown Lebanon maintains a small town feel with a variety of small businesses. The location of the City provides easy access to several major cities by way of Interstate 65. This has been an important factor to the retail trade and industrial growth of the area.

Witham Memorial Hospital has been located in the City for over 100 years and in 2016, the hospital's board approved plans for a \$24 million addition, according to the Indiana Economic Digest. The addition will be four stories, add 76,636 square-feet, and include services such as wound care, endocrinology, and a pain clinic. It is anticipated that 60 new jobs will be created. According to the Boone County Economic Development Corporation (the "EDC"), the hospital broke ground on the addition in August 2017 and the project is still currently under construction.

Many of the largest employers in the City are located in the Lebanon Business Park including Case New Holland Industrial (CNH Industrial), Skjodt-Barrett Foods, Hachette Book Group, D-A Lubricant, and Maplehurst Bakeries. According to the Indiana Economic Digest, in August 2016 it was announced that the Lebanon Business Park would be expanding by approximately 250 acres and the expansion has been designated as a CSX Select Site. The CSX Select Site designation will allow businesses to run the rail line from the switching point of the railroad track in the business park directly to their facility.

In May 2018, Ken's Foods, a producer of dressings, sauces, and marinades, opened a 320,000 square foot facility in the new portion of the Lebanon Business Park that is designated as a CSX Select Site. According to the Indiana Economic Digest, in August 2016 it was announced the company was purchasing a 40-acre parcel of land for the facility. Per City officials, the company invested \$58 million in real property and \$35 million in personal property. The company anticipates employing approximately 150 jobs in the area.

In February 2018, Consolidated Container Corporation (CCC) announced the company would be leasing space in the Lebanon Business Park. The manufacturer of rigid plastic packaging solutions will invest \$4.4 million to set up operations inside Ken's Food and create ten jobs by the end of the year.

Skjodt-Barrett Foods is a distributor of packaged food products. In 2011, the company located its corporate headquarters in Lebanon and has a 55-acre campus in the Lebanon Business Park. According to the EDC in October 2014, the company announced a \$43.9 million investment to make improvements to the Lebanon campus and create an additional 97 jobs by 2017. As of year-end 2017, the company had hired 97 new employees.

Hachette Book Group is a distribution center for educational books and has been located in the Lebanon Business Park since 1996. According to the Indiana Economic Digest, in January 2016 the company announced plans to expand through the lease of an additional building in the park. This brings the company's total space in the park to approximately 1.8 million square feet in three buildings. Also in 2016, the company announced plans to expand again and create up to 130 additional jobs. Per the EDC, the expansion is now completed.

D-A Lubricant Company, Inc. is a manufacturer and distributor of automotive lubricants whose headquarters are located in the Lebanon Business Park. According to the EDC, in October 2017 the company announced plans to install a new production line at the Lebanon facility. The company has invested an estimated \$4.6 million in personal property for the new production line, which has been installed and is operational. This is the third time the company has expanded its Lebanon operations since locating to the City.

United States Cold Storage is a logistics provider for the frozen and refrigerated food industry that currently has a 200,000 square foot facility in the Lebanon Business Park. In November 2017, the company received incentives from the City for a potential expansion, per the EDC. Pending a final internal company approval, the company is planning to add an additional 100,000 square feet to its current facility, invest \$16 million in real property, \$13 million in personal property, and create approximately 30 new jobs.

In 2015, Pearson Education closed its 1.2 million square-foot distribution center at the Lebanon Business Park. In July 2017 XPO Logistics, a third-party logistics company, announced plans to locate in the former Pearson Education building and create up to 1,160 new jobs. According to the EDC, the company currently employs 630 individuals, of which 525 are hourly workers. In addition, per the Indiana Economic Digest, the company plans to invest \$30 million in personal property to upgrade the facility.

The City is also working to increase the City's housing options. Per the EDC, two builders are actively working on new housing developments on the north side of the City. Approximately 100-300 houses total in the \$150,000 to \$225,000 price range are anticipated to be constructed. Construction has not yet started on the developments.

Gander Mountain, an outdoor retail store chain, has two distribution facilities in the Lebanon Business Park that serve all Gander Mountain stores. In April 2017, Camping World and Good Sam Family won certain Gander Mountain assets, now known as Gander Outdoors, in a bankruptcy auction. According to the EDC, as of July 2018, one of Gander Outdoor's facilities is operational and actively hiring and the other is for sale.

In March 2018, IBC Coatings, a producer of advanced surface treatments, announced plans to invest nearly \$5 million to expand its existing headquarters in the City to accommodate new, long-term contracts awarded by the Department of Defense. The company plans to construct a 19,000 square foot addition to expand manufacturing capabilities and hire up to 14 new employees according to the EDC.

MonoSol, a global manufacturer of water-soluble films, announced in March 2018 plans to invest \$72 million to construct a new, high-tech production facility in the City according to the EDC. The 150,000 square-foot manufacturing facility will create up to 89 new, high-wage positions. Construction is anticipated to be complete in early 2020.

Per Indiana Business, in July 2018, the power tool manufacturer Festool announced plans to invest \$9.3 million in an 80,000 square-foot expansion to its current facility in the Lebanon Business Park. The expansion is anticipated to create up to 65 jobs. The company doubled its facility three years ago with a \$7 million expansion.

### **LARGE EMPLOYERS**

Below is a list of the City's largest employers. The number of employees shown are as reported by company personnel unless otherwise noted. Because of reporting time lags and other factors inherent in collecting and reporting such information, the statistics may not reflect recent employment levels.

<u>Name</u>	<u>Year Established</u>	<u>Type of Business</u>	<u>Reported Employment</u>
Witham Memorial Hospital	1917	Healthcare	932
XPO Logistics	2018	Logistics	630 (1)
Hachette Book Group	1996	Distribution center for educational books	598 (1)
Boone County	1830	County government	520 (2)
Hendrickson Trailer Suspension	1995	Mfg. trailer systems	442
Lebanon Community School Corporation		Public education	430 (3)
CNH Industrial	2004	Mfg. farm equipment	350 (1)
Skjodt-Barret Foods	2011	Mfg. processed baby food	300 (4)
Maplehurst Bakeries	2015	Mfg. frozen bakery products	217 (1)
Kauffman Engineering		Electronic components	165 (4)

(1) Per the Boone County Economic Development Corporation.

(2) Includes full-time, part-time, and seasonal employees.

(3) Includes 225 certified and 205 non-certified staff.

(4) Per the 2017 Harris Indiana Industrial Directory.

### **EMPLOYMENT**

<u>Year</u>	<u>Unemployment Rate</u>		<u>Boone County Labor Force</u>
	<u>Boone County</u>	<u>Indiana</u>	
2013	5.7%	7.7%	31,079
2014	4.4%	6.0%	32,166
2015	3.7%	4.8%	33,494
2016	3.4%	4.4%	34,838
2017	2.8%	3.5%	34,993
2018, July	2.8%	3.5%	36,679

Source: Indiana Business Research Center. Data collected as of August 29, 2018.

### **BUILDING PERMITS**

Provided below is a summary of the number of building permits for the City.

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>
	<u>Total Permits</u>	<u>Total Permits</u>	<u>Total Permits</u>
2013	8	3	2
2014	14	6	2
2015	26	3	0
2016	36	0	0
2017	33	4	1

Source: City of Lebanon Planning Department.

## POPULATION

<u>Year</u>	<u>City of Lebanon</u>		<u>Boone County</u>	
	<u>Population</u>	<u>Percent of Change</u>	<u>Population</u>	<u>Percent of Change</u>
1970	9,766	2.55%	30,870	12.08%
1980	11,456	17.30%	36,446	18.06%
1990	12,059	5.26%	38,147	4.67%
2000	14,222	17.94%	46,107	20.87%
2010	15,792	11.04%	56,640	22.84%
2017, Est.	15,959	1.06%	65,875	16.30%

Source: U.S. Census Bureau.

## AGE STATISTICS

	<u>City of Lebanon</u>	<u>Boone County</u>
Under 25 Years	5,206	19,563
25 to 44 Years	4,227	14,284
45 to 64 Years	4,044	16,149
65 Years and Over	2,315	6,644
Totals	<u>15,792</u>	<u>56,640</u>

Source: U.S. Census Bureau's 2010 Census.

## EDUCATIONAL ATTAINMENT

<u>Years of School Completed</u>	<u>Persons 25 and Over</u>	
	<u>City of Lebanon</u>	<u>Boone County</u>
Less than 9th grade	4.6%	2.1%
9th to 12th grade, no diploma	9.0%	4.7%
High school graduate	35.6%	25.4%
Some college, no degree	19.4%	15.8%
Associate's degree	6.8%	7.4%
Bachelor's degree	18.7%	26.1%
Graduate or professional degree	5.9%	18.5%

Source: U.S. Census Bureau's 2012-2016 American Community Survey 5-Year Estimates.

### MISCELLANEOUS ECONOMIC INFORMATION

	<u>City of Lebanon</u>	<u>Boone County</u>	<u>Indiana</u>
Per capita income, past 12 months*	\$28,943	\$40,487	\$26,117
Median household income, past 12 months*	\$46,943	\$72,774	\$50,433
Average weekly earnings in manufacturing (1st qtr. of 2018)	N/A	\$912	\$1,348
Land area in square miles - 2010	15.55	422.91	35,826.11
Population per land square mile - 2010	1,015.6	133.9	181.0
Retail sales in 2012:			
Total retail sales	\$301,403,000	\$1,137,916,000	\$85,857,962,000
Sales per capita**	\$19,086	\$20,090	\$13,242
Sales per establishment	\$4,305,757	\$7,111,975	\$3,974,722

\*In 2016 inflation-adjusted dollars – 5-year estimates.

\*\*Based on 2010 Population.

Source: Bureau of Census Reports and the Indiana Business Research Center. Data collected as of June 20, 2018.

<u>Employment and Earnings - Boone County 2016</u>	<u>Earnings</u> (In 1,000s)	<u>Percent of Earnings</u>	<u>Labor Force</u>	<u>Distribution of Labor Force</u>
Retail trade	\$345,330	19.08%	8,732	22.03%
Services	343,988	19.01%	10,087	25.45%
Other*	290,088	16.03%	4,759	12.00%
Government	222,476	12.29%	3,764	9.49%
Construction	181,881	10.05%	2,593	6.54%
Manufacturing	136,371	7.54%	2,408	6.07%
Transportation and warehousing	119,144	6.58%	2,552	6.44%
Finance, insurance and real estate	95,649	5.29%	3,591	9.06%
Farming	47,513	2.62%	657	1.66%
Information	27,369	1.51%	499	1.26%
Totals	<u>\$1,809,809</u>	<u>100.00%</u>	<u>39,642</u>	<u>100.00%</u>

\*In order to avoid disclosure of confidential information, specific earnings and employment figures are not available for the Forestry, fishing, related activities, Mining, Utilities, Wholesale trade, and certain areas of the Services Sectors. The data is incorporated here.

Source: Bureau of Economic Analysis and the Indiana Business Research Center. Data collected as of June 20, 2018.

<u>Adjusted Gross Income</u>	<u>Year</u>	<u>Boone County Total</u>
	2011	\$2,203,799,336
	2012	2,413,511,678
	2013	2,494,390,814
	2014	2,682,755,984
	2015	2,948,361,349

Source: Indiana Department of Revenue.

## SCHEDULE OF INDEBTEDNESS

The following schedule shows the outstanding indebtedness of the City and the taxing units within and overlapping its jurisdiction as of August 1, 2018, including issuance of the Bonds, as reported by the respective taxing units.

<u>Direct Debt</u>	<u>Original Par Amount</u>	<u>Final Maturity</u>	<u>Outstanding Amount</u>
Self-Supporting Revenue Debt (1)			
Sewage Works Revenue Bonds of 2018	\$9,650,000	07/01/37	\$9,650,000
Sewage Works Refunding Revenue Bonds of 2014	3,885,000	07/01/25	3,480,000
Sewage Works Refunding Revenue Bonds of 2013	3,000,000	07/01/20	910,000
Electric Utility Revenue Bonds of 2013	13,000,000	01/01/34	<u>10,375,000</u>
Subtotal			<u>24,415,000</u>

(1) A portion of the Bonds will retire the \$2,825,000 outstanding Sewage Works Bond Anticipation Notes of 2017. The City also anticipates issuing waterworks revenue bonds in early 2019.

### Tax Supported Debt:

Lebanon Redevelopment Authority			
Lease Rental Bonds of 2018	\$5,520,000	02/15/40	\$5,520,000
Economic Development Lease Rental Refunding Bonds, Series 2017	2,010,000	02/15/26	1,795,000
Lease Rental Revenue Bonds, Series 2014A	1,900,000	02/01/35	1,900,000
Taxable Lease Rental Revenue Bonds, Series 2014B	3,100,000	02/01/29	2,500,000
Lebanon Redevelopment Commission			
Redevelopment District Bonds of 2018	2,960,000	02/01/40	2,800,000
Redevelopment District Bonds of 2015	2,570,000	01/15/40	2,570,000
Park District Bonds of 2013, Series A	2,000,000	01/01/28	1,535,000
Park District Bonds of 2013	2,000,000	01/01/28	1,480,000
Building Corporation Lease Rental Refunding Revenue Bonds, Series 2013	4,300,000	01/15/24	2,385,000
Department of Storm Water Management			
Storm Water District Bonds, Series 2014	2,000,000	07/01/34	1,920,000
Storm Water District Bonds, Series 2013	2,000,000	01/01/33	2,000,000
Storm Water District Refunding Bonds of 2012, Series A	2,530,000	01/01/21	775,000
Storm Water District Bonds of 2012, Series B	2,000,000	01/01/32	2,000,000
Equipment and Vehicle Leases			<u>287,005</u>
Subtotal			<u>29,467,005</u>

Note: The Lebanon Redevelopment Authority anticipates issuing approximately \$3,265,000 of Economic Development Lease Rental Bonds, Series 2018 in September, 2018.

### Lebanon Redevelopment District (Tax Increment Only Supported Debt)

Economic Development Revenue Bonds, Series 2015 (GDI Project)	\$1,730,000	02/01/29	\$1,651,529
Economic Development Multipurpose Revenue Bonds, Series 2015 (Skjodt-Barrett Project)	2,975,000	02/01/32	2,975,000
Taxable Economic Development Revenue Bonds, Series 2011 (FiberNet Project)	1,000,000	02/01/36	740,000
Economic Development Tax Increment Revenue Bonds, Series 2010 (DA Lubricant)	1,500,000	08/01/22	<u>631,000</u>
Subtotal			<u>5,997,529</u>
Total Direct Debt			<u><u>\$59,879,534</u></u>

<u>Overlapping Debt</u>	<u>Total Debt</u>	<u>Percent Allocable to City (2)</u>	<u>Amount Allocable to City</u>
Tax Supported Debt			
Boone County	\$76,438,245	16.80%	\$12,841,625
Boone County Redevelopment District (Tax Increment Only)	25,470,000	0.00%	0
Lebanon Community School Corporation (3)	39,174,800	59.73%	23,399,108
Lebanon Public Library	2,305,000	79.62%	<u>1,835,241</u>
Total Overlapping Debt			<u><u>\$38,075,974</u></u>

(2) Based upon the 2017 payable 2018 net assessed valuation of the respective taxing units.

(3) The School Corporation anticipates issuing \$5 million of general obligation bonds in September 2018.

The schedule presented above is based on information furnished by the obligors or other sources and is deemed reliable. The City makes no representation or warranty as to its accuracy or completeness.

### **DEBT RATIOS**

The following presents the ratios relative to the self-supported revenue indebtedness of the taxing units within and overlapping the City as of August 1, 2018, including issuance of the Bonds.

	Direct Sewage Works Revenue Supported Debt <u>\$14,040,000</u>	Direct Electric Revenue Supported Debt <u>\$10,375,000</u>	Total Direct Utility Revenue Debt <u>\$24,415,000</u>
Per Capita (1)	\$879.75	\$650.10	\$1,529.86
Per user (2)			
Sewage Works	\$2,155.03		
Electric Utility		\$1,129.68	

(1) According to the U.S. Census Bureau, the estimated 2017 population of the City is 15,959.

(2) Based upon the billing records, the current number of users are as follows:

Sewage	6,515
Electric	9,184



**SCHEDULE OF HISTORICAL NET ASSESSED VALUATION**

(As Provided by the Boone County Auditor's Office)

<u>Year</u> <u>Payable</u>	<u>Real Estate</u>	<u>Utilities</u>	<u>Personal</u> <u>Property</u>	<u>Total</u> <u>Taxable Value</u>
2014	\$634,556,293	\$9,108,880	\$80,161,180	\$723,826,353
2015	671,936,648	8,315,030	77,776,230	758,027,908
2016	745,703,575	7,587,530	82,806,516	836,097,621
2017	743,685,537	7,729,570	63,651,924	815,067,031 (1)
2018	755,430,348	8,337,270	65,504,714	829,272,332

(1) Net assessed valuation decreased due to Pearson Education closing its distribution center.

NOTE: Net assessed valuations represent the assessed value less certain deductions for mortgages, veterans, the aged and the blind, as well as tax-exempt property.

Real property is valued for assessment purposes at its true tax value as defined in the Real Property Assessment Rule, 50 IAC 2.4, the 2011 Real Property Assessment Manual ("Manual"), as incorporated into 50 IAC 2.4, and the 2011 Real Property Assessment Guidelines ("Guidelines"), as adopted by the Department of Local Government Finance ("DLGF"). In the case of agricultural land, true tax value is the value determined in accordance with the Guidelines adopted by the DLGF and IC 6-1.1-4-13. In the case of all other real property, true tax value is defined as "the market value-in-use of a property for its current use, as reflected by the utility received by the owner or by a similar user, from the property."

P.L. 180-2016 revises the factors used to calculate the assessed value of agricultural land. This legislation is retroactive to the January 1, 2016 assessment date and applies to each assessment date thereafter. The revised factors enacted in the legislation may reduce the total assessed value of agricultural land, which could shift property tax liability from agricultural property owners to other property owners. In addition, the reduction in the assessed value of agricultural land may result in a reduction of the total assessed value of a city. Lower assessed values of a city may result in higher tax rates in order for a city to receive its approved property tax levy.

Real property assessments are annually adjusted to market value based on sales data. The process of adjusting real property assessments to reflect market values has been termed "trending" by the DLGF.

The Manual permits assessing officials in each county to choose any acceptable mass appraisal method to determine true tax value, taking into consideration the ease of administration and the uniformity of the assessments produced by that method. The Guidelines were adopted to provide assessing officials with an acceptable appraisal method, although the Manual makes it clear that assessing officials are free to select from any number of appraisal methods, provided that they produce accurate and uniform values throughout the jurisdiction and across all classes of property. The Manual specifies the standards for accuracy and validation that the DLGF uses to determine the acceptability of any alternative appraisal method.

NOTE: THE BONDS ARE NOT PAYABLE FROM PROPERTY TAXES

**DETAIL OF NET ASSESSED VALUATION**  
Assessed 2017 for Taxes Payable in 2018  
(As Provided by the Boone County Auditor's Office)

	<u>City of Lebanon</u>	<u>Lebanon - Perry</u>	<u>Total</u>
Gross Value of Land	\$213,834,900	\$4,059,000	\$217,893,900
Gross Value of Improvements	<u>1,092,979,200</u>	<u>7,335,100</u>	<u>1,100,314,300</u>
Total Gross Value of Real Estate	1,306,814,100	11,394,100	1,318,208,200
Less: Mortgage Exemptions, Veterans, Blind			
Age 65 & Other Exemptions	(404,454,607)	(2,801,228)	(407,255,835)
Tax Exempt Property	(41,183,590)		(41,183,590)
TIF	<u>(114,338,427)</u>		<u>(114,338,427)</u>
Net Assessed Value of Real Estate	<u>746,837,476</u>	<u>8,592,872</u>	<u>755,430,348</u>
Business Personal Property	132,908,084	2,462,290	135,370,374
Less: Deductions	<u>(69,852,720)</u>	<u>(12,940)</u>	<u>(69,865,660)</u>
Net Assessed Value of Personal Property	<u>63,055,364</u>	<u>2,449,350</u>	<u>65,504,714</u>
Net Assessed Value of Utility Property	<u>8,323,040</u>	<u>14,230</u>	<u>8,337,270</u>
Total Net Assessed Value	<u><u>\$818,215,880</u></u>	<u><u>\$11,056,452</u></u>	<u><u>\$829,272,332</u></u>

NOTE: THE BONDS ARE NOT PAYABLE FROM PROPERTY TAXES

**COMPARATIVE SCHEDULE OF CERTIFIED TAX RATES**

Per \$100 of Net Assessed Valuation

	Year Taxes Payable				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Detail of Certified Tax Rate:					
General	\$0.5741	\$0.5625	\$0.4999	\$0.4818	\$0.5109
MVH	0.0501	0.0554	0.0589	0.0714	0.0601
Park and Recreation	0.0776	0.0859	0.0913	0.1064	0.0978
Sanitation	0.0258	0.0285	0.0302	0.0352	0.0235
Park Bond	0.0354	0.0616	0.0512	0.0440	0.0438
CCD	0.0234	0.0234	0.0227	0.0227	0.0227
Sewer Bond	0.0690	0.0708	0.0682	0.0609	0.0636
Totals	<u>\$0.8554</u>	<u>\$0.8881</u>	<u>\$0.8224</u>	<u>\$0.8224</u>	<u>\$0.8224</u>
Total District Certified Tax Rate (1)					
Lebanon City	\$2.2074	\$2.2878	\$2.1388	\$2.2201	\$2.1200
Lebanon Perry	\$2.0685	\$2.1537	\$2.0094	\$2.0775	\$1.9817
Lebanon Perry (TIF memo only)	\$0.8554	\$0.8881	\$0.8224	\$0.8224	\$0.8224

(1) Includes certified tax rates of overlapping taxing units.

Source: DLGF Certified Budget Orders for the City.

NOTE: THE BONDS ARE NOT PAYABLE FROM PROPERTY TAXES

**PROPERTY TAXES LEVIED AND COLLECTED**

Collection <u>Year</u>	Certified Taxes <u>Levied</u>	Circuit Breaker Tax Credit (1)	Certified Taxes Levied Net of Circuit Breaker Tax Credit	Taxes <u>Collected</u>	Collected as Percent of <u>Gross Levy</u>	Collected as Percent of <u>Net Levy</u>
2013	\$5,966,506	(\$9,891)	\$5,956,615	\$5,992,154	100.43%	100.60%
2014	6,225,915	(10,348)	6,215,567	6,343,087	101.88%	102.05%
2015	6,596,217	(48,977)	6,547,240	6,676,762	101.22%	101.98%
2016	6,763,594	(16,061)	6,747,533	6,794,164	100.45%	100.69%
2017	6,629,577	(17,633)	6,611,944	6,766,933	102.07%	102.34%
2018	6,830,554	(9,966)	6,820,588	(.....In Process of Collections.....)		

Source: The Boone County Auditor's Office and the DLGF Certified Budget Orders for the City.

(1) Circuit Breaker Tax Credits allocable to the City per the DLGF.

Indiana Code 6-1.1-20.6 (the "Statute") provides taxpayers with a tax credit for all property taxes in an amount that exceeds the gross assessed value of real and personal property eligible for the credit ("Circuit Breaker Tax Credit").

Property taxes for residential homesteads are limited to 1.0% of the gross assessed value of the homestead; property taxes for agricultural, other residential property and long term care facilities are limited to 2.0% of their gross assessed value; and property taxes for all other real and personal property are limited to 3.0% of gross assessed value. Additional property tax limits have been made available to certain senior citizens. School corporations are authorized to impose a referendum tax levy to replace property tax revenue that the school corporation will not receive due to the Circuit Breaker Tax Credit. Other political subdivisions may not increase their property tax levy or borrow money to make up for any property tax revenue shortfall due to the application of the Circuit Breaker Tax Credit.

The Statute categorizes property taxes levied to pay Debt Service Obligations as "protected taxes," regardless of whether the property taxes were approved at a referendum, and all other property taxes as "unprotected taxes." The total amount of revenue to be distributed to the fund for which the protected taxes were imposed shall be determined without applying the Circuit Breaker Tax Credit. The application of the Circuit Breaker Tax Credit must reduce only the amount of unprotected taxes distributed to a fund. The political subdivision may allocate the reduction by using a combination of unprotected taxes of the political subdivision in those taxing districts in which the Circuit Breaker Tax Credit caused a reduction in protected taxes. The tax revenue and each fund of any other political subdivisions must not be affected by the reduction.

NOTE: THE BONDS ARE NOT PAYABLE FROM PROPERTY TAXES

## **LARGE TAXPAYERS**

The following is a list of the ten largest taxpayers located within the City.

<u>Name</u>	<u>Type of Business</u>	<u>2017/2018 Net Assessed Valuation</u>	<u>Percent of Total Net Assessed Valuation (1)</u>
Duke Realty Corp./Dugan Realty (2)	Real estate investment	\$148,383,400	17.89%
WCP II Lebanon LLC	Developer	38,600,000	4.65%
Cabot Properties (2)	Real estate investment	23,546,000	2.84%
Shaker Square LLC	Apartments	22,423,120	2.70%
United States Cold Storage of California	Logistics services	21,018,280	2.53%
Liberty Property	Real estate investment	18,203,300	2.20%
Skjodt-Barrett/DP Holdings (2)	Mfg. complex food ingredients	15,495,840	1.87%
Hendrickson/The Boler Co. (2)	Mfg. heavy-duty truck & trailer suspensions	13,758,440	1.66%
DA Lubricant/MPP Properties LLC (2)	Mfg. automotive and industrial lubricants	11,907,860	1.44%
Menards, Inc.	Retail	<u>11,243,110</u>	<u>1.36%</u>
Totals		<u><u>\$324,579,350</u></u>	<u><u>39.14%</u></u>

- (1) The total net assessed valuation of the City is \$829,272,332 for taxes payable in 2018, according to the Boone County Auditor's office.
- (2) Located in a tax increment allocation area ("TIF"); therefore, all or a portion of the taxes are captured as TIF and not distributed to individual taxing units.

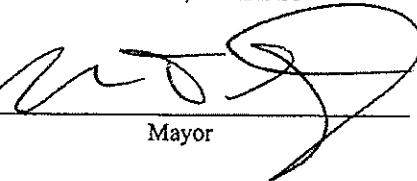
Source: Boone County Auditor's office and the DLGF. Individual parcel data is submitted by the County Auditor to the DLGF once a year for preparation of the county abstract.

NOTE: THE BONDS ARE NOT PAYABLE FROM PROPERTY TAXES

The City certifies to the best of its knowledge and belief that this Official Statement, as of its date and as it relates to the City and its economic and financial condition, (i) is complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material facts or information which would make the statements contained herein misleading.

This Official Statement and its execution are duly authorized.

CITY OF LEBANON, INDIANA

By:   
Mayor

Attest:   
Clerk-Treasurer

## APPENDIX B





## APPENDIX B

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## ACCOUNTANTS' FORECAST AND COMPILATION REPORT

September 18, 2018

Lebanon Utility Service Board  
City of Lebanon  
One Municipal Plaza  
401 South Meridian Street  
Lebanon, IN 46052-2686

We have compiled the accompanying forecasted statement of net position, statement of revenues, expenses and changes in net position and cash flows and supplementary data of the Lebanon (Indiana) Municipal Sewage Works (the "Sewage Works") as of December 31, 2018, 2019, 2020 and 2021 and for the years then ending in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

We have also compiled the accompanying comparative statement of net position of the Sewage Works as of December 31, 2015, 2016, 2017, and the six months ended June 30, 2018 and the related comparative statements of revenues, expenses, and changes in net position, and cash flows for the periods then ended and supplementary data. We have not audited or reviewed the accompanying historical financial statements and supplementary data, and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Sewage Works' financial position, results of operations and its cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



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LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS  
City of Lebanon, Indiana

FORECASTED FINANCIAL STATEMENTS



**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**FORECASTED COMPARATIVE STATEMENT OF NET POSITION**

**(Amounts rounded to the nearest \$100)**

<b>ASSETS:</b>	As of December 31st,			
	2018	2019	2020	2021
Current and Accrued Assets:				
Operating cash and cash equivalents	\$568,500	\$560,600	\$590,900	\$623,500
Improvement cash and cash equivalents	2,276,900	2,325,000	1,999,800	1,462,400
Restricted cash and cash equivalents:				
Bond and interest cash and cash equivalents	5,900	5,900	5,900	5,900
Debt service reserve cash and cash equivalents	705,100	771,400	837,700	904,000
Customer deposits cash and cash equivalents	5,500	5,500	5,500	5,500
Construction cash and cash equivalents	5,781,700	1,156,400	-	-
Accounts receivable:				
Customer	330,700	330,700	330,700	330,700
Materials and supplies	8,400	8,400	8,400	8,400
Prepaid expenses	3,000	3,000	3,000	3,000
Total Current and Accrued Assets	<u>9,685,700</u>	<u>5,166,900</u>	<u>3,781,900</u>	<u>3,343,400</u>
Noncurrent Assets:				
Notes receivable - Telecom	<u>348,400</u>	<u>313,400</u>	<u>278,400</u>	<u>243,400</u>
Capital Assets:				
Capital assets	43,701,300	44,641,300	52,892,300	53,948,300
Construction work in progress	1,645,300	6,270,600	116,000	-
Less accumulated depreciation	<u>(16,996,100)</u>	<u>(17,850,700)</u>	<u>(18,708,000)</u>	<u>(19,801,900)</u>
Net Capital Assets	<u>28,350,500</u>	<u>33,061,200</u>	<u>34,300,300</u>	<u>34,146,400</u>
Total Noncurrent Assets	<u>28,698,900</u>	<u>33,374,600</u>	<u>34,578,700</u>	<u>34,389,800</u>
Total Assets	<u><u>\$38,384,600</u></u>	<u><u>\$38,541,500</u></u>	<u><u>\$38,360,600</u></u>	<u><u>\$37,733,200</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred Amount on Refunding	\$25,000	\$15,800	\$10,200	\$8,000
Regulatory Assets	253,300	239,500	225,700	211,900
Deferred Outflows - pension obligations	<u>327,300</u>	<u>327,300</u>	<u>327,300</u>	<u>327,300</u>
Total Deferred Outflows of Resources	<u><u>\$605,600</u></u>	<u><u>\$582,600</u></u>	<u><u>\$563,200</u></u>	<u><u>\$547,200</u></u>
Total Assets and Deferred Outflows	<u><u>\$38,990,200</u></u>	<u><u>\$39,124,100</u></u>	<u><u>\$38,923,800</u></u>	<u><u>\$38,280,400</u></u>

(Continued on next page)

(The Accountants' Compilation Report and the summary  
of significant accounting policies, assumptions and notes  
are an integral part of this statement.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

(Cont'd)

**FORECASTED COMPARATIVE STATEMENT OF NET POSITION**

(Amounts rounded to the nearest \$100)

<b>LIABILITIES:</b>	As of December 31st,			
	2018	2019	2020	2021
Current Liabilities:				
Accounts payable	\$45,600	\$45,600	\$45,600	\$45,600
Wages payable	23,800	23,800	23,800	23,800
Compensated absences payable	213,000	213,000	213,000	213,000
Customer deposits payable	5,500	5,500	5,500	5,500
Current bonds payable (due within 1 year)	575,000	595,000	620,000	635,000
Total Current Liabilities	862,900	882,900	907,900	922,900
Noncurrent Liabilities:				
Notes payable - water	614,800	521,300	427,800	334,300
Revenue bonds payable (net of discount)	13,185,000	12,590,000	11,970,000	11,335,000
Net pension liability	876,600	876,600	876,600	876,600
Total Noncurrent Liabilities	14,676,400	13,987,900	13,274,400	12,545,900
Total Liabilities	\$15,539,300	\$14,870,800	\$14,182,300	\$13,468,800
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Inflows - pension obligation	\$21,700	\$21,700	\$21,700	\$21,700
Total Liabilities and Deferred Inflows	\$15,561,000	\$14,892,500	\$14,204,000	\$13,490,500
<b>NET POSITION:</b>				
Invested in Capital Assets, Net of Related Debt	\$20,035,700	\$20,766,600	\$21,518,400	\$22,062,000
Restricted	488,400	519,700	551,000	582,300
Unrestricted	2,905,100	2,945,300	2,650,400	2,145,600
Total Net Position	\$23,429,200	\$24,231,600	\$24,719,800	\$24,789,900

(The Accountants' Compilation Report and the summary  
of significant accounting policies, assumptions and notes  
are an integral part of this statement.)



**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**FORECASTED COMPARATIVE STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**

(Amounts rounded to the nearest \$100)

	Calendar Year Ending			
	2018	2019	2020	2021
Operating Revenues:				
Residential	\$2,845,200	\$2,845,200	\$2,845,200	\$2,845,200
Commercial	1,521,900	1,521,900	1,521,900	1,521,900
Industrial	543,300	663,400	663,400	663,400
Penalties	77,800	77,800	77,800	77,800
Surcharge	313,700	433,700	313,700	313,700
Other	55,500	55,500	55,500	55,500
Total Operating Revenues	<u>5,357,400</u>	<u>5,597,500</u>	<u>5,477,500</u>	<u>5,477,500</u>
Operating Expenses:				
Collection System:				
Salaries and wages	187,700	193,300	199,100	205,100
Transportation	6,600	6,800	7,000	7,200
Materials and supplies	24,900	26,600	28,500	30,500
Equipment	400	400	400	400
Miscellaneous	18,100	19,200	20,400	21,600
Pumping Expense:				
Salaries and wages	57,500	59,200	61,000	62,800
Treatment and Disposal:				
Salaries and wages	200,600	206,600	212,800	219,200
Transportation	4,000	4,100	4,200	4,300
Sludge removal	209,000	85,000	84,000	84,000
Chemicals	134,300	40,000	40,000	40,000
Lift station expense	16,800	18,500	20,400	22,400
Contractual services	152,200	159,800	167,800	176,200
Equipment	6,600	7,000	7,400	7,800
Miscellaneous	25,500	26,300	27,100	27,900
Customer Accounts:				
Salaries and wages	84,300	86,800	89,400	92,100
Postage	1,100	1,100	1,100	1,100
Bad debt expense	24,400	26,800	29,500	32,500
Sub-totals carried forward	<u>\$1,154,000</u>	<u>\$967,500</u>	<u>\$1,000,100</u>	<u>\$1,035,100</u>

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(The Accountants' Compilation Report and the summary  
of significant accounting policies, assumptions and notes  
are an integral part of this statement.)

LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS

(Cont'd)

**FORECASTED COMPARATIVE STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

(Amounts rounded to the nearest \$100)

	Calendar Year Ending			
	2018	2019	2020	2021
Operating Expenses (cont'd):				
Sub-totals carried forward	\$1,154,000	\$967,500	\$1,000,100	\$1,035,100
Administrative and General:				
Salaries and wages	400,900	412,900	425,300	438,100
Employee benefits	902,500	974,700	1,052,700	1,136,900
Materials and supplies	84,600	93,100	102,400	112,600
Contractual services	248,900	273,800	301,200	331,300
Insurance	74,000	76,200	78,500	80,900
Utilities	295,300	307,100	319,400	332,200
Miscellaneous	250,700	258,200	265,900	273,900
Sub-Totals	3,410,900	3,363,500	3,545,500	3,741,000
Depreciation expense	788,100	854,600	857,300	1,093,900
Total Operating Expenses	4,199,000	4,218,100	4,402,800	4,834,900
Net Operating Revenues	1,158,400	1,379,400	1,074,700	642,600
Other Income:				
Interest income	34,400	31,800	17,100	12,900
Tap fees	200	200	200	200
Availability fees	93,500	93,500	93,500	93,500
Inspection fees	4,500	4,500	4,500	4,500
Totals	132,600	130,000	115,300	111,100
Other Expense:				
Interest expense	176,600	421,300	405,900	389,000
Interest expense - BAN	38,300	-	-	-
Interest expense - amortization	3,400	13,800	13,800	13,800
Totals	218,300	435,100	419,700	402,800
Net Income Before Contributions and Transfers	1,072,700	1,074,300	770,300	350,900
Contributed Capital and Transfers:				
Payment in lieu of property taxes	(233,200)	(271,900)	(282,100)	(280,800)
Change In Net Position	839,500	802,400	488,200	70,100
Total Net Position - Beginning	22,589,700	23,429,200	24,231,600	24,719,800
Total Net Position - Ending	\$23,429,200	\$24,231,600	\$24,719,800	\$24,789,900

(The Accountants' Compilation Report and the summary of significant accounting policies, assumptions and notes are an integral part of this statement.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**FORECASTED COMPARATIVE STATEMENT OF CASH FLOWS**

**Increase (Decrease) in Cash & Cash Equivalents**

**(Amounts rounded to the nearest \$100)**

	Calendar Year Ending			
	2018	2019	2020	2021
Cash flows from operating activities:				
Cash received from customers	\$5,392,400	\$5,632,500	\$5,512,500	\$5,512,500
Cash paid to suppliers, employees and others	<u>(3,655,000)</u>	<u>(3,340,500)</u>	<u>(3,526,100)</u>	<u>(3,725,000)</u>
Net cash from operating activities	<u>1,737,400</u>	<u>2,292,000</u>	<u>1,986,400</u>	<u>1,787,500</u>
Cash flows from noncapital financing activities:				
Transfers out - payment in lieu of property taxes	<u>(233,200)</u>	<u>(271,900)</u>	<u>(282,100)</u>	<u>(280,800)</u>
Cash flows from capital and related financing activities:				
Additions to utility plant	(4,072,700)	(5,565,300)	(2,096,400)	(940,000)
Principal paid on revenue bonds	(560,000)	(575,000)	(595,000)	(620,000)
Bond proceeds	9,650,000	-	-	-
Note repayment - water	(93,500)	(93,500)	(93,500)	(93,500)
BAN pay-off	(2,873,000)	-	-	-
Interest paid	(180,000)	(435,100)	(419,700)	(402,800)
Other revenue	<u>98,200</u>	<u>98,200</u>	<u>98,200</u>	<u>98,200</u>
Net cash from capital and related financing activities	<u>1,969,000</u>	<u>(6,570,700)</u>	<u>(3,106,400)</u>	<u>(1,958,100)</u>
Cash flows from investing activities:				
Interest income	<u>34,400</u>	<u>31,800</u>	<u>17,100</u>	<u>12,900</u>
Cash and Cash Equivalents:				
Increase (decrease)	3,507,600	(4,518,800)	(1,385,000)	(438,500)
Beginning balance	<u>5,836,000</u>	<u>9,343,600</u>	<u>4,824,800</u>	<u>3,439,800</u>
Ending balance	<u><u>\$9,343,600</u></u>	<u><u>\$4,824,800</u></u>	<u><u>\$3,439,800</u></u>	<u><u>\$3,001,300</u></u>

(The Accountants' Compilation Report and the summary  
of significant accounting policies, assumptions and notes  
are an integral part of this statement.)

## LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ASSUMPTIONS AND NOTES**

#### **See Accountants' Compilation Report**

The City of Lebanon, Indiana owns and operates the Lebanon (Indiana) Municipal Sewage Works (the "Sewage Works"). The Sewage Works provides services to over 6,500 residential, commercial and industrial customers. These financial forecasts present, to the best of management's knowledge and belief, the Sewage Work's expected financial position, results of operations, and cash flows for the forecast period. Accordingly, the forecast reflects management's judgment of the expected conditions and its expected course of action as of September 18, 2018, the date of this forecast. The financial forecast is based on management's assumptions concerning future events and circumstances. The assumptions disclosed herein are those which management believes are significant to the forecast or are key factors upon which the financial results of the enterprise depend.

Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to September 18, 2018, the date of this forecast. Therefore, the actual results achieved during the forecast period could vary from the forecast and the variations may be material. Management does not intend to revise this forecast to reflect changes in present circumstances or the occurrence of unanticipated events.

The financial forecast has been prepared in conjunction with the following:

- (1) The issuance of \$9,650,000 Sewage Works Revenue Bonds of 2018, (the "Proposed Bonds") by the Sewage Works to cover the costs for the wastewater expansion project, to retire the Bond Anticipation Note of 2017 ("BAN"), and to pay costs of issuance.

#### **Significant Accounting Policies**

##### **Reporting Entity:**

The financial statements of the Sewage Works, a component unit (Enterprise Fund) of the City of Lebanon, Indiana, conform to generally accepted accounting principles for state and local governments. The Sewage Works provides sanitary sewer services to the City of Lebanon. These services primarily consist of the collection and treatment of wastewater. The Sewage Works had 6,515 customers as of June 30, 2018.

##### **Basis of Accounting:**

The Utility reports its financial statements using the economic resources measurement focus and the accrual basis of accounting as prescribed by the Governmental Accounting Standards Board. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**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 issuance.

(Continued on next page)

## LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS

(Cont'd)

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ASSUMPTIONS AND NOTES**

#### **See Accountants' Compilation Report**

#### Basis of Accounting: (Continued)

Capital Assets (Cont'd): Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are reported as follows:

<u>Asset Class:</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful (in years)</u>
Land	\$1	N/A	N/A
Buildings	5,000	Straight-line	45 to 67
Improvements other than buildings	5,000	Straight-line	10 to 67
Machinery and equipment	5,000	Straight-line	10 to 67
Transportation equipment	5,000	Straight-line	10
Goodwill	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.

Operating revenue: Operating revenues are based on monthly billings and are recorded when billed.

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

Accounts Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectibles.

Regulatory Assets: Costs associated with the issuance of bonds are capitalized as bond issuance costs and amortized over the life of the related bonds.

Net Pension Liability, Pension Expense, Defined Benefit Pension Deferred Outflows and Inflows: Presented in accordance with GASB 68 are the liability, deferred outflows, deferred inflows and expense beginning with the period ended December 31, 2015 along with the corresponding adjustment to Net Position presented for calendar year 2015.

Basis of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(Continued on next page)

## LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS

(Cont'd)

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ASSUMPTIONS AND NOTES**

#### **See Accountants' Compilation Report**

#### Significant Assumptions and Notes

(1) Proposed Improvement Project and Related Bond Issue

The Sewage Works, acting through Utility Service Board and the Common Council, has proposed certain improvements to its Sewage Works system. The proposed project (the "Project") being funded by the Proposed Bonds includes the wastewater expansion project. The Project is estimated to cost \$9,650,000 including construction and contingency estimates of \$6,500,000, and estimated non-construction costs of \$3,567,744 which includes engineering, underwriter's discount, bond issuance costs and the retirement of the City's outstanding BAN plus accrued interest to the redemption date. Construction is assumed to commence October of 2018 and be substantially complete by March of 2020. The Project will be financed from the proceeds of the \$9,650,000 principal amount of Proposed Bonds. In addition, \$417,744 of remaining BAN proceeds will be used to retire the outstanding BAN. The proceeds of the BAN were used to construct improvements related to biosolids dewatering and loading facilities to facilitate the removal of dry biosolids to the existing wastewater treatment plant ("WWTP") and are complete.

(2) Revenues

- (A) Forecasted annual operating revenues for the forecast period are based upon the recorded results of operations for the twelve months ended June 30, 2018 ("Test Year") and the following adjustments:

Sewer billings: Forecasted year 2018 reflects the revenues from the 32% rate increase that was adopted by the Common Council on November 25, 2015 and effective January 1, 2016. In addition, industrial billings have been normalized to reflect six months of collections from Ken's Foods Inc., which connected to the system in May 2018. Forecasted years 2019, 2020 and 2021 each assume a full twelve months of collections from Ken's Foods Inc.

Surcharge: Surcharge revenues have been normalized to reflect the increase in surcharge rates effective January 1, 2018. In addition to the increase in surcharge rates, surcharge revenues have been normalized to include the connection of Ken's Foods. Per the consulting engineer, it is assumed that the monthly surcharge will be approximately \$20,000 each month in 2018 and 2019 and decline to \$10,000 starting in 2021 once a proposed pretreatment facility is constructed. Finally, due to a new manufacturing process, the monthly surcharge for Skjodt Barrett Foods has been normalized to reflect a monthly surcharge of approximately \$14,300 in 2018 through 2021.

Other Revenues: Availability and inspections fees are both based on a normalized three year historical average from 2015 – 2017 (excluding the Ken's Foods Inc. payment). Sewage Works availability fees are currently being used to repay the outstanding internal loan to the City's Municipal Water Utility.

Forecasted interest income: Based upon the assumed investment of 80% of available funds at an assumed annual interest rate of 0.5 percent on the average cash balance. The construction account assumes a 100% investment of funds at an assumed 0.5% interest rate on the average cash balance.

(Continued on next page)

## LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS

(Cont'd)

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ASSUMPTIONS AND NOTES**

#### **See Accountants' Compilation Report**

#### (3) Operating Expenses

Forecasted operating expenses are based upon the recorded results of operations for the twelve months ended June 30, 2018, adjusted for fixed, known and measurable changes. The significant assumptions underlying the forecasted operating expenses are summarized as follows:

Expenses for forecasted years 2018, 2019, 2020 and 2021 have been forecasted based on a historical four year average (2014 – 2017) by expense line item. In addition, due to the wastewater expansion project, certain expenses have been further adjusted as described in the following paragraphs.

- A) Salaries and wages for forecasted years 2018 through 2021 each assume an annual 3% increase.
- B) Employee benefits, including FICA, pensions and insurance are forecasted to increase by 8% annually in forecasted years 2018 through 2021.
- C) For forecasted years 2018 through 2021 the operational costs related to the WWTP including electricity, sludge hauling and testing, plant salaries and wages, chemicals, maintenance and materials and supplies are based on estimates provided by the consulting engineer. It is assumed the electricity, sludge hauling and testing and chemical costs will decline starting in 2019. The costs associated with plant salaries and wages, maintenance and materials and supplies are assumed to remain constant through 2021.
- D) Other expenses including equipment, contractual services, lift station expenses, postage and miscellaneous are based on a four year historical average from 2014 through 2017. Depending on the department, these expenses are forecasted to increase annually anywhere from 3% to 10%.

#### (4) Debt Service

Debt Service Payments: Principal and interest payments on the outstanding and proposed bonds are forecasted to average \$990,907 annually as shown on page B-17. The Proposed Bonds are assumed to be dated October 17, 2018 and are amortized at assumed semiannual interest rates as shown on page B-16. Actual interest rates will be determined through a competitive sale on or about October 4, 2018.

Debt Service Reserve: It is assumed the Debt Service Reserve Account requirement will be funded through Sewage Works revenues over a period not to exceed five (5) years from the dating of the bonds.

#### (5) Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired.

(Continued on next page)

## LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS

(Cont'd)

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ASSUMPTIONS AND NOTES**

#### **See Accountants' Compilation Report**

(6) Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the calendar year are referred to as "interfund receivables/payable" (i.e., the current and noncurrent portion of Interfund loans.) The forecasted statement of net position assumes the balance at December 31, 2017 will change in each subsequent forecasted year.

(7) Deposits and Investments

State statute (IC 5-13-9) authorizes the City to invest in securities holding, 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.

(8) Pension Liabilities

Employees of Lebanon Municipal Utilities have pensions funded under the City of Lebanon Utility Service Board Employees' Pension Plan. Most employees of the City have pensions funded under the Public Employees' Retirement Fund of the State of Indiana. Lebanon Municipal Utilities pays a percentage of the pension for four City employees. As of June 30, 2018, the Sewage Works had \$876,627 of accrued pension liability. See *Pension Obligations* section beginning on page A-5 of the General Information Section of the Preliminary Official Statement for additional information regarding the pension liability of Lebanon Municipal Utilities and the City.

(9) Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties.

(10) Compensated Absences

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 not paid to employees through the final payroll upon retirement; board approved early retirement or death. For employees hired on or after March 8, 2006, unused sick leave does not accumulate from year to year.

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

(Continued on next page)



## LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS

(Cont'd)

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ASSUMPTIONS AND NOTES**

#### **See Accountants' Compilation Report**

(10) Compensated Absences (Cont'd)

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.

(11) Replacements and Improvements (Capital Additions)

The Utility's cash expenditures for replacement and improvements are assumed to equal \$940,000 which is based on the allowance for replacements and improvements used to establish the rates in Ordinance No. 2015-17.

(12) Restricted Accounts

(A) Operation and Maintenance Fund - The forecasted balance is assumed to be equal to two months' forecasted cash operating expenses.

(B) Bond and Interest Account – The forecasted balance assumes that the principal and interest due January 1 of each year is paid prior to years' end.

(C) Debt Service Reserve Account – The Reserve Requirement for the outstanding bonds is currently funded in the amount of (\$688,500). The additional reserve requirement for the outstanding and Proposed Bonds is assumed to be equal to the maximum annual combined debt service in the amount of \$1,020,033. This additional requirement (\$331,533) is assumed to be funded over a five year period from utility revenues.

(D) Construction Account – The forecasted balance assumes the remaining proceeds from the issuance of the Proposed Bonds, after the payment of costs of issuance, retirement of the BAN will be drawn down ratably over the assumed construction period of 18 months starting in October of 2018.

(E) Improvement Fund - The forecasted balance consists of the remaining forecasted cash and investment balances not provided for above.

(13) Long-Term Debt and 2017 Bond Anticipation Note ("BAN")

Long-term debt consists of Sewage Works Revenue Bonds secured by the net revenues of the Sewage Works. The amortization of the Proposed Bonds is shown on page B-16 and the amortization of the outstanding bonds is shown on pages B-27 to B-28. The proposed 2018 Bonds will be issued on parity with the outstanding bonds.

The Sewage Works currently has an outstanding BAN in the par amount of \$2,825,000 which is anticipated to be retired, along with accrued interest through the issuance of the Proposed Bonds. The BAN was issued in October 18, 2017 at an interest rate of 1.7% and matures on October 18, 2018 with interest payable at maturity. Even though the BAN's are anticipated to be retired on a long-term basis, the BAN's are classified as a current liability until the final financing agreement is executed according to GASB statement 34 and FASB Statement 6 criteria.

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LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS  
City of Lebanon, Indiana

SUPPLEMENTAL INFORMATION TO FORECASTED FINANCIAL STATEMENTS



## **LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

### **GENERAL COMMENTS**

The City of Lebanon, Indiana, proposes to issue \$9,650,000 par amount of Sewage Works Revenue Bonds of 2018. Proceeds from the sale of the Proposed Bonds, after payment of issuance costs, will be used to provide funds to be applied to the costs of the wastewater expansion project and to retire the outstanding BAN plus accrued interest.

The Proposed Bonds will be secured by the Net Revenues of the Sewage Works defined as the gross revenues less operation, repair and maintenance expenses. It is anticipated the Proposed Bonds will be issued on a parity basis with the outstanding Sewage Works Refunding Revenue Bonds of 2013 (the “2013 Bonds”) and Sewage Works Refunding Revenue Bonds of 2014 (the “2014 Bonds”).

#### **Schedule of Estimated Project Costs and Funding - Page B-15**

This schedule presents estimated project costs and sources of funding. The project costs are based on estimated construction costs provided by the Sewage Work’s consulting engineer. The project (to be financed with the proceeds of the Proposed Bonds) includes the wastewater expansion project.

The Proposed Bonds, in addition to the remaining BAN proceeds, will be the primary source of funding for the expected costs of the projects.

#### **Schedule of Amortization of \$9,650,000 Principal Amount of Proposed Sewage Works Revenue Bonds of 2018 - Page B-16**

The amortization of the \$9,650,000 par amount of Proposed Bonds is presented in this schedule. The Proposed Bonds are anticipated to be dated October 17, 2018 and will mature over a period of approximately 18 years and 8 months years ending July 1, 2037. Principal is scheduled to be payable semiannually on January 1<sup>st</sup> and July 1<sup>st</sup> beginning January 1, 2026. Interest will be payable semiannually on January 1<sup>st</sup> and July 1<sup>st</sup> beginning January 1, 2019 at tax-exempt interest rates resulting from a competitive sale on October 3, 2017.

#### **Schedule of Combined Bond Amortization – Page B-17**

This schedule combines the amortization of the Proposed Bonds and the outstanding 2013 and 2014 Bonds.

(Continued on next page)

## LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS

(Cont'd)

### GENERAL COMMENTS

#### Computation of Forecasted Bond Coverage - Page B-18

This schedule presents the forecasted annual debt service coverage based upon the forecasted annual principal and interest payments on the outstanding and proposed bonds assuming semiannual interest rates on the Proposed Bonds as shown on page B-16. The computations are based upon forecasted operating revenues and interest income less the forecasted annual operation and maintenance expenses for the forecasted calendar years 2018, 2019, 2020 and 2021.

#### Summary of Present Rates and Charges - Pages B-19

This schedule displays the current Sewage Works rates and charges that were adopted by the Common Council on November 23, 2015 and became effective January 1, 2016. Also, presented on this schedule are the current surcharge rates which became effective January 1, 2018.

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**SCHEDULE OF ESTIMATED PROJECT COSTS AND FUNDING**

**(Per Utility Management and the Consulting Engineer)**

**ESTIMATED PROJECT COSTS**

Estimated Construction Costs and Contingency:

Wastewater expansion project:

Raw sewage pumps	\$300,000
Grit structure	620,000
Anaerobic basin	820,000
Oxidation ditch	300,000
Final clarifiers	2,000,000
UV disinfection	850,000
Site work and yard pumping	600,000
Electrical and I&C	700,000
Construction contingency (5%)	310,000

Total Estimated Construction Costs	<u>6,500,000</u>
------------------------------------	------------------

Estimated Non-Construction Costs:

Engineering - wastewater expansion projec	438,000
Allowance for bond issuance costs, contingencies and rounding	256,719
Retire BAN (1)	2,825,000
Accrued interest on BAN (2)	48,025

Total Estimated Non-Construction Costs	<u>3,567,744</u>
--	------------------

Total Estimated Project Costs	<u><u>\$10,067,744</u></u>
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**ESTIMATED PROJECT FUNDING**

Proposed Sewage Works Revenue Bonds of 2018	\$9,650,000
Remaining BAN funds (3)	417,744

Total Estimated Project Funding	<u><u>\$10,067,744</u></u>
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- (1) Assumes a portion of the principal amount of the Bond Anticipation Notes ("BAN") will be retired with remaining proceeds.
- (2) Assumes BAN will be retired on October 18, 2018.
- (3) Assumed to be equal to the remaining BAN construction funds at closing on the Bonds.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**SCHEDULE OF AMORTIZATION OF \$9,650,000 PRINCIPAL AMOUNT OF  
PROPOSED SEWAGE WORKS REVENUE BONDS OF 2018**

**Principal payable semiannually on January 1st and July 1st, beginning January 1, 2019.**

**Interest payable semiannually on January 1st and July 1st, beginning January 1, 2026.**

**Assumes bonds dated October 17, 2018.**

**Assumed interest rates as indicated.**

Payment Date	Principal Balance (In \$1,000's)	Assumed Interest Rate(s) (%)	Debt Service			Bond Year Total
			Principal (In \$1,000's)	Interest (In \$1,000's)	Total (In Dollars)	
01/01/19	\$9,650			\$66,325.07	\$66,325.07	
07/01/19	9,650			161,331.25	161,331.25	\$227,656.32
01/01/20	9,650			161,331.25	161,331.25	
07/01/20	9,650			161,331.25	161,331.25	322,662.50
01/01/21	9,650			161,331.25	161,331.25	
07/01/21	9,650			161,331.25	161,331.25	322,662.50
01/01/22	9,650			161,331.25	161,331.25	
07/01/22	9,650			161,331.25	161,331.25	322,662.50
01/01/23	9,650			161,331.25	161,331.25	
07/01/23	9,650			161,331.25	161,331.25	322,662.50
01/01/24	9,650			161,331.25	161,331.25	
07/01/24	9,650			161,331.25	161,331.25	322,662.50
01/01/25	9,650			161,331.25	161,331.25	
07/01/25	9,650			161,331.25	161,331.25	322,662.50
01/01/26	9,650	3.00	\$330	161,331.25	491,331.25	
07/01/26	9,320	3.00	340	156,381.25	496,381.25	987,712.50
01/01/27	8,980	3.00	345	151,281.25	496,281.25	
07/01/27	8,635	3.00	350	146,106.25	496,106.25	992,387.50
01/01/28	8,285	3.00	355	140,856.25	495,856.25	
07/01/28	7,930	3.00	360	135,531.25	495,531.25	991,387.50
01/01/29	7,570	3.00	365	130,131.25	495,131.25	
07/01/29	7,205	3.00	370	124,656.25	494,656.25	989,787.50
01/01/30	6,835	3.00	380	119,106.25	499,106.25	
07/01/30	6,455	3.00	380	113,406.25	493,406.25	992,512.50
01/01/31	6,075	3.25	385	107,706.25	492,706.25	
07/01/31	5,690	3.25	395	101,450.00	496,450.00	989,156.25
01/01/32	5,295	3.50	400	95,031.25	495,031.25	
07/01/32	4,895	3.50	405	88,031.25	493,031.25	988,062.50
01/01/33	4,490	3.50	415	80,943.75	495,943.75	
07/01/33	4,075	3.50	420	73,681.25	493,681.25	989,625.00
01/01/34	3,655	3.50	430	66,331.25	496,331.25	
07/01/34	3,225	3.50	435	58,806.25	493,806.25	990,137.50
01/01/35	2,790	3.50	445	51,193.75	496,193.75	
07/01/35	2,345	3.50	450	43,406.25	493,406.25	989,600.00
01/01/36	1,895	3.75	460	35,531.25	495,531.25	
07/01/36	1,435	3.75	470	26,906.25	496,906.25	992,437.50
01/01/37	965	3.75	480	18,093.75	498,093.75	
07/01/37	485	3.75	485	9,093.75	494,093.75	992,187.50
Totals			\$9,650	\$4,398,625.07	\$14,048,625.07	\$14,048,625.07

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement.)



**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**SCHEDULE OF COMBINED BOND AMORTIZATION**

Payment Date	Outstanding		Proposed 2018 Bonds	Total	Bond Year Total
	2013 Refunding Bonds	2014 Refunding Bonds			
01/01/19	\$229,054.50	\$100,020.00	\$66,325.07	\$395,399.57	
07/01/19	236,865.50	94,330.00	161,331.25	492,526.75	\$887,926.32
01/01/20	234,577.00	98,697.50	161,331.25	494,605.75	
07/01/20	232,288.50	98,007.50	161,331.25	491,627.25	986,233.00
01/01/21		342,317.50	161,331.25	503,648.75	
07/01/21		338,810.00	161,331.25	500,141.25	1,003,790.00
01/01/22		345,302.50	161,331.25	506,633.75	
07/01/22		341,680.00	161,331.25	503,011.25	1,009,645.00
01/01/23		343,057.50	161,331.25	504,388.75	
07/01/23		349,377.50	161,331.25	510,708.75	1,015,097.50
01/01/24		345,582.50	161,331.25	506,913.75	
07/01/24		351,787.50	161,331.25	513,118.75	1,020,032.50 (1)
01/01/25		347,877.50	161,331.25	509,208.75	
07/01/25		348,967.50	161,331.25	510,298.75	1,019,507.50
01/01/26			491,331.25	491,331.25	
07/01/26			496,381.25	496,381.25	987,712.50
01/01/27			496,281.25	496,281.25	
07/01/27			496,106.25	496,106.25	992,387.50
01/01/28			495,856.25	495,856.25	
07/01/28			495,531.25	495,531.25	991,387.50
01/01/29			495,131.25	495,131.25	
07/01/29			494,656.25	494,656.25	989,787.50
01/01/30			499,106.25	499,106.25	
07/01/30			493,406.25	493,406.25	992,512.50
01/01/31			492,706.25	492,706.25	
07/01/31			496,450.00	496,450.00	989,156.25
01/01/32			495,031.25	495,031.25	
07/01/32			493,031.25	493,031.25	988,062.50
01/01/33			495,943.75	495,943.75	
07/01/33			493,681.25	493,681.25	989,625.00
01/01/34			496,331.25	496,331.25	
07/01/34			493,806.25	493,806.25	990,137.50
01/01/35			496,193.75	496,193.75	
07/01/35			493,406.25	493,406.25	989,600.00
01/01/36			495,531.25	495,531.25	
07/01/36			496,906.25	496,906.25	992,437.50
01/01/37			498,093.75	498,093.75	
07/01/37			494,093.75	494,093.75	992,187.50
Totals	\$932,785.50	\$3,845,815.00	\$14,048,625.07	\$18,827,225.57	\$18,827,225.57
(1) Maximum annual debt service					\$1,020,032.50

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**COMPUTATION OF FORECASTED BOND COVERAGE**

(Amounts rounded to the nearest \$100)

	Calendar Year Ending			
	2018	2019	2020	2021
Operating Revenues:				
Residential	\$2,845,200	\$2,845,200	\$2,845,200	\$2,845,200
Commercial	1,521,900	1,521,900	1,521,900	1,521,900
Industrial	543,300	663,400	663,400	663,400
Penalties	77,800	77,800	77,800	77,800
Surcharge	313,700	433,700	313,700	313,700
Other	55,500	55,500	55,500	55,500
Availability fees	93,500	93,500	93,500	93,500
Inspection fees	4,500	4,500	4,500	4,500
Sub-totals	5,455,400	5,695,500	5,575,500	5,575,500
Forecasted Interest Income (1)	34,400	31,800	17,100	12,900
Total Available Revenues	5,489,800	5,727,300	5,592,600	5,588,400
Less: Forecasted Annual Operation and Maintenance Expense (1)	(3,410,900)	(3,363,500)	(3,545,500)	(3,741,000)
Forecasted Net Revenues Available for Debt Service	<u>\$2,078,900</u>	<u>\$2,363,800</u>	<u>\$2,047,100</u>	<u>\$1,847,400</u>
Forecasted Annual Principal and Interest Payment on the Outstanding and Proposed Bonds (2)	<u>\$661,700</u>	<u>\$887,900</u>	<u>\$986,200</u>	<u>\$1,020,000</u> (3)
Forecasted Debt Service Coverage (4)	<u>314%</u>	<u>266%</u>	<u>208%</u>	<u>181%</u>

(1) See page B-5.

(2) See page B-17.

(3) Maximum annual debt service.

(4) The forecasted debt service coverage including the payment in lieu property taxes transfer is 279%, 236%, 179% and 154% for years 2018, 2019, 2020 and 2021 respectively.

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**SCHEDULE OF PRESENT RATES AND CHARGES**

<b><u>Metered User:</u></b>	<b><u>Present</u></b>
Monthly Base Charge:	
5/8 - 3/4 inch meter	\$16.65
1 inch meter	29.11
1 1/4 inch meter	41.55
1 1/2 inch meter	55.41
2 inch meter	91.44
3 inch meter	193.93
4 inch meter	332.46
6 inch meter	748.02
8 inch meter	1,357.42
Flow Charge Per 100 Cubic Feet:	\$5.64
Non-recurring Charge:	
Availability fee per EDU	\$1,700.00
Connection/inspection fee - residential	\$50.00
Connection/inspection fee - other	\$100.00
Surcharge Fees (per pound): (2)	
CBOD	\$0.43
TSS	\$0.17
FOG	\$0.74
TKN	\$0.74
Phosphorus	\$1.00

(1) The present rates and charges were adopted by Ordinance No. 2015-17 on November 23,

(2) Surcharges effective January 1, 2018

(The Accountants' Compilation Report and the accompanying  
comments are an integral part of this statement.)

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LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS  
City of Lebanon, Indiana

SUPPLEMENTARY HISTORICAL DATA



**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**COMPARATIVE STATEMENT OF NET POSITION**

	As of December 31st			As of June 30,
ASSETS:	2015	2016	2017	2018
Current and Accrued Assets:				
Operating cash and cash equivalents	\$728,896	\$1,457,745	\$1,785,406	\$1,364,292
Improvement cash and cash equivalents	354,750	320,269	956,645	1,694,640
Restricted cash and cash equivalents:				
Bond and interest cash and cash equivalents	2,965	4,340	5,871	6,500
Debt service reserve cash and cash equivalents	688,500	688,500	688,500	688,501
Customer deposits cash and cash equivalents	4,174	4,436	5,532	5,851
Construction cash and cash equivalents	474,673	-	2,394,138	874,135
Accounts receivable:				
Customer	226,747	377,129	330,697	367,173
Materials and supplies	9,624	7,621	8,428	8,786
Prepaid expenses	11,840	8,073	3,049	-
Total Current and Accrued Assets	2,502,169	2,868,113	6,178,266	5,009,878
Noncurrent Assets:				
Notes receivable - Telecom	448,430	418,430	383,430	383,430
Capital Assets:				
Capital assets	37,751,782	38,411,647	40,117,096	40,177,901
Construction work in progress	2,238,200	2,420,289	1,156,839	2,692,935
Less accumulated depreciation	(14,744,439)	(15,433,462)	(16,208,049)	(16,600,402)
Net Capital Assets	25,245,543	25,398,474	25,065,886	26,270,434
Total Noncurrent Assets	25,693,973	25,816,904	25,449,316	26,653,864
Total Assets	\$28,196,142	\$28,685,017	\$31,627,582	\$31,663,742
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Amount on Refunding	\$52,892	\$43,535	\$34,179	\$29,501
Deferred Outflows - pension obligations	289,035	336,926	327,348	327,348
Total Deferred Outflows of Resources	\$341,927	\$380,461	\$361,527	\$356,849
Total Assets and Deferred Outflows	\$28,538,069	\$29,065,478	\$31,989,109	\$32,020,591

(Continued on next page)

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

(Cont'd)

**COMPARATIVE STATEMENT OF NET POSITION**

LIABILITIES:	As of December 31st			As of
	2015	2016	2017	June 30, 2018
<b>Current and Accrued Liabilities:</b>				
Accounts payable	\$54,248	\$40,266	\$45,644	\$77,559
Wages pay able	58,299	24,452	23,796	511
Compensated absences pay able	222,116	241,907	213,011	219,477
Customer deposits payable	4,174	4,436	5,532	5,851
Interest pay able	-	-	9,737	97
BAN pay able	-	-	2,825,000	2,825,000
Current bonds payable (due within 1 year)	540,000	550,000	560,000	280,000
<b>Total Current and Accrued Liabilities</b>	<b>878,837</b>	<b>861,061</b>	<b>3,682,720</b>	<b>3,408,495</b>
<b>Noncurrent Liabilities:</b>				
Notes payable - water	1,344,433	1,330,183	708,305	705,905
Revenue bonds payable (net of discount)	5,220,000	4,670,000	4,110,000	4,110,000
Net pension liability	746,545	813,368	876,627	876,627
<b>Total Noncurrent Liabilities</b>	<b>7,310,978</b>	<b>6,813,551</b>	<b>5,694,932</b>	<b>5,692,532</b>
<b>Total Liabilities</b>	<b>\$8,189,815</b>	<b>\$7,674,612</b>	<b>\$9,377,652</b>	<b>\$9,101,027</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows - pension obligation	\$10,029	\$30,806	\$21,736	\$21,736
<b>Total Liabilities and Deferred Inflows</b>	<b>\$8,199,844</b>	<b>\$7,705,418</b>	<b>\$9,399,388</b>	<b>\$9,122,763</b>
<b>NET POSITION:</b>				
Invested in Capital Assets, Net of Related Debt	\$18,668,675	\$18,891,826	\$19,290,898	\$19,253,165
Restricted assets	672,356	604,022	497,049	507,319
Unrestricted assets	997,194	1,864,212	2,801,774	3,137,344
<b>Total Net Position</b>	<b>\$20,338,225</b>	<b>\$21,360,060</b>	<b>\$22,589,721</b>	<b>\$22,897,828</b>

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)



**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**

	Calendar Year Ended			12 Months Ended 6/30/2018
	2015	2016	2017	
Operating Revenues:				
Residential	\$2,129,083	\$2,769,604	\$2,801,885	\$2,845,158
Commercial	1,073,912	1,520,613	1,505,086	1,521,903
Industrial	318,015	395,066	400,402	423,206
Penalties	61,990	78,945	74,365	77,816
Other	12,836	17,140	97,637	198,782
	<u>3,595,836</u>	<u>4,781,368</u>	<u>4,879,375</u>	<u>5,066,865</u>
Total Operating Revenues				
Operating Expenses:				
Collection System:				
Salaries and wages	174,743	195,725	181,643	182,266
Transportation	10,630	7,750	5,759	6,438
Materials and supplies	20,204	18,821	21,022	23,317
Equipment	2,479	974	339	394
Miscellaneous	14,498	20,725	27,966	17,089
Pumping Expense:				
Salaries and wages	50,887	53,001	54,950	55,789
Treatment and Disposal:				
Salaries and wages	156,458	175,867	195,332	194,740
Transportation	2,747	2,109	2,660	3,850
Sludge removal	89,375	122,215	127,793	224,361
Chemicals	18,538	26,678	73,184	106,217
Lift station expense	9,604	22,198	17,935	15,292
Contractual services	86,927	66,467	110,938	144,978
Equipment	4,040	4,020	4,138	6,209
Miscellaneous	24,301	22,416	21,029	24,718
Customer Accounts:				
Salaries and wages	76,072	77,960	84,316	81,831
Materials and supplies	11,613	18	7,024	21
Postage	-	2,473	624	1,100
Bad debt expense	9,337	12,221	24,447	-
	<u>\$762,453</u>	<u>\$831,638</u>	<u>\$961,099</u>	<u>\$1,088,610</u>
Sub-totals carried forward				

(Continued on next page)

(See Accountant' Compilation Report and the accompanying  
summary of accounting policies)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**

(Cont'd)

	Calendar Year Ended			12 Months Ended 6/30/2018
	2015	2016	2017	
Operating Expenses (cont'd):				
Sub-totals carried forward	\$762,453	\$831,638	\$961,099	\$1,088,610
Administrative and General:				
Salaries and wages	325,022	341,885	375,739	389,205
Employee benefits	734,875	758,105	818,810	835,628
Materials and supplies	53,475	66,270	80,084	76,942
Contractual services	145,725	197,056	219,943	226,278
Insurance	60,847	64,233	60,985	71,891
Utilities	290,923	309,018	312,596	283,937
Miscellaneous	190,095	189,512	198,520	243,442
Sub-Totals	2,563,415	2,757,717	3,027,776	3,215,933
Depreciation expense	704,017	723,577	774,587	787,825
Total Operating Expenses	3,267,432	3,481,294	3,802,363	4,003,758
Net Operating Revenues	328,404	1,300,074	1,077,012	1,063,107
Other Income:				
Stormwater	126,831	9,925	-	-
Interest income	4,806	4,933	9,735	13,573
Tap fees	567	433	366	166
Availability fees	154,454	58,200	616,828	566,150
Inspection fees	4,579	3,850	5,123	5,200
Totals	291,237	77,341	632,052	585,089
Other Expense:				
Interest expense	172,254	147,961	144,811	128,140
Costs of issuance	-	-	125,716	125,716
Loss on sale of asset	3,207	-	-	-
Totals	175,461	147,961	270,526	253,855
Net Income Before Contributions and Transfers	444,180	1,229,454	1,438,538	1,394,341
Contributed Capital and Transfers:				
Contributions - pension	130,638	-	-	-
Payment in lieu of taxes	(214,070)	(207,619)	(208,877)	(212,970)
Totals	(83,432)	(207,619)	(208,877)	(212,970)
Change In Net Position	360,748	1,021,835	1,229,661	1,181,371
Total Net Position - Beginning	20,698,030	20,338,225	21,360,060	21,716,457
Net Position - Adjustment	(720,553) (1)	-	-	-
Total Net Position - Ending	\$20,338,225	\$21,360,060	\$22,589,721	\$22,897,828

(1) The adjustment to net position is comprised of a prior period adjustment to reflect the implementation of GASB 68 to recognize the liabilities associated with employee pension benefits.

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**COMPARATIVE STATEMENT OF CASH FLOWS**

**Increase (Decrease) in cash and cash equivalents**

	Calendar Year Ended			12 Months Ended 6/30/2018
	2015	2016	2017	
Cash Flows from Operating Activities:				
Cash received from customers	\$3,652,135	\$4,660,986	\$4,960,807	\$5,061,322
Cash paid to suppliers, employees and others	(2,577,545)	(2,730,658)	(2,963,777)	(3,115,940)
Net Cash from Operating Activities	1,074,590	1,930,328	1,997,030	1,945,382
Cash Flows from Noncapital Financing Activities:				
Payment in lieu of taxes	(214,070)	(207,619)	(208,877)	(212,970)
Cash Flows from Capital and Related Financing Activities:				
Additions to utility plant	(1,848,479)	(876,507)	(441,999)	(1,906,535)
Principal paid on revenue bonds	(525,000)	(540,000)	(550,000)	(555,000)
Note repayment - water	(116,183)	(14,250)	(621,878)	(571,350)
BAN proceeds	-	-	2,825,000	2,825,000
BAN issuance costs	-	-	(125,716)	(125,716)
Interest paid	(162,898)	(147,961)	(144,811)	(128,140)
Contributions - PERF	130,638	-	-	-
Other revenue	286,431	72,408	622,317	571,516
Net Cash from Capital Financing Activities	(2,235,491)	(1,506,310)	1,562,914	109,776
Cash Flows from Investing Activities:				
Interest income	4,805	4,933	9,735	13,573
Cash and Cash Equivalents:				
Increase (Decrease)	(1,370,166)	221,332	3,360,802	1,855,761
Beginning Balance	3,624,124	2,253,958	2,475,290	2,778,158
Ending Balance	\$2,253,958	\$2,475,290	\$5,836,092	\$4,633,919

(Continued on next page)

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**(Cont'd)**

**COMPARATIVE STATEMENT OF CASH FLOWS**

**Increase (Decrease) in cash and cash equivalents**

	<u>Calendar Year Ended</u>			<u>12 Months Ended 6/30/2018</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	
Reconciliation of net operating revenues to cash provided from operations:				
Net Operating Revenues	\$328,404	\$1,300,074	\$1,077,012	\$1,063,107
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation and Amortization Expense	704,017	723,577	774,587	787,825
Change in assets and liabilities:				
Decrease (Increase) in				
Accounts receivable - customer	26,299	(150,382)	46,432	(40,543)
Note receivable	30,000	30,000	35,000	35,000
Materials and supplies	2,361	2,003	(807)	(298)
Prepaid insurance	(7,803)	3,767	5,024	-
Deferred outflows	(33,782)	(38,535)	18,934	18,934
Increase (Decrease) in				
Accounts payable	(4,756)	(13,982)	5,378	33,142
Wages payable	3,386	(33,847)	(656)	511
Deferred inflows	10,029	20,777	(9,070)	(9,070)
Net pension liability	746,545	66,823	63,259	63,259
Interest payable	-	-	9,737	(431)
Customer deposits payable	4,174	262	1,096	1,605
Compensated absences payable	(13,731)	19,791	(28,896)	(7,659)
Adjustment to net position	(720,553)	-	-	-
Net Cash Provided from Operations	<u>\$1,074,590</u>	<u>\$1,930,328</u>	<u>\$1,997,030</u>	<u>\$1,945,382</u>

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**COMPARISON OF ACCOUNT BALANCES WITH  
MINIMUM BALANCES REQUIRED**

	Balance As of 06/30/18	Minimum Balance Required (1)	Ref	Variance
Accounts:				
Operation and maintenance fund	\$1,364,292	\$568,597	(2)	\$795,695
Sinking fund:				
Bond and interest account	6,500	-	(3)	6,500
Reserve account	688,501	688,500	(4)	1
Improvement fund	1,694,640	-	(5)	1,694,640
Construction fund	874,135	874,135	(6)	-
Customer deposits	5,851	5,851	(6)	-
Totals	<u>\$4,633,919</u>	<u>\$2,137,083</u>		<u>\$2,496,836</u>

(1) Recommended reserves before funds may be transferred to another account in accordance with the outstanding bond ordinances and typical management practices.

(2) **Operation and Maintenance Fund:** A balance equal to two months' cash operating expenses must be accumulated before funds may be transferred.

Forecasted 2018 operating expenses	\$3,410,900
Times factor for two months	<u>0.1667</u>
Required reserve	<u>\$568,597</u>

(3) **Bond and Interest Account:** A balance sufficient to provide for the principal and interest due on the next payment date must be accumulated before transfers may be made.

	Due Date	Payment Amount	Months Factor	Amount Required
2013 Refunding Bonds:				
Interest	7/1/2018	11,244	6/6	\$ -
Principal	7/1/2018	220,000	6/6	-
2014 Refunding Bonds				
Interest	7/1/2018	40,710	6/6	-
Principal	7/1/2018	60,000	6/6	-
Required reserve				<u>\$ -</u>

Note: The principal and interest payments due July 1, 2018 were made prior to June 30, 2018.

(4) **Reserve Account:** A balance equal 10% of the combined par amount on the outstanding bonds is required in this account.

Required reserve	<u>\$688,500</u>
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(5) **Improvement Fund:** No reserve required. However, as a general rule, we recommend a balance equal to one year's depreciation expense is kept on hand as a reserve for unforeseen expenditures and contingencies. The test year depreciation expense was \$787,825.

(6) Balance fully restricted.

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**SCHEDULE OF AMORTIZATION OF \$910,000 PRINCIPAL AMOUNT OF  
OUTSTANDING SEWAGE WORKS REFUNDING REVENUE BONDS OF 2013**

**Principal and interest payable semiannually, January 1st and July 1st.**

Payment Date	Principal Balance (In \$1,000's)	Interest Rate (%)	Debt Service			Bond Year Total
			Principal (In \$1,000's)	Interest (-----In Dollars-----)	Total	
01/01/19	\$910	1.99	\$220	\$9,054.50	\$229,054.50	
07/01/19	690	1.99	230	6,865.50	236,865.50	\$465,920.00
01/01/20	460	1.99	230	4,577.00	234,577.00	
07/01/20	230	1.99	230	2,288.50	232,288.50	466,865.50
Totals			<u>\$910</u>	<u>\$22,785.50</u>	<u>\$932,785.50</u>	<u>\$932,785.50</u>

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS**

**SCHEDULE OF AMORTIZATION OF \$3,480,000 PRINCIPAL AMOUNT OF  
OUTSTANDING SEWAGE WORKS REFUNDING REVENUE BONDS OF 2014**

**Principal and interest payable semiannually, January 1st and July 1st.**

Payment Date	Principal Balance (In \$1,000's)	Interest Rate (%)	Debt Service			Bond Year Total
			Principal (In \$1,000's)	Interest (-----In Dollars-----)	Total	
01/01/19	\$3,480	2.30	\$60	\$40,020.00	\$100,020.00	
07/01/19	3,420	2.30	55	39,330.00	94,330.00	\$194,350.00
01/01/20	3,365	2.30	60	38,697.50	98,697.50	
07/01/20	3,305	2.30	60	38,007.50	98,007.50	196,705.00
01/01/21	3,245	2.30	305	37,317.50	342,317.50	
07/01/21	2,940	2.30	305	33,810.00	338,810.00	681,127.50
01/01/22	2,635	2.30	315	30,302.50	345,302.50	
07/01/22	2,320	2.30	315	26,680.00	341,680.00	686,982.50
01/01/23	2,005	2.30	320	23,057.50	343,057.50	
07/01/23	1,685	2.30	330	19,377.50	349,377.50	692,435.00
01/01/24	1,355	2.30	330	15,582.50	345,582.50	
07/01/24	1,025	2.30	340	11,787.50	351,787.50	697,370.00
01/01/25	685	2.30	340	7,877.50	347,877.50	
07/01/25	345	2.30	345	3,967.50	348,967.50	696,845.00
Totals			<u>\$3,480</u>	<u>\$365,815.00</u>	<u>\$3,845,815.00</u>	<u>\$3,845,815.00</u>

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)

**LEBANON (INDIANA) MUNICIPAL SEWAGE WORKS****SCHEDULE OF OUTSTANDING COMBINED DEBT SERVICE**

<u>Payment Date</u>	<u>2013 Refunding Bonds</u>	<u>2014 Refunding Bonds</u>	<u>Total</u>	<u>Bond Year Total</u>
01/01/19	\$229,054.50	\$100,020.00	\$329,074.50	
07/01/19	236,865.50	94,330.00	331,195.50	\$660,270.00
01/01/20	234,577.00	98,697.50	333,274.50	
07/01/20	232,288.50	98,007.50	330,296.00	663,570.50
01/01/21		342,317.50	342,317.50	
07/01/21		338,810.00	338,810.00	681,127.50
01/01/22		345,302.50	345,302.50	
07/01/22		341,680.00	341,680.00	686,982.50
01/01/23		343,057.50	343,057.50	
07/01/23		349,377.50	349,377.50	692,435.00
01/01/24		345,582.50	345,582.50	
07/01/24		351,787.50	351,787.50	697,370.00
01/01/25		347,877.50	347,877.50	
07/01/25		348,967.50	348,967.50	696,845.00
Totals	<u><u>\$932,785.50</u></u>	<u><u>\$3,845,815.00</u></u>	<u><u>\$4,778,600.50</u></u>	<u><u>\$4,778,600.50</u></u>

(See Accountants' Compilation Report and the accompanying  
summary of accounting policies.)



## APPENDIX C



new

**ORDINANCE NO. 2017-07**

**AN ORDINANCE OF THE CITY OF LEBANON AUTHORIZING THE ISSUANCE OF SEWAGE WORKS REVENUE BONDS FOR THE PURPOSE OF PROVIDING FUNDS TO PAY THE COST OF CERTAIN ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE MUNICIPAL SEWAGE WORKS OF SAID CITY; PROVIDING FOR THE SAFEGUARDING OF THE INTERESTS OF THE OWNERS OF SAID BONDS, OTHER MATTERS CONNECTED THEREWITH, INCLUDING THE ISSUANCE OF NOTES IN ANTICIPATION OF BONDS, AND REPEALING ORDINANCES INCONSISTENT HEREWITH**

WHEREAS, the City of Lebanon ("City") has heretofore established, constructed and financed a municipal sewage works and now owns and operates the sewage works pursuant to Indiana Code 36-9-23, and other applicable laws; and

WHEREAS, the Common Council of the City now finds that certain improvements and extensions to said works are necessary; and that plans, specifications and estimates have been prepared and filed by the engineers employed by the City for the construction of said improvements and extensions, as more fully set forth in Exhibit A attached hereto ("Project"), which plans and specifications have been or will be approved by the Common Council and by all governmental authorities having jurisdiction, including, particularly, the Indiana Department of Environmental Management; and

WHEREAS, the City has obtained engineer's estimates of the costs for the construction of the Project and will advertise for and receive bids therefor, which bids will be subject to the City's obtaining funds to pay for the Project; that on the basis of said estimates and construction bids, the estimated cost of the Project, including estimated incidental expenses is in an amount not to exceed \$10,925,000; and

WHEREAS, the Common Council finds that there are now outstanding certain bonds of the City's sewage works payable out of the Net Revenues (as hereinafter defined), designated "Sewage Works Refunding Revenue Bonds of 2014," dated December 23, 2014 ("2014 Bonds"),

originally issued in the amount of \$3,885,000, now outstanding in the amount of \$3,660,000 and maturing on July 1, 2025, which the 2014 Bonds constitute a first charge upon the Net Revenues of the sewage works; and

WHEREAS, the Common Council finds that there are now outstanding certain bonds of the City's sewage works payable out of the Net Revenues, designated "Sewage Works Refunding Revenue Bonds of 2013," dated July 2, 2013 ("2013 Bonds"), originally issued in the amount of \$3,000,000, now outstanding in the amount of \$1,560,000 and maturing July 1, 2020, which the 2013 Bonds constitute a first charge upon the Net Revenues of the sewage works on parity with the 2014 Bonds; and

WHEREAS, the ordinances authorizing the 2013 Bonds and the 2014 Bonds permit the issuance of additional bonds ranking on a parity with the 2013 Bonds and 2014 Bonds provided certain conditions can be met, and the City finds that the finances of said sewage works will enable the City to meet the conditions for the issuance of additional parity bonds and that, accordingly, the revenue bonds authorized herein shall rank on a parity to the outstanding 2013 Bonds and 2014 Bonds; and

WHEREAS, the City desires to authorize the issuance of bond anticipation notes (BANs) hereunder, if necessary, payable solely from the proceeds of the sewage works revenue bonds issued to finance the aforementioned costs of the Project and to authorize the refunding of the BANs, if issued; and

WHEREAS, the Common Council now finds that all conditions precedent to the adoption of an ordinance authorizing the issuance of revenue bonds and BANs have been complied with in accordance with the provisions of Indiana Code 36-9-23 as in effect on the date of delivery of the bonds authorized herein ("Act"); and

WHEREAS, the Common Council has been advised that it may be cost efficient to purchase municipal bond insurance and a debt service reserve surety for the bonds authorized herein.

NOW THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF LEBANON, INDIANA, THAT:

Section 1.     Authorization of Project. The City shall proceed with the construction of additions and improvements to its sewage works in accordance with the cost estimates, and the plans and specifications heretofore prepared and filed by the consulting engineers employed by the City, which cost estimates, and plans and specifications are by reference made a part of this ordinance as fully as if the same were attached hereto and incorporated herein and two (2) copies of which are now on file in the office of the Clerk-Treasurer of the City and are open for public inspection pursuant to Indiana Code 36-1-5-4; that the cost of construction of the Project shall not exceed the aggregate principal sum of \$10,925,000 plus investment earnings on the bond and BAN proceeds, without further authorization from this Common Council. The terms “sewage works,” “sewage works system,” “works,” “system,” and words of like import where used in this ordinance shall be construed to mean and include all structures and property of the City’s sewer utility, including items defined in Indiana Code 36-9-1-8. The Project shall be constructed in accordance with the plans and specifications heretofore mentioned, which plans and specifications are hereby approved. The Project shall be constructed and the bonds herein authorized shall be issued pursuant to and in accordance with the Act.

Section 2.     Issuance of Bonds and BANs. (a) The City shall issue, if necessary, its BANs for the purpose of procuring interim financing to apply to the cost of the Project and issuance costs. The City shall issue its BANs in an amount not to exceed Ten Million Nine

Hundred Twenty-Five Thousand Dollars (\$10,925,000) to be designated "Sewage Works Bond Anticipation Notes of \_\_\_\_" (to be completed with the year in which issued). The BANs shall be sold at not less than 99% of their par value, shall be numbered consecutively from 1 upward, shall be in multiples of \$5,000 as designated in the purchase agreement for the BANs, shall be dated as of the date of delivery thereof, and shall bear interest at a rate not to exceed 4% per annum (the exact rate or rates to be determined through negotiations with the purchaser of the BANs) payable at maturity or upon redemption. The BANs will mature no later than five (5) years after their date of delivery. The BANs are subject to renewal or extension at an interest rate or rates not to exceed 4% per annum (the exact rate or rates to be negotiated with the purchaser of the BANs). The term of the BANs and all renewal BANs may not exceed five (5) years from the date of delivery of the initial BANs. The BANs shall be registered in the name of the purchasers thereof.

The BANs shall be issued pursuant to Indiana Code 5-1.5-8-6.1 if sold to the Indiana Bond Bank or pursuant to Indiana Code 5-1-14-5 if sold to a financial institution or any other purchaser. The principal of and interest on the BANs shall be payable solely from the issuance of revenue bonds pursuant to and in the manner prescribed by the Act. The revenue bonds will be payable solely out of and constitute a first charge against the Net Revenues (herein defined as gross revenues of the sewage works of the City remaining after the payment of the reasonable expenses of operation, repair and maintenance excluding transfers for payment in lieu of property taxes) of the sewage works of the City now owned or hereafter acquired, and on a parity with the 2013 Bonds and the 2014 Bonds.

(b) The City shall issue its Sewage Works Revenue Bonds of \_\_\_\_\_, (to be completed with the year in which issued) ("Bonds") in an aggregate principal amount not to

exceed \$10,925,000 for the purpose of procuring funds to be applied on the cost of the Project, the refunding of the BANs, if issued, the payment of costs of issuance, including premiums for municipal bond insurance and a debt service reserve surety and all other costs related to the Project.

The Bonds shall be issued in the denomination of Five Thousand Dollars (\$5,000) each or integral multiples thereof, numbered consecutively from 1 upward, dated as of the date of delivery of the Bonds. Interest on the Bonds shall be payable semiannually on January 1 and July 1 in each year, beginning on the first January 1 or the first July 1 after their date of issuance, but not earlier than 90 days after issuance, as designated by the Clerk-Treasurer, with the advice of the City's municipal advisor. The Bonds shall be sold at a price of not less than 98% of the par value thereof. The Bonds shall be payable in lawful money of the United States of America, at the principal office of the Paying Agent (as hereinafter defined) and such Bonds shall bear interest at a rate or rates not exceeding 6% per annum (the exact rate or rates to be determined by bidding). The principal of the Bonds shall mature semiannually, or shall be subject to mandatory sinking fund redemption if term bonds are issued, on January 1 and July 1 of each year, commencing on or after July 1, 2018 and ending no later than July 1, 2042, until the principal is finally paid.

All or a portion of the Bonds may be issued as one or more term bonds, upon election of the successful bidder. Such term bonds shall have a stated maturity or maturities semiannually on January 1 and July 1, on the dates as determined by the successful bidder, but in no event later than the last serial maturity date of the Bonds as determined in accordance with the above paragraph. The term bonds shall be subject to mandatory sinking fund redemption and final payment(s) at maturity at 100% of the principal amount thereof, plus accrued interest to the

redemption date, on principal payment dates which are hereinafter determined in accordance with the above paragraph.

Interest on the Bonds and BANs shall be calculated according to a 360-day calendar year containing twelve 30-day months.

Section 3. Registrar and Paying Agent; Book-Entry Provisions. The Clerk-Treasurer is hereby authorized to contract with U.S. Bank National Association, or such other qualified financial institution as the City shall select, to serve as Registrar and Paying Agent for the Bonds ("Registrar" or "Paying Agent"). The Registrar is hereby charged with the responsibility of authenticating the Bonds. The Clerk-Treasurer is hereby authorized to enter into such agreements or understandings with the Registrar as will enable the institution to perform the services required of a registrar and paying agent. The Clerk-Treasurer is further authorized to pay such fees as the Registrar may charge for the services it provides as Registrar and Paying Agent and such fees may be paid from the Sinking Fund established to pay the principal of and interest on the Bonds as fiscal agency charges.

The principal of the Bonds and BANs shall be payable at the principal corporate trust office of the Paying Agent. All payments of interest on the Bonds and BANs shall be paid by check, mailed one business day prior to the interest payment date to the registered owners thereof as the names appear as of the fifteenth day of the month preceding the interest payment date and at the addresses as they appear on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by such registered owner. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding



business day. The Paying Agent shall be instructed to wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the Bonds and BANs shall be made in any coin or currency of the United States of America, which on the date of such payment, shall be legal tender for the payment of public and private debts.

Each Bond shall be transferable or exchangeable only upon the books of the City kept for that purpose at the principal corporate trust office of the Registrar by the registered owner in person, or by its attorney duly authorized in writing, upon surrender of such Bond together with a written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner, or its attorney duly authorized in writing, and thereupon a new fully registered Bond or Bonds in an authorized aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or the registered owner, as the case may be, in exchange therefor. The costs of such transfer or exchange shall be borne by the City except for any tax or governmental charge required to be paid with respect to the transfer or exchange, which taxes or governmental charges are payable by the person requesting such transfer or exchange. The City, Registrar and Paying Agent for the Bonds may treat and consider the person in whose name such Bonds are registered as the absolute owner thereof for all purposes including for the purpose of receiving payment of, or on account of, the principal thereof and interest due thereon.

The Registrar and Paying Agent may at any time resign as Registrar and Paying Agent upon giving thirty (30) days' notice in writing to the City and by first class mail to each registered owner of the Bonds then outstanding, and such resignation will take effect at the end of such thirty (30) day period or upon the earlier appointment of a successor registrar and paying

agent by the City. Any such notice to the City may be served personally or sent by registered mail. The Registrar and Paying Agent may be removed at any time as Registrar and Paying Agent by the City, in which event the City may appoint a successor registrar and paying agent. The City shall notify each registered owner of the Bonds then outstanding by first class mail of the removal of the Registrar and Paying Agent. Notices to the registered owners of the Bonds shall be deemed to be given when mailed by first class mail to the addresses of such registered owners as they appear on the registration books kept by the Registrar.

Upon the appointment of any successor registrar and paying agent by the City, the Clerk-Treasurer is authorized and directed to enter into such agreements and understandings with such successor registrar and paying agent as will enable the institution to perform the services required of a registrar and paying agent for the Bonds. The Clerk-Treasurer is further authorized to pay such fees as the successor registrar and paying agent may charge for the services it provides as registrar and paying agent and such fees may be paid from the Sewage Works Sinking Fund as set forth in Section 15 hereof. Any predecessor registrar and paying agent shall deliver all of the Bonds and any cash or investments in its possession with respect thereto, together with the registration books, to the successor registrar and paying agent. As to the BANs, if agreed to by the successful bidder, the Clerk-Treasurer shall serve as Registrar and Paying Agent and in that case is hereby charged with the duties of Registrar and Paying Agent.

Interest on the Bonds shall be payable from the interest payment date to which interest has been paid next preceding the authentication date of the Bonds unless the Bonds are authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment date in which case they shall bear interest from such interest payment date, or unless the Bonds are authenticated on or before the fifteenth day of the month

preceding the first interest payment date, in which case they shall bear interest from the original date until the principal shall be fully paid.

The City has determined that it may be beneficial to the City to have the Bonds held by a central depository system pursuant to an agreement between the City and The Depository Trust Company, New York, New York ("Depository Trust Company") and have transfers of the Bonds effected by book entry on the books of the central depository system ("Book Entry System"). The Bonds may be initially issued in the form of a separate single authenticated fully registered Bond for the aggregate principal amount of each separate maturity of the Bonds. In such case, upon initial issuance, the ownership of such Bonds shall be registered in the register kept by the Registrar in the name of Cede & Co., as nominee of the Depository Trust Company.

With respect to the Bonds registered in the register kept by the Registrar in the name of Cede & Co., as nominee of the Depository Trust Company, the City and the Paying Agent shall have no responsibility or obligation to any other holders or owners (including any beneficial owner ("Beneficial Owner")) of the Bonds with respect to (i) the accuracy of the records of the Depository Trust Company, Cede & Co., or any Beneficial Owner with respect to ownership questions, (ii) the delivery to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any notice with respect to the Bonds including any notice of redemption, or (iii) the payment to any bondholder (including any Beneficial Owner) or any other person, other than the Depository Trust Company, of any amount with respect to the principal of, or premium, if any, or interest on the Bonds except as otherwise provided herein.

No person other than the Depository Trust Company shall receive an authenticated Bond evidencing an obligation of the City to make payments of the principal of and premium, if any,

and interest on the Bonds pursuant to this ordinance. The City and the Registrar and Paying Agent may treat as and deem the Depository Trust Company or Cede & Co. to be the absolute bondholder of each of the Bonds for the purpose of (i) payment of the principal of and premium, if any, and interest on such Bonds; (ii) giving notices of redemption and other notices permitted to be given to bondholders with respect to such Bonds; (iii) registering transfers with respect to such Bonds; (iv) obtaining any consent or other action required or permitted to be taken of or by bondholders; (v) voting; and (vi) for all other purposes whatsoever. The Paying Agent shall pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the Depository Trust Company, and all such payments shall be valid and effective fully to satisfy and discharge the City's and the Paying Agent's obligations with respect to principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Upon delivery by the Depository Trust Company to the City of written notice to the effect that the Depository Trust Company has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to consents, the words "Cede & Co." in this ordinance shall refer to such new nominee of the Depository Trust Company. Notwithstanding any other provision hereof to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Depository Trust Company, all payments with respect to the principal of and premium, if any, and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, to the Depository Trust Company as provided in a representation letter from the City to the Depository Trust Company.

Upon receipt by the City of written notice from the Depository Trust Company to the effect that the Depository Trust Company is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Depository Trust Company

hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Bonds shall no longer be restricted to being registered in the register of the City kept by the Registrar in the name of Cede & Co., as nominee of the Depository Trust Company, but may be registered in whatever name or names the bondholders transferring or exchanging the Bonds shall designate, in accordance with the provisions of this ordinance.

If the City determines that it is in the best interest of the bondholders that they be able to obtain certificates for the fully registered Bonds, the City may notify the Depository Trust Company and the Registrar, whereupon the Depository Trust Company will notify the Beneficial Owners of the availability through the Depository Trust Company of certificates for the Bonds. In such event, the Registrar shall prepare, authenticate, transfer and exchange certificates for the Bonds as requested by the Depository Trust Company and any Beneficial Owners in appropriate amounts, and whenever the Depository Trust Company requests the City and the Registrar to do so, the Registrar and the City will cooperate with the Depository Trust Company by taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the fully registered Bonds of any Beneficial Owner's Depository Trust Company account or (ii) to arrange for another securities depository to maintain custody of certificates for and evidencing the Bonds.

If the Bonds shall no longer be restricted to being registered in the name of a Depository Trust Company, the Registrar shall cause said Bonds to be printed in blank in such number as the Registrar shall determine to be necessary or customary; provided, however, that the Registrar shall not be required to have such Bonds printed until it shall have received from the City indemnification for all costs and expenses associated with such printing.

In connection with any notice or other communication to be provided to bondholders by the City or the Registrar with respect to any consent or other action to be taken by bondholders, the City or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Depository Trust Company notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

So long as the Bonds are registered in the name of the Depository Trust Company or Cede & Co. or any substitute nominee, the City and the Registrar and Paying Agent shall be entitled to request and to rely upon a certificate or other written representation from the Beneficial Owners of the Bonds or from the Depository Trust Company on behalf of such Beneficial Owners stating the amount of their respective beneficial ownership interests in the Bonds and setting forth the consent, advice, direction, demand or vote of the Beneficial Owners as of a record date selected by the Registrar and the Depository Trust Company, to the same extent as if such consent, advice, direction, demand or vote were made by the bondholders for purposes of this ordinance and the City and the Registrar and Paying Agent shall for such purposes treat the Beneficial Owners as the bondholders. Along with any such certificate or representation, the Registrar may request the Depository Trust Company to deliver, or cause to be delivered, to the Registrar a list of all Beneficial Owners of the Bonds, together with the dollar amount of each Beneficial Owner's interest in the Bonds and the current addresses of such Beneficial Owners.

The City is authorized to issue its BANs in book-entry form and, in that case, all of the provisions set forth in this Section 3 shall apply.

Section 4.     Redemption of BANs and Bonds. (a) The BANs are prepayable by the City, in whole or in part, at any time after 90 days, upon twenty (20) days' notice to the owner of the BANs, without premium.

(b)     The Bonds are redeemable at the option of the City on any date, but no earlier than January 1, 2025, on thirty (30) days' notice, in whole or in part, in the order of maturity as determined by the City and by lot within a maturity, at face value, together with a premium no greater than 1%, plus in each case accrued interest to the date of redemption. The exact redemption features shall be established by the Clerk-Treasurer, with the advice of the City's municipal advisor, prior to the sale of the Bonds.

(c)     If any Bond is issued as a term bond, the Paying Agent shall credit against the mandatory sinking fund requirement for the Bonds maturing as term bonds, and corresponding mandatory redemption obligation, in the order determined by the City, any Bonds maturing as term bonds which have previously been redeemed (otherwise than as a result of a previous mandatory redemption requirement) or delivered to the Registrar for cancellation or purchased for cancellation by the Paying Agent and not theretofore applied as a credit against any redemption obligation. Each Bond maturing as a term bond so delivered or cancelled shall be credited by the Paying Agent at 100% of the principal amount thereof against the mandatory sinking fund obligation on such mandatory sinking fund date, and any excess of such amount shall be credited on future redemption obligations, and the principal amount of the Bonds to be redeemed by operation of the mandatory sinking fund requirement shall be accordingly reduced; provided, however, the Paying Agent shall credit only such Bonds maturing as term bonds to the extent received on or before forty-five (45) days preceding the applicable mandatory redemption date.

Each \$5,000 of principal amount shall be considered a separate bond for purposes of optional and mandatory redemption. If less than an entire maturity is called for redemption, the Bonds to be called shall be selected by lot by the Registrar. If some Bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the Bonds for optional redemption before selecting the Bonds by lot for the mandatory sinking fund redemption.

In either case, notice of such redemption shall be given at least thirty (30) days prior to the date fixed for redemption by mail unless the notice is waived by the registered owner of a Bond. Such notice shall be mailed to the address of the registered owners as shown on the registration records of the City as of the date which is forty-five (45) days prior to such redemption date. The notice shall specify the date and place of redemption and sufficient identification of the Bonds called for redemption. The place of redemption shall be determined by the City. Interest on the Bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the principal office of the Paying Agent to pay the redemption price on the date so named. Coincidentally with the payment of the redemption price, the Bonds so called for redemption shall be surrendered for cancellation.

Section 5.     Execution and Negotiability. Each of the BANs and Bonds shall be executed in the name of the City by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of its Clerk-Treasurer, and the seal of the City shall be affixed, imprinted or impressed to or on each of the BANs and Bonds manually, by facsimile or any other means; and these officials, by the execution of a Signature and No Litigation Certificate, shall adopt as and for their own proper signatures the facsimile signatures appearing on the Bonds. In case any officer whose signature or facsimile signature appears on the Bonds



shall cease to be such officer before the delivery of the Bonds, the signature of such officer shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

The BANs and Bonds shall have all of the qualities and incidents of negotiable instruments under the laws of the State of Indiana, subject to the provisions for registration herein. The Bonds shall also be authenticated by the manual signature of the Registrar, and no Bond shall be valid or become obligatory for any purpose until the certificate of authentication thereon has been so executed.

Section 6. Form of Bonds. The form and tenor of the Bonds shall be substantially as follows, all blanks to be filled in properly prior to delivery.

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City of Lebanon, Indiana, or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.]

NO. \_\_\_\_\_

STATE OF INDIANA                      UNITED STATES OF AMERICA                      COUNTY OF BOONE  
CITY OF LEBANON  
SEWAGE WORKS REVENUE BOND OF 2017

Interest <u>Rate</u>	Maturity <u>Date</u>	Original <u>Date</u>	Authentication <u>Date</u>	<u>CUSIP</u>
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REGISTERED OWNER:

PRINCIPAL SUM:

The City of Lebanon, in Boone County, State of Indiana ("City"), for value received, hereby promises to pay to the Registered Owner named above or registered assigns, solely out of the special revenue fund hereinafter referred to, the Principal Sum set forth above on the

Maturity Date set forth above (unless this bond be subject to and be called for redemption prior to maturity as hereinafter provided), and to pay interest hereon at the Interest Rate per annum stated above from the interest payment date to which interest has been paid next preceding the Authentication Date of this bond unless this bond is authenticated after the fifteenth day of the month preceding an interest payment date and on or before such interest payment date in which case it shall bear interest from such interest payment date or unless this bond is authenticated on or before \_\_\_\_\_ 15, 20\_\_, in which case it shall bear interest from the Original Date, until the principal is paid, which interest is payable semiannually on the first day of January 1 and July 1 in each year, beginning on \_\_\_\_\_ 1, 20\_\_.

The principal of this bond is payable at the principal office of U.S. Bank National Association ("Registrar" or "Paying Agent"), in the City of \_\_\_\_\_, Indiana. All payments of interest on this bond shall be paid by check, mailed one business day prior to the interest payment date to the registered owner hereof as of the fifteenth day of the month preceding such interest payment date at the address as it appears on the registration books kept by the Registrar or at such other address as is provided to the Paying Agent in writing by the registered owner. If payment of principal or interest is made to a depository, payment shall be made by wire transfer on the payment date in same-day funds. If the payment date occurs on a date when financial institutions are not open for business, the wire transfer shall be made on the next succeeding business day. The Paying Agent shall wire transfer payments by 1:00 p.m. (New York City time) so such payments are received at the depository by 2:30 p.m. (New York City time). All payments on the bond shall be made in any coin or currency of the United States of America, which on the dates of such payment, shall be legal tender for the payment of public and private debts.

THE CITY SHALL NOT BE OBLIGATED TO PAY THIS BOND OR THE INTEREST HEREON EXCEPT FROM THE HEREINAFTER DESCRIBED SPECIAL FUND, AND NEITHER THIS BOND NOR THE ISSUE OF WHICH IT IS A PART SHALL IN ANY RESPECT CONSTITUTE A CORPORATE INDEBTEDNESS OF THE CITY WITHIN THE PROVISIONS AND LIMITATIONS OF THE CONSTITUTION OF THE STATE OF INDIANA.

This bond is one of an authorized issue of bonds of the City, of like date, tenor and effect, except as to rates of interest, series designation and dates of maturity; aggregating \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), numbered consecutively from 1 up; issued for the purpose of providing funds to be applied on the cost of additions and improvements to the City's sewage works ("Project"), [to refund interim notes issued in anticipation of the bonds,] and to pay incidental expenses[, including premiums for municipal bond insurance and a debt service reserve surety]. This bond is issued pursuant to an Ordinance adopted by the Common Council of the City on the \_\_\_\_\_ day of \_\_\_\_\_, 2017, entitled "An Ordinance of the City of Lebanon authorizing the issuance of sewage works revenue bonds for the purpose of providing funds to pay the cost of certain additions, extensions and improvements to the municipal sewage works of said City; providing for the safeguarding of the interests of the owners of said bonds, other matters connected therewith, including the issuance of notes in anticipation of bonds, and repealing ordinances inconsistent herewith" ("Ordinance"), and in accordance with the provisions of Indiana law, including without limitation Indiana Code

36-9-23 as in effect on the date of delivery of the bonds of this issue ("Act"), the proceeds of which bonds are to be applied to the costs of the Project[, the payment of notes issued in anticipation of the bonds] and expenses incurred in connection therewith[, including premiums for municipal bond insurance and a debt service reserve surety].

Pursuant to the provisions of the Act and the Ordinance, the principal of and interest on this bond and all other bonds of said issue and any bonds hereafter issued on a parity therewith are payable solely from the Sewage Works Sinking Fund set forth in the Ordinance ("Sinking Fund") to be provided from the Net Revenues (defined as the gross revenues of the sewage works of the City remaining after the payment of the reasonable expenses of operation, repair and maintenance excluding transfers for payment in lieu of property taxes) of the sewage works of the City now owned or hereafter acquired. The bonds of this issue of which this bond is a part are on a parity with the 2013 Bonds and the 2014 Bonds (as defined in the Ordinance).

The City irrevocably pledges the entire Net Revenues of the sewage works to the prompt payment of the principal of and interest on the bonds authorized by the Ordinance, of which this is one, and any obligations ranking on a parity therewith, including the 2013 Bonds and the 2014 Bonds to the extent necessary for that purpose, and covenants that it will cause to be fixed, maintained and collected such rates and charges for services rendered by the utility as are sufficient in each year for the payment of the proper and reasonable expenses of operation, repair and maintenance of the sewage works and for the payment of the sums required to be paid into the Sinking Fund under the provisions of the Act and the Ordinance. If the City or the proper officers thereof shall fail or refuse to so fix, maintain and collect such rates or charges, or if there be a default in the payment of the interest on or principal of this bond, the owner of this bond shall have all of the rights and remedies provided for in the Act, including the right to have a receiver appointed to administer the works and to charge and collect rates sufficient to provide for the payment of this bond and the interest hereon.

[The City has designated the Bonds as qualified tax-exempt obligations to qualify for the \$10,000,000 exception from the provisions of Section 265(b) of the Internal Revenue Code of 1986 relating to the disallowance of 100% of the deduction for interest expense allocable to tax-exempt obligations.]

The City further covenants that it will set aside and pay into its Sinking Fund monthly, as available, or more often if necessary, a sufficient amount of the Net Revenues of the works for payment of (a) the interest on all bonds which by their terms are payable from the revenues of the sewage works, as such interest shall fall due, (b) the necessary fiscal agency charges for paying bonds and interest, (c) the principal of all bonds which by their terms are payable from the revenues of the sewage works, as such principal shall fall due, and (d) an additional amount as a margin of safety to [create and] maintain the debt service reserve required by the Ordinance. Such required payments shall constitute a first charge upon all the Net Revenues of the sewage works, on a parity with the 2013 Bonds and the 2014 Bonds.

The bonds of this issue maturing on \_\_\_\_\_, and thereafter, are redeemable at the option of the City on \_\_\_\_\_, or any date thereafter, on

thirty (30) days' notice, in whole or in part, in the order of maturity and by lot within a maturity, at face value together with the following premiums:

\_\_\_\_% if redeemed on \_\_\_\_\_, or thereafter  
on or before \_\_\_\_\_;  
\_\_\_\_% if redeemed on \_\_\_\_\_, or thereafter  
on or before \_\_\_\_\_;  
0% if redeemed on \_\_\_\_\_, or thereafter  
prior to maturity;

plus in each case accrued interest to the date fixed for redemption.

[The bonds maturing on \_\_\_\_\_ are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest, in the years and in the amounts set forth below:

<u>Year</u>	<u>Amount</u>
	\$

\*

\* Final Maturity]

Each Five Thousand Dollars (\$5,000) principal amount shall be considered a separate bond for purposes of optional [and mandatory] redemption. If less than an entire maturity is called for redemption, the bonds to be redeemed shall be selected by lot by the Registrar. [If some bonds are to be redeemed by optional redemption and mandatory sinking fund redemption on the same date, the Registrar shall select by lot the bonds for optional redemption before selecting the bonds by lot for the mandatory sinking fund redemption.]

Notice of such redemption shall be mailed to the address of the registered owner as shown on the registration records of the City as of the date which is forty-five (45) days prior to such redemption date, not less than thirty (30) days prior to the date fixed for redemption unless the notice is waived by the registered owner of this bond. The notice shall specify the date and place of redemption and sufficient identification of the bonds called for redemption. The place of redemption may be determined by the City. Interest on the bonds so called for redemption shall cease on the redemption date fixed in such notice if sufficient funds are available at the place of redemption to pay the redemption price on the date so named.

If this bond shall not be presented for payment or redemption on the date fixed therefor, the City may deposit in trust with its depository bank, an amount sufficient to pay such bond or the redemption price, and thereafter the registered owner shall look only to the funds so deposited in trust with said bank for payment and the City shall have no further obligation or liability in respect thereto.

This bond is transferable or exchangeable only upon the books of the City kept for that purpose at the principal corporate trust office of the Registrar by the registered owner hereof in person, or by his attorney duly authorized in writing, upon surrender of this bond together with a

written instrument of transfer or exchange satisfactory to the Registrar duly executed by the registered owner, or his attorney duly authorized in writing, and thereupon a new fully registered bond or bonds in an authorized aggregate principal amount and of the same maturity, shall be executed and delivered in the name of the transferee or transferees or to the registered owner, as the case may be, in exchange therefor. This bond may be transferred without cost to the registered owner except for any tax or governmental charge required to be paid with respect to the transfer. The City, the Registrar, the Paying Agent and any other registrar or paying agent for this bond may treat and consider the person in whose name this bond is registered as the absolute owner hereof for all purposes including for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon.

This bond is subject to defeasance prior to redemption or payment as provided in the Ordinance referred to herein. THE OWNER OF THIS BOND, BY THE ACCEPTANCE HEREOF, HEREBY AGREES TO ALL THE TERMS AND PROVISIONS CONTAINED IN THE ORDINANCE. The Ordinance may be amended without the consent of the owners of the bonds as provided in the Ordinance if the Common Council determines, in its sole discretion, that the amendment shall not adversely affect the rights of any of the owners of the bonds.

[The bonds shall be initially issued in a Book Entry System (as defined in the Ordinance). The provisions of this bond and of the Ordinance are subject in all respects to the provisions of the Letter of Representations between the City and The Depository Trust Company, or any substitute agreement, effecting such Book Entry System.]

The bonds maturing in any one year are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the execution, issuance and delivery of this bond have been done and performed in regular and due form as provided by law. This bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been executed by an authorized representative of the Registrar.

IN WITNESS WHEREOF, the City of Lebanon, in Boone County, Indiana, has caused this bond to be executed in its corporate name by the manual or facsimile signature of its Mayor, its corporate seal to be hereunto affixed, imprinted or impressed by any means and attested manually or by facsimile by its Clerk-Treasurer.

CITY OF LEBANON, INDIANA

By: \_\_\_\_\_  
Mayor

[SEAL]

Attest:

\_\_\_\_\_  
Clerk-Treasurer

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the within-mentioned Ordinance.

\_\_\_\_\_  
as Registrar

By: \_\_\_\_\_  
Authorized Representative

[INSURANCE LEGEND – if applicable]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ this bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to transfer the within bond in the books kept for the registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a Securities Transfer Association recognized signature guarantee program.

NOTICE: The signature to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

[End of Bond Form]

Section 7. Authorization for Preparation and Sale of the BANs and the Bonds, Bond Insurance, Rating and Official Statement. (a) The Clerk-Treasurer is hereby authorized and directed to have the BANs and the Bonds prepared, and the Mayor and the Clerk-Treasurer are hereby authorized and directed to execute and attest the BANs and the Bonds in the form and manner provided herein.

(b) The Clerk-Treasurer is hereby authorized and directed to deliver the BANs and the Bonds to the respective purchasers thereof. At the time of delivery of the BANs and the

Bonds, the Clerk-Treasurer shall collect the full amount which the respective purchasers have agreed to pay therefor, which amount shall not be less than 99% of the face value of the BANs and not less than 98% of the face value of the Bonds, as the case may be.

(c) Distribution of an Official Statement (preliminary and final) for the Bonds, prepared by H.J. Umbaugh & Associates on behalf of the City, is hereby authorized and approved and the Mayor and the Clerk-Treasurer are authorized and directed to execute the Official Statement on behalf of the City in a form consistent with this ordinance. The Mayor or Clerk-Treasurer is hereby authorized to designate the preliminary Official Statement as “nearly final” for purposes of Rule 15c2-12 as promulgated by the Securities and Exchange Commission.

(d) In the event the municipal advisor to the City certifies to the City that it would be economically advantageous for the City to obtain a municipal bond insurance policy the City hereby authorizes the purchase of such an insurance policy. If such an insurance policy is purchased, the Mayor and the Clerk-Treasurer are hereby authorized to execute and deliver all agreements with the provider of the policy to the extent necessary to comply with the terms of such insurance policy and the commitment to issue such policy. Such agreement shall be deemed a part of this ordinance for all purposes and is hereby incorporated herein by reference.

(e) Prior to the delivery of the Bonds, the Clerk-Treasurer shall be authorized, but not required, to investigate and obtain insurance (as set forth above), surety bonds and/or credit ratings on the Bonds.

Section 8. Bond Sale Notice. (a) Prior to the sale of the Bonds, the Clerk-Treasurer shall cause to be published either (i) a notice of bond sale in the authorized newspaper(s) published in the City, two (2) times, at least one (1) week apart, the first publication made at least fifteen (15) days before the date of the sale and the second publication being made at least

three (3) days before the date of the sale in accordance with Indiana Code 5-3-1, as amended , or

(ii) a notice of intent to sell bonds in the authorized newspaper(s) and in a newspaper of general circulation published in the State capital, all in accordance with Indiana Code 5-1-11 and Indiana Code 5-3-1, each as amended. Such notice, or summary thereof, may also be published in any other publications deemed appropriate in the discretion of the Clerk-Treasurer. The notice shall state the time and place of sale, the purpose for which the Bonds are being issued, the amount and the authorized denominations of the Bonds, the maximum rate or rates of interest thereon, the terms and conditions upon which bids will be received and the sale made, and such other information as the Clerk-Treasurer and the attorneys employed by the City shall deem advisable. The method of bid submission may be determined by the City upon the guidance of its municipal advisor and shall be set forth in the sale notice including electronic bids submitted through Parity. The notice shall provide, among other things, that the successful bidder for the Bonds will be required to provide the City a good faith deposit in the form of certified or cashier's check, or wire transfer in an amount equal to 1% of the par amount of the Bonds described in the notice no later than 3:30 p.m. E.T. on the business day immediately following the award to guarantee performance on the part of the successful bidder. In the event the successful bidder shall fail or refuse to accept delivery of the Bonds and pay for the same as soon as the Bonds are ready for delivery, or at the time fixed in the notice of sale, then said check and the proceeds thereof shall be the property of the City and shall be considered as its liquidated damages on account of such default. All bids for the Bonds shall be sealed and shall be presented to the Clerk-Treasurer or her designee at the physical or electronic address identified in the notice. Bidders for the Bonds will be required to name the rate or rates of interest which the Bonds are to bear, not exceeding the maximum rate hereinbefore fixed, and such interest rate or rates shall



be in multiples of one-eighth (1/8) or one-one hundredth (1/100) of one percent (1%). Bids specifying more than one interest rate shall also specify the amount and maturities of the Bonds bearing each rate, and all Bonds maturing on the same date shall bear the same rate. The rate bid on any maturity shall be equal to or greater than the rate bid on the immediately preceding maturity. No conditional bid or bid for less than 98% of the face amount of the Bonds will be considered. The opinion of Krieg DeVault LLP, bond counsel of Indianapolis, Indiana, approving the legality of the Bonds, will be furnished to the purchaser at the expense of the City.

The Bonds shall be awarded by the Clerk-Treasurer to the best bidder who has submitted its bid in accordance with the terms of this Ordinance, Indiana Code 5-1-11 and the notice of sale. The best bidder will be the one who offers the lowest net interest cost to the City, to be determined by computing the total interest on all of the Bonds to their respective maturities and adding thereto the discount bid, if any, and deducting the premium bid, if any. No bid for less than all of the Bonds, plus accrued interest to the date of delivery, shall be considered. The right to reject any and all bids shall be reserved. If an acceptable bid is not received on the date of sale, the sale may be continued from day to day thereafter without further advertisement for a period of thirty (30) days, during which time no bid which provides an equal or higher net interest cost to the City than the best bid received at the time of the advertised sale will be considered.

Section 9. Use of Proceeds and Costs of Issuance. The proceeds from the sale of the Bonds, to the extent not used to refund BANs, and BAN proceeds, shall be deposited in a bank or banks which are legally designated depositories for the funds of the City, in a special account or accounts to be designated as "City of Lebanon, Sewage Works Construction Account" ("Construction Account"). All funds deposited to the credit of the Sinking Fund (as defined

herein) or Construction Account shall be deposited, held, secured or invested in accordance with the laws of the State of Indiana relating to the depositing, holding, securing or investing of public funds, including particularly Indiana Code 5-13, as amended and supplemented. The funds in the Construction Account shall be expended only for the purpose of paying the cost of the Project, refunding the BANs, if issued, or as otherwise required by the Act or for the remaining expenses of issuance of the Bonds. The cost of obtaining any insurance, surety bonds, credit ratings and the legal services of Krieg DeVault LLP, shall be considered as a part of the cost of the Project on account of which the BANs and Bonds are issued. Any balance or balances remaining unexpended in such special account or accounts after completion of the Project, which are not required to meet unpaid obligations incurred in connection with such Project, shall either (1) be paid into the Sinking Fund and used solely for the purposes of the Sinking Fund, or (2) be used for the same purpose or type of project for which the Bonds were originally issued, all in accordance with Indiana Code 5-1-13, as amended and supplemented.

Section 10. Accrued Interest. The accrued interest received at the time of delivery of the Bonds, if any, and premium, if any, shall be deposited in the Sinking Fund, herein continued in Section 15, to be credited to the Bond and Interest Account of the Sinking Fund.

Section 11. Financial Records and Accounts; Continuing Disclosure. (a) The City shall keep proper records and books of account, separate from all of its other records and accounts, in which complete and correct entries shall be made showing all revenues received on account of the operation of the sewage works and all disbursements made therefrom and all transactions relating to the utility. The City shall maintain on file the audited financial statements of the utility prepared by the State Board of Accounts. Copies of all such statements and reports shall be kept on file in the office of the Clerk-Treasurer.

(b) The Common Council hereby approves, authorizes and directs the Mayor and Clerk-Treasurer, for and on behalf of the City, to execute, attest and deliver, and to perform the obligations of the City under, a Continuing Disclosure Undertaking Agreement (the "Agreement") from the City to each registered owner or holder of any of the Bonds. The Mayor and the Clerk-Treasurer are authorized to approve the form of the Agreement, such determination to be conclusively evidenced by such Mayor's and such Clerk-Treasurer's execution thereof. Notwithstanding any other provisions of this ordinance, failure of the City to comply with the Agreement shall not be considered an event of default under the Bonds or this ordinance.

Section 12. Pledge of Net Revenues. The interest on and the principal of the Bonds issued pursuant to the provisions of this ordinance, and any bonds hereafter issued on a parity therewith, shall constitute a first charge on all the Net Revenues, on a parity with the 2013 Bonds and the 2014 Bonds, and such Net Revenues are hereby irrevocably pledged to the payment of the interest on and principal of such Bonds, to the extent necessary for that purpose.

Section 13. Revenue Fund. All revenues derived from the operation of the sewage works and from the collection of sewer rates and charges shall be deposited in the Revenue Fund ("Revenue Fund"), hereby continued, and segregated and deposited as set forth in this ordinance. Of these revenues the proper and reasonable expenses of operation, repair and maintenance of the works shall be paid, the principal and interest of all bonds and fiscal agency charges of registrars or paying agents shall be paid, the reserve shall be funded, and the costs of replacements, extensions, additions and improvements shall be paid.

Section 14. Operation and Maintenance Fund. The Operation and Maintenance Fund ("O&M Fund") is hereby continued. On the last day of each calendar month, revenues of the

sewage works shall thereafter be transferred from the Revenue Fund to the O&M Fund. The balance maintained in the O&M Fund shall be sufficient to pay the expenses of operation, repair and maintenance for the then next succeeding two (2) calendar months. The moneys credited to the O&M Fund shall be used for the payment of the reasonable and proper operation, repair and maintenance expenses of the sewage works on a day-to-day basis but none of the moneys in the fund shall be used for transfers for payment in lieu of property taxes, depreciation, improvements, extensions or additions. Any moneys in the O&M Fund may be transferred to the Sewage Works Sinking Fund if necessary to prevent a default in the payment of principal of or interest on the outstanding bonds of the sewage works.

Section 15. Sewage Works Sinking Fund. (a) There is hereby continued the Sewage Works Sinking Fund ("Sinking Fund"). As set forth herein, the Sinking Fund shall be used for the payment of the principal of and interest on revenue bonds which by their terms are payable from the Net Revenues of the sewage works and the payment of any fiscal agency charges in connection with the payment of Bonds. There is hereby continued within the Sinking Fund the "Bond and Interest Account" and the "Debt Service Reserve Account." There shall be set aside and deposited in the Sinking Fund, as available, and as hereinafter provided, a sufficient amount of the Net Revenues of the sewage works to meet the requirements of the Bond and Interest Account and Debt Service Reserve Account. Such payments shall continue until the balances in the Bond and Interest Account and the Debt Service Reserve Account equal the principal of and interest on all of the then outstanding bonds of the sewage works to their final maturity and provide for payment of all fiscal agency charges.

(b) Bond and Interest Account. There shall be credited on the last day of each calendar month from the Revenue Fund to the Bond and Interest Account of the Sinking Fund

("Bond and Interest Account") an amount of the Net Revenues equal to (i) at least one-sixth ( $1/6$ ) of the interest on all then outstanding bonds payable on the then next succeeding interest payment date, (ii) at least one-sixth ( $1/6$ ) of the principal on all then outstanding bonds payable on the then next succeeding principal payment date, until the amount of interest and principal payable on the then next succeeding interest and principal payment dates shall have been so credited. There shall similarly be credited to the account any amount necessary to pay the bank fiscal agency charges for paying interest on outstanding bonds as the same become payable. The City shall, from the sums deposited in the Sinking Fund and credited to the Bond and Interest Account, remit promptly to the registered owner or to the bank fiscal agency sufficient moneys to pay the interest and principal on the due dates thereof together with the amount of bank fiscal agency charges.

In no event shall any part of the Sewage Works Sinking Fund be used in calling bonds for redemption prior to their respective maturities, except to the extent that the amount then in the Sewage Works Sinking Fund exceeds the amount required to pay the bonds which will mature within a period of twelve (12) calendar months next following the date of such redemption, together with all interest on bonds payable in such period. Any such excess of funds above such required level may also be used in purchasing outstanding bonds at a price less than the then applicable redemption price, with the prior approval of the City. Monies in the Sewage Works Sinking Fund shall not be used for any other purpose whatsoever except as provided in this Ordinance.

(c) Debt Service Reserve Account. On the date of delivery of the Bonds, funds on hand of the sewage works, Bond proceeds or a combination thereof may be deposited into the Debt Service Reserve Account. The balance maintained in the Debt Service Reserve Account

shall equal, but not exceed, the least of (i) the maximum annual principal and interest requirements on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account, (ii) 125% of average annual principal and interest requirements on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account or (iii) 10% of the stated principal amount (or, if issued with more than a de minimus amount of original issue discount or premium, the issue price) of the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account (the least of (i), (ii) or (iii), the "Reserve Requirement"). If the initial deposit does not cause the balance therein to equal the Reserve Requirement or if no initial deposit is made, the City shall deposit a sum of Net Revenues into the Reserve Account on the last day of each calendar month until the balance in the Reserve Account equals but does not exceed the Reserve Requirement. The monthly deposits of Net Revenues shall be equal in amount and sufficient to accumulate the Reserve Requirement within five (5) years of the date of delivery of the Bonds.

The Debt Service Reserve Account shall constitute the margin for safety and protection against default in the payment of principal of and interest on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account, and the moneys in the Debt Service Reserve Account shall be used to pay current principal and interest on the 2013 Bonds, the 2014 Bonds and the Bonds and any additional bonds with any claim on the Debt Service Reserve Account to the extent that moneys in the Bond and Interest Account are insufficient for that purpose. Any deficiency in the balance maintained in the Debt Service Reserve Account shall be made up from the next available Net Revenues remaining after credits into the Bond and Interest Account. In the event moneys in the Debt Service Reserve

Account are transferred to the Bond and Interest Account to pay principal and interest on the 2013 Bonds, the 2014 Bonds and the Bonds or any additional bonds with any claim on the Debt Service Reserve Account, then such depletion of the balance in the Debt Service Reserve Account shall be made up from the next available Net Revenues after the credits into the Bond and Interest Account.

Any moneys in the Debt Service Reserve Account in excess of the Reserve Requirement may be used for the redemption of then outstanding 2013 Bonds, the 2014 Bonds and the Bonds or any additional bonds with any claim on the Debt Service Reserve Account which are callable, or for the purchase of outstanding 2013 Bonds, the 2014 Bonds and the Bonds or any additional bonds with any claim on the Debt Service Reserve Account, including accrued interest, or shall be transferred to the Sewage Works Improvement Fund.

The City may at any time and from time to time fund all or any part of the Debt Service Reserve Account by depositing in the Debt Service Reserve Account one or more debt service reserve surety bonds or insurance policies, letters of credit or other credit instruments (each, a "Reserve Account Credit Instrument"), each of which is issued by an insurance company or bank or trust company rated at the time of deposit in one of the two highest rating categories by S&P or Moody's. As long as any Reserve Account Credit Instrument is in full force and effect, any valuation of the Debt Service Reserve Account shall treat the maximum amount available under such Reserve Account Credit Instrument as its value. If the City acquires a Reserve Account Credit Instrument to satisfy the Reserve Requirement, the Mayor and the Clerk-Treasurer are hereby authorized to execute and deliver all agreements with the provider of the surety or such other instrument to the extent necessary to comply with such terms. Such agreement shall be deemed a part of this ordinance for all purposes and is hereby incorporated herein by reference.

In the event a draw is made against the Reserve Account insurance policy(s) or surety bond policies (the "Reserve Policy"), the City shall repay the amount of the draw and related expenses incurred by the financial insurance company together with interest thereon at a rate set forth in the Reserve Policy from available Net Revenues on terms set forth in the Reserve Policy or related agreements.

Section 16. Sewage Works Improvement Fund. After meeting the requirements of the Operation and Maintenance Fund and the Sinking Fund, any excess revenues may be transferred or credited from the Revenue Fund to a fund designated the "Sewage Works Improvement Fund," hereby continued ("Improvement Fund"), and the Improvement Fund shall be used for improvements, replacements, additions and extensions of the sewage works. Moneys in the Improvement Fund shall be transferred to the Sinking Fund if necessary to prevent a default in the payment of principal and interest on the then outstanding bonds or, if necessary, to eliminate any deficiencies in credits to or minimum balance in the Debt Service Reserve Account (in that order) or may be transferred to the O&M Fund to meet unforeseen contingencies in the operation, repair and maintenance of the sewage works. Moneys in the Improvement Fund may also be transferred for payments in lieu of property taxes to the City.

Section 17. Investment of Funds. The Sinking Fund shall be deposited in and maintained as a separate account or accounts from all other accounts of the City. The O&M Fund and the Improvement Fund may be maintained in a single account, or accounts, but such account, or accounts, shall likewise be maintained separate and apart from all other accounts of the City and apart from the Sinking Fund account or accounts. All moneys deposited in the accounts shall be deposited, held and secured as public funds in accordance with the public depository laws of the State of Indiana; provided that moneys therein may be invested in



obligations in accordance with the applicable laws, including particularly Indiana Code, Title 5, Article 13, as amended or supplemented, and in the event of such investment the income therefrom shall become a part of the funds invested and shall be used only as provided in this ordinance.

Section 18. Defeasance of the Bonds. If, when the Bonds or a portion thereof shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the Bonds or a portion thereof for redemption shall have been given, and the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Bonds or a portion thereof then outstanding shall be paid; or (i) sufficient moneys, or (ii) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, the principal of and the interest on which when due will provide sufficient moneys for such purpose, shall be held in trust for such purpose, and provision shall also be made for paying all fees and expenses for the redemption, then and in that case the Bonds or any designated portion thereof issued hereunder shall no longer be deemed outstanding or entitled to the pledge of the Net Revenues of the City's sewage works.

Section 19. Rate Covenant. The City covenants and agrees that it will establish and maintain just and equitable rates or charges for the use of and the service rendered by the works, to be paid by the owner of each and every lot, parcel of real estate or building that is connected with and uses said sewage works by or through any part of the sewage system of the City, or that in any way uses or is served by such works; that such rates or charges shall be sufficient in each year to provide for the payment of the proper and reasonable expenses of operation, repair and maintenance of the works, and for the payment of 110% of the sums required to be paid into the

Sinking Fund by the Act and this ordinance. Such rates and charges shall, if necessary, be changed and readjusted from time to time so that the revenues therefrom shall always be sufficient to meet the expenses of operation, repair and maintenance of the sewage works and 110% of the requirements of the Sinking Fund. The rates and charges so established shall apply to any and all use of such works by and service rendered to the City and all departments thereof, and shall be paid by the City or the various departments thereof as the charges accrue.

Section 20. Additional Bond Provisions. The City reserves the right to authorize and issue additional BANs at any time ranking on a parity with the BANs. The City reserves the right to authorize and issue additional bonds or other obligations payable out of the Net Revenues of its sewage works ranking on a parity with the Bonds for the purpose of financing the cost of future additions, extensions and improvements to its sewage works, or to refund obligations, subject to the following conditions:

(a) All required payments into the Sinking Fund shall have been made in accordance with the provisions of this ordinance, and the interest on and principal of all outstanding bonds from the Net Revenues of the sewage works shall have been paid in accordance with their terms.

(b) The Reserve Requirement for the outstanding 2013 Bonds, the outstanding 2014 Bonds, the Bonds and any additional outstanding parity bonds has been funded in accordance with this Ordinance and the Reserve Requirement shall be increased proportionately for any additional bonds ranking on parity with the outstanding Bonds.

(c) The Net Revenues of the sewage works in the fiscal year immediately preceding the issuance of any such bonds ranking on a parity with the Bonds shall not be less than one hundred twenty-five percent (125%) of the maximum annual principal and interest requirements of the then outstanding bonds and the additional parity bonds proposed to be issued; or, prior to

the issuance of the parity bonds the sewage rates and charges shall be increased sufficiently so that increased rates and charges applied to the previous year's operations would have produced Net Revenues for said year equal to not less than one hundred twenty-five percent (125%) of the maximum annual interest and principal requirements of all bonds payable from the revenues of the sewage works, including the additional parity bonds proposed to be issued. For purposes of this subsection, the records of the sewage works shall be analyzed and all showings prepared by a certified public accountant employed by the City for that purpose.

(d) The principal of, or mandatory sinking fund redemption amounts of, and interest on the additional parity bonds shall be payable semiannually on the first days of January and July.

Any additional bonds payable out of the Net Revenues of the sewage works issued on a parity with the 2013 Bonds, the 2014 Bonds or the Bonds shall, unless otherwise provided in the ordinance authorizing the issuance of such additional bonds, have a claim on the Debt Service Reserve Account on a parity with the 2013 Bonds, the 2014 Bonds, the Bonds and any other such additional bonds.

Section 21. Further Covenants of the City; Maintenance, Insurance, Pledge Not To Encumber, Subordinate Indebtedness, and Contract with Bondholders. For the purpose of further safeguarding the interests of the owners of the BANs and the Bonds, it is hereby specifically provided as follows:

(a) So long as any of the Bonds or BANs are outstanding, the City shall at all times maintain the sewage works system in good condition and operate the same in an efficient manner and at a reasonable cost.

(b) So long as any of the Bonds or BANs are outstanding, the City shall maintain insurance including fidelity bonds, on the insurable parts of the system of a kind and in an amount such as is usually carried by private corporations engaged in a similar type of business. All insurance shall be placed with responsible insurance companies qualified to do business under the laws of the State of Indiana. As an alternative to maintaining such insurance, the City may maintain a self- insurance program with catastrophic or similar coverage so long as such program meets the requirements of any applicable laws or regulations and is maintained in a manner consistent with programs maintained by similarly situated municipalities.

All insurance or self-insurance proceeds shall be used either in replacing or restoring the property destroyed or damaged, or if not used for such purposes, shall be treated and applied as net revenues of the sewage works.

(c) So long as any of the BANs or Bonds are outstanding, the City shall not, either directly or indirectly, mortgage, pledge or otherwise encumber the property and plant of its sewage works system, or any part thereof, and shall not sell, lease or otherwise dispose of any portion thereof except to replace equipment which may become worn out or otherwise obsolete.

(d) Except as otherwise specifically provided in Section 20 of this ordinance, so long as any of the Bonds are outstanding, no additional bonds or other obligations pledging any portion of the revenues of the system shall be authorized, issued or executed by the City, except such as shall be made subordinate and junior in all respects to the Bonds, unless all of the Bonds are redeemed or defeased pursuant to Section 18 hereof coincidentally with the delivery of such additional bonds or other obligations.

(e) All contracts let by the City in connection with the construction of the Project shall be let after due advertisement as required by the laws of the State of Indiana, and all

contractors shall be required to furnish surety bonds in an amount equal to 100% of the amount of such contracts, to insure the completion of said contracts in accordance with their terms, and such contractors shall also be required to carry such employers' liability and public liability insurance as are required under the laws of the State of Indiana in the case of public contracts, and shall be governed in all respects by the laws of the State of Indiana relating to public contracts.

(f) The Project shall be constructed under plans and specifications approved by a competent engineer designated by the City. All estimates for work done or material furnished shall first be checked by the engineer and approved by the City.

(g) The City shall take all actions or proceedings necessary and proper, to the extent permitted by law, to require connection of all property where liquid and solid waste, sewage, night soil or industrial waste is produced with available sanitary sewers. The City shall, insofar as possible, and to the extent permitted by law, cause all such sanitary sewers to be connected with said sewage works.

(h) The provisions of this ordinance shall constitute a contract by and between the City and the owners of the Bonds and BANs herein authorized, and after the issuance of the Bonds or BANs, this ordinance shall not be repealed, amended or modified in any respect which will materially and adversely affect the rights or interests of the owners of the Bonds or BANs, nor shall the Common Council or any other body of the City adopt any law, ordinance or resolution in any way adversely affecting the rights of such owners so long as any of the Bonds or BANs, or the interest thereon, remain outstanding or unpaid; provided that except in the case of changes described in Section 22(a)-(g) hereof, this ordinance may be amended, without the consent of the owners of the Bonds or BANs, if the Common Council determines, in its sole

discretion, that such amendment would not adversely affect the owners of the Bonds or BANs or any other bonds ranking on parity therewith.

(i) The provisions of this Ordinance shall be construed to create a trust in the proceeds of the sale of the Bonds for the uses and purposes herein set forth, and the owners of the Bonds shall retain a lien on such proceeds until the same are applied in accordance with the provisions of this Ordinance and of the Act. The provisions of this Ordinance shall also be construed to create a trust in the portion of the net revenues herein directed to be set apart and paid into the Sinking Fund for the uses and purposes of such fund as set forth in this Ordinance. The owners of the Bonds shall have all of the rights, remedies and privileges set forth in the provisions of the Act, and may either at law or in equity, by suit, action, mandamus or other proceeding, protect and enforce any and all rights granted pursuant to the Act and the provisions of this Ordinance, and may enforce and compel performance of all duties required by the Act and this Ordinance to be performed by the City and any board or officer thereof, including the making and collecting of lawful, reasonable and sufficient rates and charges for services rendered by the sewage works. In the event of any failure to pay the principal of or interest on any of the Bonds when due, any court having jurisdiction of the action may appoint a receiver to administer the sewage works on behalf of the City and the owners of the Bonds, with power to charge and collect rates sufficient to provide for the payment of the expenses of operation, repair and maintenance and also to pay the principal of and interest on the Bonds, and to apply the revenues of the sewage works in conformity with the Act and the provisions of this Ordinance.

Section 22. Amendments with Consent of Bondholders. Subject to the terms and provisions contained in this section and Section 21(h), the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds issued pursuant to this

ordinance and then outstanding shall have the right from time to time, to consent to and approve the adoption by the Common Council of the City of such ordinance or ordinances supplemental hereto or amendatory hereof, as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in this ordinance, or in any supplemental ordinance; provided, however, that nothing herein contained shall permit or be construed as permitting:

(a) An extension of the maturity of the principal of or interest on, or any mandatory sinking fund redemption date for, any Bond issued pursuant to this ordinance; or

(b) A reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon; or

(c) The creation of a lien upon or a pledge of the revenues or Net Revenues of the sewage works ranking prior to the pledge thereof created by this ordinance; or

(d) A preference or priority of any Bond or Bonds issued pursuant to this ordinance over any other Bond or Bonds issued pursuant to the provisions of this ordinance; or

(e) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance; or

(f) A reduction in the Reserve Requirement; or

(g) The extension of mandatory sinking fund dates, if any.

If the owners of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds outstanding at the time of adoption of such supplemental ordinance shall have consented to and approved the adoption thereof by written instrument to be maintained on file in the office of the Clerk-Treasurer of the City, no owner of any Bond issued pursuant to this ordinance shall have any right to object to the adoption of such supplemental

ordinance or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Common Council of the City from adopting the same, or from taking any action pursuant to the provisions thereof. Upon the adoption of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be, and shall be deemed, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City and all owners of Bonds then outstanding, shall thereafter be determined, exercised and enforced in accordance with this ordinance, subject in all respects to such modifications and amendments. Notwithstanding anything contained in the foregoing provisions of this ordinance, the rights and obligations of the City and of the owners of the Bonds authorized by this ordinance, and the terms and provisions of the Bonds and this ordinance, or any supplemental or amendatory ordinance, may be modified or altered in any respect with the consent of the City and the consent of the owners of all the Bonds then outstanding.

Without notice to or consent of the owners of the Bonds, the City may, from time to time and at any time, adopt such ordinances supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which supplemental ordinances shall thereafter form a part hereof),

(a) to cure any ambiguity or formal defect or omission in this ordinance or in any supplemental ordinance; or

(b) to grant to or confer upon the owners of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the owners of the Bonds; or

(c) to make any other change which is not to the prejudice of the owners of the Bonds.



Section 23. Tax Covenants. In order to preserve the exclusion of interest on the Bonds and BANs from gross income for federal tax purposes under Section 103 of the Internal Revenue Code of 1986 as existing on the date of issuance of the Bonds or BANs, as the case may be (“Code”), and as an inducement to purchasers of the Bonds or BANs, the City represents, covenants and agrees that:

(a) The sewage works will be available for use by members of the general public. Use by a member of the general public means use by natural persons not engaged in a trade or business. No person or entity other than the City or another state or local governmental unit will use more than 10% of the proceeds of the Bonds or BANs or property financed by the Bond or BAN proceeds other than as a member of the general public. No person or entity other than the City or another state or local governmental unit will own property financed by Bond or BAN proceeds or will have any actual or beneficial use of such property pursuant to a lease, a management or incentive payment contract, arrangements such as take-or-pay or output contracts or any other type of arrangement that conveys other special legal entitlements and differentiates that person’s or entity’s use of such property from use by the general public, unless such uses in the aggregate relate to no more than 10% of the proceeds of the BANs or the Bonds, as the case may be. If the City enters into a management contract for the sewage works, the terms of the contract will comply with IRS Revenue Procedure 2017-13, as it may be amended, supplemented or superseded from time to time, so that the contract will not give rise to private business use under the Code and the Regulations, unless such use in aggregate relates to no more than 10% of the proceeds of the Bonds or BANs as the case may be.

(b) No more than 10% of the principal of or interest on the Bonds or BANs is (under the terms of the Bonds, BANs, this ordinance or any underlying arrangement), directly or indirectly, secured by an interest in property used or to be used for any private business use or payments in respect of any private business use or payments in respect of such property or to be derived from payments (whether or not to the City) in respect of such property or borrowed money used or to be used for a private business use.

(c) No more than 5% of the Bond or BAN proceeds will be loaned to any person or entity other than another state or local governmental unit. No more than 5% of the Bond or BAN proceeds will be transferred, directly or indirectly, or deemed transferred to a nongovernmental person in any manner that would in substance constitute a loan of the Bond or BAN proceeds.

(d) The City reasonably expects, as of the date hereof, that the Bonds and BANs will not meet either the private business use test described in paragraph (a) and (b) above or the private loan test described in paragraph (c) above during the entire term of the Bonds and BANs, as the case may be.

(e) No more than 5% of the proceeds of the Bonds or BANs will be attributable to private business use as described in (a) and private security or payments described in (b) attributable to unrelated or disproportionate private business use. For this purpose, the private business use test is applied by taking into account only use that is not related to any government use of proceeds of the issue (Unrelated Use) and use that is related but disproportionate to any governmental use of those proceeds (Disproportionate Use).

(f) The City will not take any action nor fail to take any action with respect to the Bonds or BANs that would result in the loss of the exclusion from gross income for federal tax purposes on the Bonds or BANs pursuant to Section 103 of the Code, nor will the City act in any

other manner which would adversely affect such exclusion. The City covenants and agrees not to enter into any contracts or arrangements which would cause the Bonds or BANs to be treated as private activity bonds under Section 141 of the Code.

(g) It shall not be an event of default under this ordinance if the interest on any Bond or BAN is not excludable from gross income for federal tax purposes or otherwise pursuant to any provision of the Code which is not currently in effect and in existence on the date of issuance of the Bonds or BANs, as the case may be.

(h) These covenants are based solely on current law in effect and in existence on the date of delivery of such Bonds and BANs, as the case may be.

(i) The City covenants that it will rebate any arbitrage profits to the United States to the extent required by the Code and the regulations promulgated thereunder.

Section 24. Issuance of BANs. (a) The City, having satisfied all the statutory requirements for the issuance of its Bonds, may elect to issue its BAN or BANs to a financial institution, the Indiana Bond Bank or any other purchaser, pursuant to a Bond Anticipation Note Purchase Agreement ("BAN Purchase Agreement") to be entered into between the City and the purchaser of the BAN or BANs. The Common Council hereby authorizes the issuance and execution of the BAN or BANs in lieu of initially issuing the Bonds to provide interim financing for the Project until permanent financing becomes available. It shall not be necessary for the City to repeat the procedures for the issuance of its Bonds, as the procedures followed before the issuance of the BAN or BANs are for all purposes sufficient to authorize the issuance of the Bonds and the use of the proceeds to repay the BAN or BANs.

(b) The Mayor and the Clerk-Treasurer are hereby authorized and directed to execute a BAN Purchase Agreement in such form or substance as they shall approve acting upon the advice of counsel. The Mayor and the Clerk-Treasurer may also take such other actions or deliver such other certificates as are necessary or desirable in connection with the issuance of the BANs or the Bonds and the other documents needed for the financing as they deem necessary or desirable in connection therewith.

Section 25. Noncompliance with Tax Covenants. Notwithstanding any other provisions of this ordinance, any of the covenants and authorizations contained in Section 23 of this Ordinance (the "Tax Covenants") which are designed to preserve the exclusion of interest on the Bonds and BANs from gross income under federal law ("Tax Exemption") need not be complied with if the City receives an opinion of nationally recognized bond counsel to the effect that compliance with such Tax Covenant is unnecessary to preserve the Tax Exemption.

Section 26. Rate Ordinance. The present rates and charges of the sewage works are set forth in Ordinance No. 2015-17 adopted on November 23, 2015 as supplemented by Ordinance No. 2017-06, which ordinances are incorporated herein by reference.

Section 27. Non-Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this ordinance, is a legal holiday or a day on which banking institutions in the area are typically closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are typically closed, with the same force and effect as if done on the nominal date provided in this ordinance, and no interest shall accrue for the period after such nominal day.

Section 28. Other Actions. Each of the Mayor and the Clerk-Treasurer is hereby authorized and directed, for an on behalf of the City, to execute and deliver any agreement, certificate

or other instrument or take any other action which such officer determines to be necessary or desirable to carry out the transactions contemplated by this Ordinance, which determination shall be conclusively evidenced by such officer's having executed such agreement, certificate or other instrument or having taken such other action, and any such agreement, certificate or other instrument heretofore executed and delivered and any such other action heretofore taken are hereby ratified and approved.

Section 29. Conflicting Ordinances. All ordinances and parts of ordinances in conflict herewith are hereby repealed; provided, however, that this Ordinance shall not be construed as modifying, amending or repealing the ordinances authorizing the 2013 Bonds or the 2014 Bonds.

Section 30. Headings. The headings or titles of the several sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this ordinance.

Section 31. Effective Date. This ordinance shall be in full force and effect from and after its passage and approval by the Mayor.

ALL OF WHICH IS ADOPTED this 12<sup>th</sup> day of June, 2017 by the Lebanon  
Common Council of the City of Lebanon, Indiana.

Voting For

Voting Against

Abstain

Keith Campbell  
Keith Campbell

\_\_\_\_\_  
Keith Campbell

\_\_\_\_\_  
Keith Campbell

John Copeland  
John Copeland

\_\_\_\_\_  
John Copeland

\_\_\_\_\_  
John Copeland

Dan Fleming  
Dan Fleming

\_\_\_\_\_  
Dan Fleming

\_\_\_\_\_  
Dan Fleming

Mike Kincaid  
Mike Kincaid

\_\_\_\_\_  
Mike Kincaid

\_\_\_\_\_  
Mike Kincaid

Corey Kutz  
Corey Kutz

\_\_\_\_\_  
Corey Kutz

\_\_\_\_\_  
Corey Kutz

Jeremy Lamar  
Jeremy Lamar

\_\_\_\_\_  
Jeremy Lamar

\_\_\_\_\_  
Jeremy Lamar

Dick Robertson  
Dick Robertson

\_\_\_\_\_  
Dick Robertson

\_\_\_\_\_  
Dick Robertson

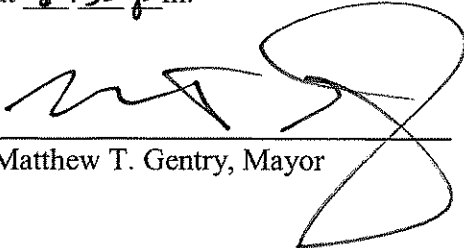
ATTEST:

Tonya Thayer  
Tonya Thayer, Clerk-Treasurer

I hereby certify that Ordinance 2017-07 was delivered to the Mayor of Lebanon on the 12th day of June, 2017, at 8:57 p.m.

  
\_\_\_\_\_  
Tonya Thayer, Clerk-Treasurer

I hereby APPROVE ORDINANCE 2017-07  
this 12 day of June, 2017,  
at 8:55 p.m.

  
\_\_\_\_\_  
Matthew T. Gentry, Mayor

I hereby VETO ORDINANCE 2017-07  
this \_\_\_\_ day of \_\_\_\_\_, 2017,  
at \_\_\_\_:\_\_\_\_ m.

\_\_\_\_\_  
Matthew T. Gentry, Mayor

ATTEST:

  
\_\_\_\_\_  
Tonya Thayer, Clerk-Treasurer

This document prepared by:  
Julie C. Bolling, Esq.  
KRIEG DEVAULT, LLP  
(317) 238-6241

KD\_8378689\_4.doc

## EXHIBIT A

### Project Description

The existing WWTP has a design average daily flow (ADF) capacity of 3.3 million gallons per day (MGD) and design peak daily flow (PDF) of 8.6 MGD. The design loadings for the WWTP are: 4,128 lbs/day CBOD<sub>5</sub>, 4,128 lbs/day TSS, and 826 lbs/day Ammonia. Over the past three years, the plant has experienced an actual ADF of 2.84 MGD and peak flows as high as 13.4 MGD. The plant has also experienced CBOD<sub>5</sub> loadings as high as 10,743 lbs/day and TSS loadings as high as 9,684 lbs/day. The plant is currently being challenged by loadings from Maplehurst and has a limited amount of flow capacity available to accommodate Lebanon's future growth. With incoming industries, as well as future residential and economic development, the plant needs to expand to handle future flows and loadings.

The expanded WWTP will be designed to handle the incoming flows and loads for the existing conditions as well as the expected future conditions. These future conditions include the development of the following for the next 20 years:

- Expected residential growth of 2,000 homes
- Full build-out of 4 production lines at Maplehurst
- Ken's Foods (initial and full production)
- Enterprise Development residential and commercial growth (2028 estimate)
- Allowance for addition industrial growth.

These future conditions will require both an increase in flow capacity to a 5.0 MGD ADF and 15 MGD peak flow facility as well as increasing loadings capacity to address industrial growth. The following table presents the anticipated flows and loads for the expanded facility.

Anticipated WWTP Influent Flows and Loadings				
	Flow (MGD)	CBOD <sub>5</sub> (lbs/day)	TSS (lbs/day)	NH <sub>3</sub> N (lbs/day)
Baseline Residential (Existing Flow)	2.84	2,341	2,569	290
Residential Growth	0.68	853	853	114
Commercial Growth	1.00	1,668	1,668	167
Industrial Growth	0.45	1,506	394	1,334
<b>TOTAL</b>	<b>5.00</b>	<b>6,368</b>	<b>5,484</b>	<b>1,905</b>



## APPENDIX D



October \_\_, 2018

City of Lebanon, Indiana  
Lebanon, Indiana

Re: City of Lebanon, Indiana  
Sewage Works Revenue Bonds of 2018

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Lebanon, Indiana ("Issuer") of its Sewage Works Revenue Bonds of 2018, dated October \_\_, 2018, in the aggregate principal amount of \$9,650,000 ("Bonds"), pursuant to Indiana Code 36-9-23 and Indiana Code 5-1-5, as amended, and Ordinance 2017-07 ("Ordinance"), adopted by the Common Council of the Issuer on June 12, 2017. We have examined the law and the certified transcript of proceedings of the Issuer had relative to the authorization, issuance and sale of the Bonds and such other papers as we deem necessary to render this opinion. We have relied upon the certified transcript of proceedings and certificates of public officials of the Issuer, including the Issuer's tax covenants and representations ("Tax Representations"), and we have not undertaken to verify any facts by independent investigation. We have relied upon the legal opinion of Krieg DeVault LLP, counsel to the Issuer, dated the date hereof, as to the matters stated therein. We have relied upon the report of H.J. Umbaugh & Associates, Certified Public Accountants, LLP, dated the date hereof, as to the matters stated therein.

Based upon the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Bonds are the valid and binding special revenue obligations of the Issuer in accordance with the terms and provisions thereof, and together with any additional bonds on a parity therewith hereafter issued, will be secured by a pledge of and payable solely out of the special fund heretofore legally established and designated as the "Sewage Works Sinking Fund," to which fund there has been legally pledged the Net Revenues (defined in the Ordinance as the gross revenues of the sewage works of the City remaining after the payment of the reasonable expenses of operation, repair and maintenance excluding transfers for payment in lieu of property taxes) of the sewage works.
2. Under statutes, decisions, regulations and rulings existing on this date, interest on the Bonds is exempt from income taxation in the State of Indiana ("State"). This opinion relates only to the exemption of interest on the Bonds from State income taxes.

3. Under federal statutes, decisions, regulations and rulings existing on this date, the interest on the Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended. This opinion is conditioned on continuing compliance by the Issuer with the Tax Representations. Failure to comply with the Tax Representations could cause interest on the Bonds to lose the exclusion from gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds.

4. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, although bond counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income for taxable years that began prior to January 1, 2018.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Bonds and we express no opinion thereon.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the valid exercise of the constitutional powers of the Issuer, the State and the United States of America.

Very truly yours,

## APPENDIX E



CONTINUING DISCLOSURE  
UNDERTAKING AGREEMENT

This CONTINUING DISCLOSURE UNDERTAKING AGREEMENT ("Agreement") is made as of October \_\_, 2018, by the City of Lebanon, Indiana ("Obligor") for the purpose of permitting \_\_\_\_\_, as underwriter ("Underwriter"), to purchase the hereinafter defined Bonds in compliance with the Securities and Exchange Commission ("SEC") Rule 15c2-12 ("SEC Rule") as published in the Federal Register on November 17, 1994.

NOW, THEREFORE, IT IS AGREED BY THE PARTY HERETO AS FOLLOWS:

1. Definitions. The words and terms defined in this Agreement shall have the meanings herein specified. Those words and terms not expressly defined herein, shall have the meanings assigned to them in the SEC Rule.

- (1) "Bondholder" or "holder" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond or the holders of beneficial interests in the Bonds.
- (2) "EMMA" means an Internet-based electronic filing system called the "Electronic Municipal Market Access" system as described in 1934 Act Release No. 59062 and maintained by the MSRB as further described in Section 5(e).
- (3) "Official Statement" means the Final Official Statement, dated as of \_\_\_\_\_, 2018, relating to the Bonds, including any document or set of documents included by specific reference to such document or documents previously provided to MSRB.
- (4) "MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto for the purposes of the SEC Rule, which is the sole central repository, through the operation of EMMA, as provided in Section 5(e) hereof.
- (5) "Obligated Person" means any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), for which Annual Information (as defined in Section 5 hereof) is presented in the Official Statement. All Obligated Persons with respect to the Bonds are identified in Section 4 below.

2. Bonds. This Agreement applies to the Obligor's Sewage Works Revenue Bonds of 2018 in the principal amount of \$9,650,000 ("Bonds").

3. Term. The term of this Agreement is from the date of delivery of the Bonds by the Obligor to the earlier of: (i) the date of the last payment of principal or redemption price, if any, of, and interest to accrue on, all the Bonds; or (ii) the date the Bonds are defeased under Section 18 of the Bond Ordinance adopted by the Obligor on June 12, 2017 ("Ordinance"), or (iii) the date of rescission as described in Section 11.

4. Obligated Persons. The Obligor hereby represents and warrants as of the date hereof that it is the only Obligated Person with respect to the Bonds. If the Obligor, at its sole discretion, determines that it is no longer an Obligated Person, this Agreement shall no longer apply to the Obligor.

5. Provision of Annual Information. (a) The Obligor hereby undertakes to provide the following financial information:

- (1) To the MSRB through Emma, when and if available, the audited financial statements of the City for each fiscal year as prepare and examined by the State Board of Accounts for each twelve (12) month period ending December 31, together with the opinion of such accountants and all notes thereto, within sixty (60) days of receipt from the State Board of Accounts; and
- (2) To the MSRB through EMMA, within 180 days of each December 31, financial information for the Obligor for such calendar year including (i) unaudited financial information of the City, if audited financial statements are not available and (ii) operating data (excluding any demographic information or forecast) of the general type included under the following headings in Appendix A to the Official Statement (collectively, "Annual Information") (which updated information may be provided in such format as the Obligor deems appropriate):

#### LARGE USERS

(b) If any Annual Information or audited financial statements relating to the Obligor referred to in paragraph (a) of this Section 5 no longer can be generated because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the Obligor to the MSRB, along with any other Annual Information or audited financial statements required to be provided under this Agreement, shall satisfy the undertaking to provide such Annual Information or audited financial statements. To the extent available, the Obligor shall cause to be filed along with the other Annual Information or audited financial statements operating data similar to that which can no longer be provided.

(c) The Obligor agrees to make a good faith effort to obtain Annual Information. However, failure to provide audited financial statements or portions of Annual Information because it is unavailable through circumstances beyond the control of the Obligor shall not be deemed to be a breach of this Agreement. The Obligor further agrees to supplement the Annual Information filing when such data is available.

(d) Annual Information or audited financial statements required to be provided pursuant to this Section 5 may be provided by a specific reference to such Annual Information or audited financial statements already prepared and previously provided to the MSRB or filed with the SEC; however, if such document is a final official statement, it must also be available from the MSRB.

(e) The Obligor must file all continuing disclosure filings under this Agreement with the MSRB through the EMMA system, solely by transmitting such filings to EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

(f) The Obligor or a Dissemination Agent (as defined in Section 8) must provide all filings in electric format, in the form of a word searchable portable document format (PDF).



6. Accounting Principles. The financial information will be prepared on a cash basis as prescribed by the State Board of Accounts, as in effect from time to time, as described in the auditors' report and notes accompanying the audited financial statements of the Obligor or those mandated by state law from time to time. The audited financial statements of the Obligor, as described in Section 5(a)(1) hereof, will be prepared in accordance with generally accepted accounting principles and Government Auditing Standards issued by the Comptroller General of the United States.

7. Reportable Events. The Obligor shall disclose the following events, in a timely manner within 10 business days of the occurrence of any of the following events, if material (which determination of materiality shall be made by the Obligor in accordance with the standards established by federal securities laws), to the MSRB:

- (a) non-payment related defaults;
- (b) modifications to the rights of Bondholders;
- (c) Bond calls;
- (d) release, substitution or sale of property securing repayment of the Bonds;
- (e) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the obligated person, or entry into or termination of a definitive Agreement relating to the foregoing; and
- (f) appointment of a successor or additional trustee or the change of name of a trustee.

The Obligor shall disclose the following events, in a timely manner within 10 business days of the occurrence of any of the following events, regardless of materiality, to the MSRB:

- (a) principal and interest payment delinquencies;
- (b) unscheduled draws on debt service reserves reflecting financial difficulties;
- (c) unscheduled draws on credit enhancements reflecting financial difficulties;
- (d) substitution of credit or liquidity providers, or their failure to perform;
- (e) defeasances;
- (f) rating changes;
- (g) adverse tax opinions or other material events affecting the tax exempt status of the Bonds; the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities;
- (h) tender offers; and
- (i) bankruptcy, insolvency, receivership or similar event of the obligated person.

The Obligor may from time to time choose to provide notice of the occurrence of any other event, in addition to those listed above, if, in the judgment of the Obligor, such other event is material with respect to the Bonds and should be disclosed, but the Obligor does not commit to provide any such notice of the occurrence of any material event except those events set forth above. The disclosure may be made to the MSRB through its EMMA system.

8. Use of Agent. The Obligor may, at its sole discretion, use an agent (“Dissemination Agent”) in connection with the dissemination of any information required to be provided by the Obligor pursuant to the terms of this Agreement. If a Dissemination Agent is selected for these purposes, the Obligor shall provide prior written notice thereof (as well as notice of replacement or dismissal of such agent) to MSRB.

Further, the Obligor may, at its sole discretion, retain counsel or others with expertise in securities matters for the purpose of assisting the Obligor in making judgments with respect to the scope of its obligations hereunder and compliance therewith, all in order to further the purposes of this Agreement.

9. Failure to Disclose. If, for any reason, the Obligor fails to provide the audited financial statements or Annual Information as required by this Agreement, the Obligor shall provide notice of such failure in a timely manner to the MSRB.

10. Remedies. (a) The purpose of this Agreement is to enable the Underwriter to purchase the Bonds by providing for an undertaking by the Obligor in satisfaction of the SEC Rule. This Agreement is solely for the benefit of the holders of the Bonds and creates no new contractual or other rights for, nor can it be relied upon by, the SEC, underwriters, brokers, dealers, municipal securities dealers, potential customers, other Obligated Persons or any other third party. The sole remedy against the Obligor for any failure to carry out any provision of this Agreement shall be for specific performance of the Obligor’s disclosure obligations hereunder and not for money damages of any kind or in any amount or for any other remedy. The Obligor’s failure to honor its covenants hereunder shall not constitute a breach or default of the Bonds, the Ordinance or any other Agreement to which the Obligor is a party.

(b) Subject to paragraph (d) of this Section 10, if the Obligor fails to provide any information required of it by the terms of this Agreement, any Bondholder may pursue the remedy set forth in the preceding paragraph in any court of competent jurisdiction in the county in which the Obligor is located. An affidavit to the effect that such person is a Bondholder supported by reasonable documentation of such claim shall be sufficient to evidence standing to pursue this remedy.

(c) Subject to paragraph (d) of this Section 10, any challenge to the adequacy of the information provided by the Obligor by the terms of this Agreement may be pursued only by holders of not less than 25% in principal amount of Bonds then outstanding in any court of competent jurisdiction in the county in which the Obligor is located. An affidavit to the effect that such persons are holders of Bonds supported by reasonable documentation of such claim shall be sufficient to evidence standing to pursue the remedy set forth in the preceding paragraph.

(d) Prior to pursuing any remedy under this Section, a holder of Bonds shall give notice to the Obligor, via registered or certified mail, of such breach and its intent to pursue such remedy. Fifteen (15) days after mailing of such notice, and not before, a holder of Bonds may pursue such remedy under this Section. The Obligor’s failure to honor its covenants hereunder shall not constitute a breach or default of the Bonds, the Ordinance or any other Agreement to which the Obligor is a party.

11. Modification of Agreement. The Obligor may, from time to time, amend or modify this Agreement without the consent of or notice to the holders of the Bonds if either (a)(i) such amendment or modification is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Obligor, or type of business conducted, (ii) this Agreement, as so amended or modified, would have complied with the requirements of the SEC Rule on the date hereof, after taking into account any amendments or interpretations of the SEC Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interests of the holders of the Bonds, as determined either by (A) nationally recognized bond counsel or (B) an approving vote of the holders of the Bonds pursuant to the terms of Section 22 of the Ordinance at the time of such amendment or modification; or (b) such amendment or modification (including an amendment or modification which rescinds this Agreement) is permitted by the SEC Rule, as then in effect.

12. Interpretation Under Indiana Law. It is the intention of the parties hereto that this Agreement and the rights and obligations of the parties hereunder shall be governed by and construed and enforced in accordance with, the law of the State of Indiana.

13. Severability Clause. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

14. Successors and Assigns. All covenants and Agreements in this Agreement made by the Obligor shall bind their successors, whether so expressed or not.

15. Previous Undertakings. The Obligor hereby represents that it has not, in the previous five years, failed to comply in all material respects, with any previous undertakings.

16. Notices. All notices required to be given under this Agreement shall be made at the following addresses:

To the Obligor:	City of Lebanon, Indiana
	Attn: Clerk-Treasurer
	401 S. Main Street
	Lebanon, Indiana 46052

IN WITNESS WHEREOF, the Obligor have caused this Agreement to be executed as of the day and year first hereinabove written.

CITY OF LEBANON, INDIANA,  
as Obligor

---

Matthew Gentry, Mayor

ATTEST:

---

Tonya Thayer, Clerk-Treasurer

*(Signature page to Continuing Disclosure Undertaking Agreement)*

## APPENDIX F



## **APPENDIX F**

**This Appendix F is based on Alternative II (Hold-the-Offering-Price Rule (as defined below) May Apply if Competitive Sale Requirements (as described below) are Not Satisfied) contained in the Model Issue Price Documents published by the Securities Industry and Financial Markets Association (“SIFMA”) on May 1, 2017. The City of Lebanon, Indiana (“Issuer”) intends that in the event that the competitive sale requirements are not satisfied (i.e. 3 bids are not received), the issue prices will be established by either: (1) certification by the bidder at the time of award as to maturities that meet the 10% test (as defined below), or (2) certification by the bidder on the closing date as to maturities that meet the hold-the-offering-price rule.**

(a) The winning bidder shall assist the Issuer in establishing the issue price of the Bonds (as defined in the preliminary official statement) and shall execute and deliver to the Issuer at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Schedule I with respect to Bonds that satisfy the competitive sale requirements or Schedule II with respect to Bonds that do not satisfy the competitive sale requirements, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Issuer and bond counsel. All actions to be taken by the Issuer to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer’s municipal advisor identified herein and any notice or report to be provided to the Issuer may be provided to the Issuer’s municipal advisor.

(b) The Issuer intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the Issuer shall disseminate the Notice of Intent to Sell Bonds (“Notice”) to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in the Notice.

Any bid submitted pursuant to the Notice shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the Issuer shall so advise the winning bidder. The Issuer may determine to treat (i) the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that

maturity). The winning bidder shall advise the Issuer if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The Issuer shall promptly advise the winning bidder, at or before the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the Issuer determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

(d) By submitting a bid, the winning bidder shall confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder. The winning bidder further shall agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) The winning bidder shall promptly advise the Issuer when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(f) The Issuer acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(g) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related



pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of the Notice. Further, for purposes of this Appendix:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Bonds are awarded by the Issuer to the winning bidder; and
- (v) “Closing” and “Closing Date” mean the day the Bonds are delivered to the successful bidder and payment is made thereon by the Issuer.

## **Schedule I**

**\$9,650,000**

### **SEWAGE WORKS REVENUE BONDS OF 2018 ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

#### **1. *Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.<sup>1</sup>

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

#### **2. *Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 3, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon

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<sup>1</sup> Treas. Reg. §1.148-1(f)(3)(i)(B) requires that all bidders have an equal opportunity to bid to purchase bonds. If the bidding process affords an equal opportunity for bidders to review other bids prior to submitting their bids, then this representation should be modified to describe the bidding process.

by the Issuer with respect to certain of the representations set forth in the arbitrage certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

SCHEDULE A  
EXPECTED OFFERING PRICES  
(Attached)

SCHEDULE B  
COPY OF UNDERWRITER'S BID  
(Attached)

## Schedule II

**\$9,650,000**

### **SEWAGE WORKS REVENUE BONDS OF 2018**

#### **ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ( “[SHORT NAME OF UNDERWRITER]”)[the “Representative”][, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”),] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) ***Issuer*** means City of Lebanon, Indiana.

(b) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) ***Sale Date*** means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 3, 2018.

(e) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Arbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By:\_\_\_\_\_

Name:\_\_\_\_\_

Dated:[ISSUE DATE]

SCHEDULE A  
(Attached)

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