

CITY OF LEWISBURG, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2013

CITY OF LEWISBURG, TENNESSEE

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CITY OF LEWISBURG, TENNESSEE

List of Principal Officials

ELECTED OFFICIALS

Mayor Barbara Woods

City Judge Roger Brandon

Councilmen:

Ward 1 Steve Thomas

Ward 2..... Hershel Davis

Ward 3 Odie Whitehead, Jr.

Ward 4..... Ronald B. McRady

Ward 5..... Robin Minor

APPOINTED OFFICIALS

Interim City Manager Barbara Woods

City Treasurer..... Donna J. Park

City Recorder Brenda M. Brewer

City Attorney Stephen Broadway

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

Independent Auditor's Report

The Honorable Mayor and City Council
City of Lewisburg
Lewisburg, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lewisburg, Tennessee, (the City) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water & Wastewater, Natural Gas and Power (Enterprise) Funds, which represent the total of the assets, net position, and revenues of the business - type activities of the City. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water & Wastewater, Natural Gas, and Power (Enterprise) Funds, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lewisburg, Tennessee, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, in 2013, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements* and Statement 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and schedules of funding progress, employer contributions and actuarial methods and significant assumptions on pages 59 -60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

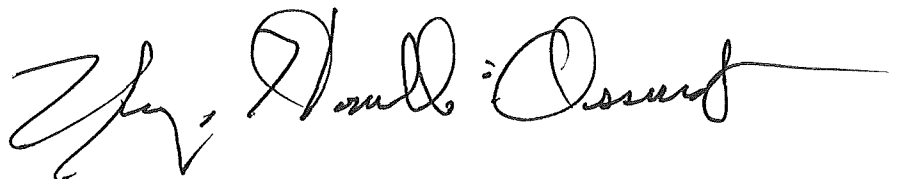
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Individual Nonmajor Fund Financial Statement, and Financial Schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The Individual Nonmajor Fund financial statements and Financial Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information, except for those Financial Schedules marked as unaudited, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Individual Nonmajor Fund financial statements and Financial Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked as "Unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it. The Directory of Officials has not been subjected to the auditing procedures applied by us and, accordingly, we express no opinion on it

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lewisburg's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Z. J. Smith, CPA", with a long horizontal line extending to the right.

December 30, 2013

Management's Discussion and Analysis

As management of the City of Lewisburg, Tennessee (the "City" or the "City of Lewisburg"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lewisburg for the fiscal year ended June 30, 2013. This analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds. Please consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

1. The assets of the City of Lewisburg exceeded its liabilities at the close of the most recent fiscal year by \$84,925,787 (net position). Of this amount, \$22,630,846 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net position increased by \$1,717,552. Increases totaling \$1,973,076 within the utility systems and a decrease of \$255,524 within the General Fund and other governmental funds.
3. As of the close of the current fiscal year, the City of Lewisburg's governmental funds reported combined ending fund balances of \$5,483,231. Approximately 88% of this total amount is available for spending at the government's discretion (unassigned fund balance), although 12% or \$679,297 is designated for specific purposes.
4. At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,803,934 (48%) of general fund operating expenditures.
5. The City of Lewisburg's total bonds and notes payable increased \$2,588,377 during the current fiscal year due primarily to a grant loan received to build a water holding tank and to renovate sewer rehabilitation systems. Long-term liabilities related to compensated absences, net pension obligation and other post-employment benefits increased \$676,196 (net).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the City's basic financial statements. The City of Lewisburg's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lewisburg's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Lewisburg's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Lewisburg is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lewisburg that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Lewisburg include general government, public safety, public works (roads and streets), parks and recreation, and community support. The business-type activities of the City of Lewisburg include the gas, sewer, power and water systems.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lewisburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lewisburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund

Overview of the Financial Statements (continued)

balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lewisburg maintains two governmental funds. With the adoption of Governmental Accounting Standard No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City combined its Sanitation Special Revenue Fund with the General Fund. The General Fund Statement of Revenues, Expenditure and Changes in Fund Balances Budget to Actual are on pages 24-29 and the Drug Fund is reported as an Individual Nonmajor Fund on page 61.

The basic governmental funds financial statements can be found on pages 15-19 of this report.

Proprietary fund There is one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lewisburg uses enterprise funds to account for activities in its Lewisburg Water/Wastewater, Lewisburg Electric and Lewisburg Gas systems.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utilities, all three of which are considered to be major funds of the City of Lewisburg.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Fiduciary funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Lewisburg's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Lewisburg has two fiduciary funds, City of Lewisburg Defined Benefit Pension Trust and Lewisburg Water and Wastewater Defined Benefit Pension Trust Funds (the Lone Oak Cemetery Fund was restated to the General Fund in 2013) and can be found on page 22-23 of this report.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-57 of this report.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City of Lewisburg adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. In addition, the City of Lewisburg's progress in funding its obligation to provide pension benefits to its employees is presented. Required supplementary information can be found on pages 59 and 60 of this report.

The Non-major Governmental Fund, Schedule of Revenues, Expenditures and Changes in Fund Balance referred to earlier is presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lewisburg, assets exceeded liabilities by \$84,925,787 as of June 30, 2013.

City of Lewisburg, Tennessee Net Position - Primary Government

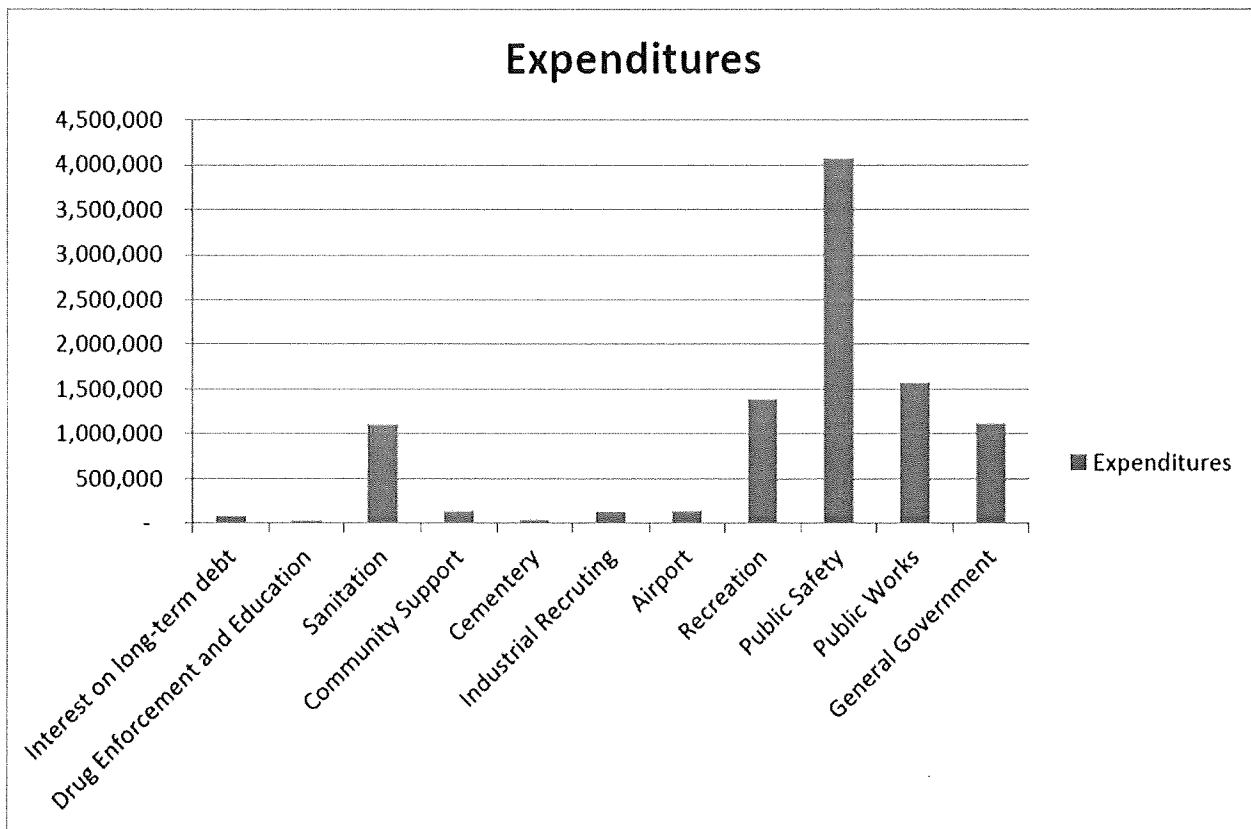
	Governmental Activities		Business-Type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	9,678,634	8,891,526	27,301,670	26,983,290	36,980,304	35,874,816
Capital Assets	14,590,795	15,242,372	68,896,499	62,819,464	83,487,294	78,061,836
Total Assets	24,269,429	24,133,898	96,198,169	89,802,754	120,467,598	113,936,652
Long-term Liabilities	3,868,589	3,491,164	20,175,441	18,485,030	24,044,030	21,976,194
Other Liabilities	4,162,511	4,377,126	7,335,270	6,165,044	11,497,781	10,542,170
Total Liabilities	8,031,100	7,868,290	27,510,711	24,650,074	35,541,811	32,518,364
Net Position:						
Net Investment in Capital Assets net of related debt	12,591,639	11,343,893	49,228,419	45,370,024	61,820,058	56,713,917
Restricted	458,415	1,174,816	16,468	16,601	474,883	1,191,417
Unrestricted	3,188,275	3,746,899	19,442,571	19,766,055	22,630,846	23,512,954
Total Net Position	16,238,329	16,265,608	68,687,458	65,152,680	84,925,787	81,418,288

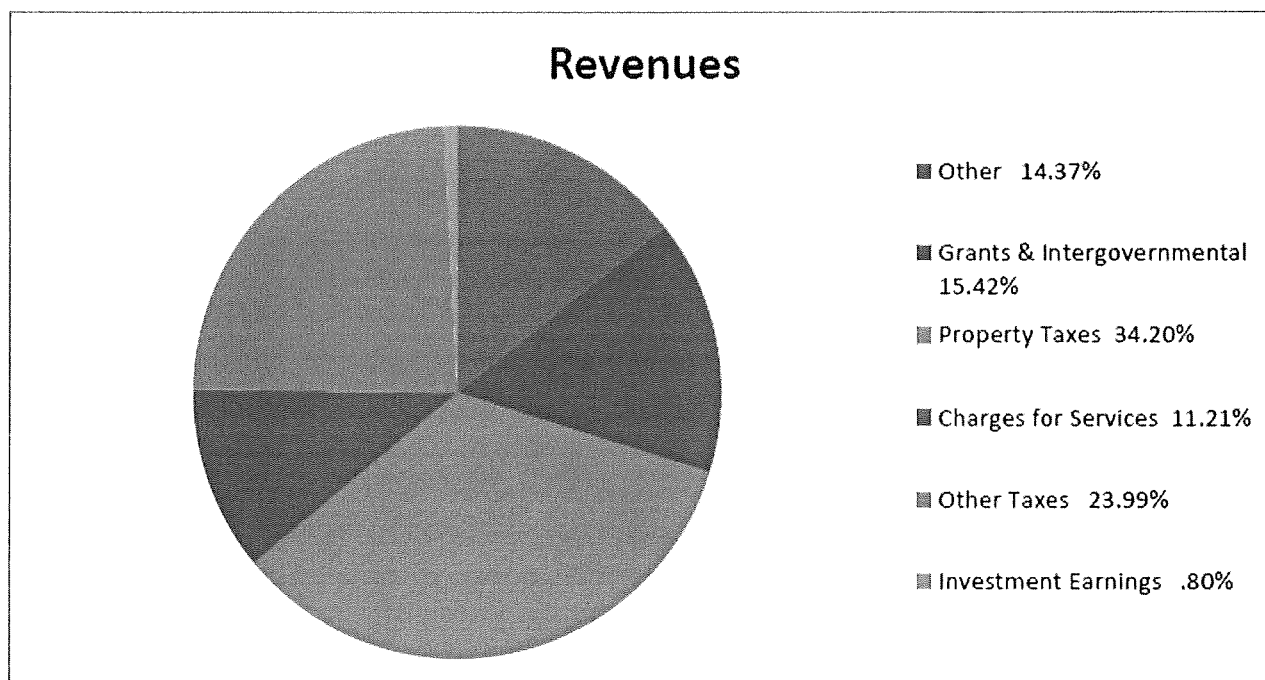
The largest portion of the City of Lewisburg's net position (72 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lewisburg uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lewisburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City of Lewisburg is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities

As the graph below shows, Public Safety is the largest activity, reflecting the City's commitment to a safe community. Public Works was also a substantial activity. Within General Fund, \$662,288 of expenses was related to recording of depreciation expense, an item associated with the new financial reporting format. Program revenues include only charges for services and operating grants and contributions directly related to an activity and do not include intergovernmental revenues that may be designated for a specific activity. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.





Governmental activities (continued)

The chart above shows the relative size of each category of revenue received by the governmental funds, with the largest being property tax, followed by grants and intergovernmental revenues.

Business-type activities

Business-type activities increased the City of Lewisburg's net position by \$1,973,076. Key elements of this increase are as follows:

1. The Lewisburg Water and Wastewater Fund accounts for 49% of the increase in business-type net position. This fund had a net income of \$958,021 for the year.
2. The Lewisburg Electric System accounts for 20% of the increase in business-type assets and reflected a net income of \$386,845.
3. The Lewisburg Gas System accounts for the remaining 32% of the total increase in business-type assets, reflecting a net income of \$628,845.

Financial Analysis of the Government's Funds

As noted earlier, the City of Lewisburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the City of Lewisburg's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Lewisburg's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,483,231. Approximately 88% of this total amount is unassigned fund balance, which is available for spending at the government's discretion. 5.5% is assigned for future subsequent years budget expenditures and the remaining 6.5% is restricted.

Asset, Liabilities, and Fund Balances Total Governmental Funds

	2013	2012
Total Assets	\$ 9,550,686	\$ 8,664,646
Total Liabilities	\$ 3,985,547	\$ 4,227,123
Fund Balances:		
Restricted	458,415	79,512
Assigned	302,790	1,095,304
Unassigned	4,803,934	3,262,707
	5,565,139	4,437,523
Total Liabilities and Fund Balance	\$ 9,550,686	\$ 8,664,646

The General Fund is the chief operating fund of the City of Lewisburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,803,934, an increase of \$886,040 in comparison with the prior year. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 49% percent of total general fund operating expenditures.

Budgetary Highlights

General Funds

Differences between the originally budgeted expenditures and final amended budgeted expenditures for all activities amounted to a decrease of \$329,331.

Original Budget Compared to Final Budget by Department			
Department	Original	Final	Variance
General Government	1,060,409	1,112,908	(52,499)
Industrial Recruiting	128,731	129,531	(800)
Airport	797,856	111,456	686,400
Public Safety	4,113,368	4,115,868	(2,500)
Public Works	1,482,751	1,548,821	(66,070)
Recreation	1,329,739	1,377,439	(47,700)
Sanitation	1,011,939	1,198,939	(187,000)
Community Service	141,800	134,800	7,000
Cemetery	35,300	42,800	(7,500)
Debt Service	<u>263,605</u>	<u>263,605</u>	<u>-</u>
Totals	10,365,498	10,036,167	329,331

The changes in accounting for future OPEB costs have also affected the government's net position. The city is fulfilling its current annual OPEB obligations on a pay as you go basis and is doing so with no adverse consequences to our financial strength. The city continues to operate with a sound financial philosophy. Management agrees with its elected officials the current economic situation with our community mandates we keep our tax levy to a minimum. Management does realize we may not be able to continue this stance and is willing to make adjustments if needed.

Capital Asset and Debt Administration

Capital assets. The City of Lewisburg's investment in capital assets for its governmental and business type activities as of June 30, 2013 amounts to \$78,061,836 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, roads and bridges.

City of Lewisburg Capital Assets (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital asset, not being depreciated:						
Land	3,068,327	3,068,327	426,081	426,081	3,494,408	3,494,408
Investment in Industrial Park - held for resale	227,322	1,670,385			227,322	1,670,385
Construction in progress	405,905	155,936	15,101,299	9,262,589	15,507,204	9,418,525
Total capital assets, not being depreciated:	3,701,554	4,894,648	15,527,380	9,688,670	19,228,934	14,583,318
Capital assets, being depreciated:						
Buildings and improvements	12,489,895	12,222,101	6,063,875	6,183,348	18,553,770	18,405,449
Plants in service	-	-	87,177,372	85,011,692	87,177,372	85,011,692
Machinery and equipment	4,170,994	4,258,826	1,853,235	1,825,080	6,024,229	6,083,906
Infrastructure	4,872,038	4,071,022	-	-	4,872,038	4,071,022
Total capital assets, being depreciated:	21,532,927	20,551,949	95,094,482	93,020,120	116,627,409	113,572,069
Less accumulated depreciation for:						
Buildings and improvements	4,042,225	3,721,891	3,354,643	3,284,260	7,396,868	7,006,151
Plants in service	-	-	35,672,113	33,919,826	35,672,113	33,919,826
Machinery and equipment	3,553,201	3,548,560	2,698,607	2,685,240	6,251,808	6,233,800
Infrastructure	3,048,260	2,933,774	-	-	3,048,260	2,933,774
Total accumulated depreciation	10,643,686	10,204,225	41,725,363	39,889,326	52,369,049	50,093,551
Total capital assets, being depreciated, net	10,889,241	10,347,724	53,369,119	53,130,794	64,258,360	63,478,518
Capital assets, net	14,590,795	15,242,372	68,896,499	62,819,464	83,487,294	78,061,836

Additional information on the City of Lewisburg's capital assets can be found in Note 5 on pages 41-42 of this report.

Long-term debt. At the end of the current fiscal year, the City of Lewisburg had total bonds and notes payable outstanding of \$22,175,930. Of this amount, \$2,005,000 comprises governmental activities debt and \$20,170,930 is business activities debt. The increase is due primarily to a grant loan used to build a water holding tank and renovate existing sewer rehabilitation systems.

The City of Lewisburg maintains an "A" rating from Moody's Investors Service for its general obligation and revenue and tax bond debt.

State statutes set no limit for the amount of general obligation debt a governmental entity may issue. The total long-term bonded debt outstanding for the City of Lewisburg of \$22,175,930 translates to approximately \$1,998 per capita using the 2010 Census population of 11,100.

The City also had post employment and pension obligations totaling \$2,544,898 as of June 30, 2013. Of this amount, \$1,953,734 comprises governmental activities debt and \$591,164 is business activities debt.

Additional information on the City of Lewisburg's long-term debt can be found in Note 6 on pages 42-44 of this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Lewisburg's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Lewisburg
Attn: Donna J. Park
P.O. Box 1968
Lewisburg, TN 37091
931-359-1544
donna.park@lewisburgtn.gov

BASIC FINANCIAL STATEMENTS

CITY OF LEWISBURGH, TENNESSEE

Statement of Net Position

June 30, 2013

		Primary Government	
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash and cash equivalents:			
Unrestricted	\$ 5,291,676	18,096,514	23,388,190
Restricted - construction	-	2,126,027	2,126,027
Total cash	<u>5,291,676</u>	<u>20,222,541</u>	<u>25,514,217</u>
Investments:			
Certificates of deposit	-	557,176	557,176
Total investments	<u>-</u>	<u>557,176</u>	<u>557,176</u>
Accounts receivable:			
Property taxes	3,605,099	-	3,605,099
Other governments	653,911	-	653,911
Customers	-	3,503,387	3,503,387
Others	-	54,791	54,791
Less allowance for doubtful accounts	(27,000)	(955,032)	(982,032)
Total accounts receivable	<u>4,232,010</u>	<u>2,603,146</u>	<u>6,835,156</u>
Inventory of supplies	-	928,207	928,207
Prepaid expenses	-	42,458	42,458
Other assets:			
Net investment in direct financing capital lease	-	718,599	718,599
Notes receivable	119,247	147,729	266,976
Debt issuance costs	-	455,301	455,301
Other	35,701	1,626,513	1,662,214
Depreciable capital assets, net of accumulated depreciation	10,889,241	53,369,119	64,258,360
Non depreciable capital assets	3,701,554	15,527,380	19,228,934
Total Assets	<u>\$ 24,269,429</u>	<u>96,198,169</u>	<u>120,467,598</u>
<u>Liabilities</u>			
Accounts payable	\$ 206,245	3,654,952	3,861,197
Accrued liabilities	130,706	295,975	426,681
Deferred revenue	3,328,255	-	3,328,255
Customer deposits	-	1,548,262	1,548,262
Other liabilities	-	1,084,805	1,084,805
Accrued interest	-	21,536	21,536
Noncurrent liabilities:			
Due within one year	497,305	729,740	1,227,045
Due in more than one year	3,868,589	20,175,441	24,044,030
Total Liabilities	<u>8,031,100</u>	<u>27,510,711</u>	<u>35,541,811</u>
<u>Net Position</u>			
Net investment in capital assets	12,591,639	49,228,419	61,820,058
Restricted for:			
Public safety	81,908	-	81,908
Other	12,854	16,468	29,322
UDAG program activities	263,653	-	263,653
Cemetery maintenance	100,000	-	100,000
Unrestricted	3,188,275	19,442,571	22,630,846
Total Net Position	<u>\$ 16,238,329</u>	<u>68,687,458</u>	<u>84,925,787</u>

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 1,354,961	-	-	225,146	(1,129,815)	-	(1,129,815)
Industrial recruiting	137,218	-	-	-	(137,218)	-	(137,218)
Airport	166,206	-	52,609	-	(113,597)	-	(113,597)
Public safety	4,596,270	486,691	78,663	-	(4,030,916)	-	(4,030,916)
Public works	1,632,443	-	38,634	680,795	(913,014)	-	(913,014)
Parks & Recreation	1,146,235	302,012	-	-	(844,223)	-	(844,223)
Cemetery	43,710	-	-	-	(43,710)	-	(43,710)
Sanitation	1,182,209	703,059	-	-	(479,150)	-	(479,150)
Interest on long-term debt	88,270	-	-	-	(88,270)	-	(88,270)
Total government activities	10,347,522	1,491,762	169,906	905,941	(7,779,913)	-	(7,779,913)
Business-type activities:							
Water and Sewer	4,958,486	5,179,014	-	293,560	-	514,088	514,088
Natural Gas	5,915,072	6,655,778	-	24,469	-	765,175	765,175
Electric	25,398,581	26,138,140	-	-	-	739,559	739,559
Total business-type activities	36,272,139	37,972,932	-	318,029	-	2,018,822	2,018,822
Total primary government	\$ 46,619,661	39,464,694	169,906	1,223,970	(7,779,913)	2,018,822	(5,761,091)
General Revenues:							
Property taxes					\$ 5,321,634	-	5,321,634
Sales taxes					767,254	-	767,254
Business tax					177,988	-	177,988
Local beer tax					406,640	-	406,640
Local beer tax					112,470	-	112,470
State income and excise					85,561	-	85,561
Other taxes					269,356	-	269,356
Unrestricted investment earnings					7,999	97,619	105,618
Other					240,841	438,298	679,139
Transfers					581,663	(581,663)	-
Total general revenues and transfers					7,971,406	(45,746)	7,925,660
Change in net position beford special item					191,493	1,973,076	2,164,569
Special item-loss on sale of spec building					(447,017)	-	(447,017)
Change in net position					(255,524)	1,973,076	1,717,552
Net position - beginning of year, as restated					16,493,853	66,714,382	83,208,235
Net position - end of year					\$ 16,238,329	68,687,458	84,925,787

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents-unrestricted	\$ 5,194,230	97,446	5,291,676
Total cash and cash equivalents	<u>5,194,230</u>	<u>97,446</u>	<u>5,291,676</u>
Accounts and notes receivable			
Property taxes	3,605,099	-	3,605,099
Other governments	653,911	-	653,911
Total accounts and notes receivable	<u>4,259,010</u>	<u>-</u>	<u>4,259,010</u>
Due from other funds	-	-	-
Total Assets	\$ <u><u>9,453,240</u></u>	<u><u>97,446</u></u>	<u><u>9,550,686</u></u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 190,707	15,538	206,245
Accrued liabilities	124,264	-	124,264
Deferred revenue	3,655,038	-	3,655,038
Total Liabilities	<u>3,970,009</u>	<u>15,538</u>	<u>3,985,547</u>
Fund Balances:			
Restricted for:			
Public safety	-	81,908	81,908
Cemetery maintenance	100,000	-	100,000
UDAG program activities	263,653	-	263,653
Other	12,854	-	12,854
Assigned for:			
Subsequent years budget	302,790	-	302,790
Unassigned	4,803,934	-	4,803,934
Total Fund Balances	<u>5,483,231</u>	<u>81,908</u>	<u>5,565,139</u>
Total Liabilities and Fund Balances	\$ <u><u>9,453,240</u></u>	<u><u>97,446</u></u>	<u><u>9,550,686</u></u>

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

**Reconciliation of Balance Sheet to Statement of Net Assets
of Governmental Activities**

June 30, 2013

Total Governmental Funds Fund Balances	\$ 5,565,139
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds as follows:

Capital assets	\$ 25,234,481	
Accumulated Depreciation	<u>(10,643,686)</u>	14,590,795

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds for:

Property tax		300,167
Loan receivable-UDAG		119,247

Liabilities not due and payable currently and not recorded in the governmental funds for:

Accrued interest		(6,442)
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds as follows:

Bonds payable	(2,005,000)	
Bond premium	5,461	
Compensated absences	(193,801)	
Net pension obligation	(219,203)	
OPEB Obligation	<u>(1,953,734)</u>	(4,366,277)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities for:

Bond issue cost, net of amortization		35,700
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Net position of governmental activities	<u><u>\$ 16,238,329</u></u>
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See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 5,725,025	-	5,725,025
Intergovernmental	1,517,223	77,618	1,594,841
Licenses and permits	64,497	-	64,497
Fines and costs	261,423	-	261,423
Charges for services	1,102,558	-	1,102,558
Miscellaneous	584,864	14,587	599,451
Total Revenues	<u>9,255,590</u>	<u>92,205</u>	<u>9,347,795</u>
Expenditures:			
Current:			
General government	1,078,053	-	1,078,053
Industrial recruiting	128,765	-	128,765
Airport	87,422	-	87,422
Police Department	2,406,509	-	2,406,509
Fire prevention and control	1,397,970	-	1,397,970
Animal control	98,857	-	98,857
Building inspector	62,205	-	62,205
Public works	1,384,376	-	1,384,376
Parks & Recreation	933,697	-	933,697
Appropriations and other	142,557	-	142,557
Cemetery	36,836	-	36,836
Sanitation	1,113,447	-	1,113,447
Program costs	-	32,801	32,801
Capital outlay	859,033	-	859,033
Debt service	263,605	-	263,605
Total Expenditures	<u>9,993,332</u>	<u>32,801</u>	<u>10,026,133</u>
Excess (deficiency) of revenues over expenditures	<u>(737,742)</u>	<u>59,404</u>	<u>(678,338)</u>
Other Financing Sources (Uses):			
Transfers in	581,663	-	581,663
Total Other Financing Sources (Uses)	<u>581,663</u>	<u>-</u>	<u>581,663</u>
Net change before special item	(156,079)	59,404	(96,675)
Special item-proceeds from sale of spec building	996,046	-	996,046
Net Change in Fund Balance	839,967	59,404	899,371
Fund Balance, Beginning of Year, as Previously Reported	4,415,019	22,504	4,437,523
Restatement	228,245	-	228,245
Fund Balance, Beginning of Year, as Restated	<u>4,643,264</u>	<u>22,504</u>	<u>4,665,768</u>
Fund Balance, End of Year	<u>\$ 5,483,231</u>	<u>81,908</u>	<u>5,565,139</u>

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2013

Amounts reported for net change in fund balance - total governmental funds	\$	899,371
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities. Also, gains and losses from disposals of capital assets are not presented in the fund financial statements. Such amounts are as follows:

Acquisition of capital assets	\$ 772,979	
Donated capital assets	680,795	
Depreciation expense	(662,287)	
Book value of assets disposed	(1,443,063)	(651,576)

Revenues for governmental activities that do not provide current financial resources are not reported as revenues in the governmental funds as follows:

Property tax		293,707
Receipt of amounts owed by Power System		(294,406)
Repayment of UDAG loan principal		(70,539)

Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds as follows:

Net Change in other post employment benefits	(510,002)	
Net Change in net pension obligation	(79,920)	
Reduction of debt	180,000	
Amortization of deferred loss and bond premium	(732)	
Changes in the accrual for compensated absences	(17,493)	
Changes in the accrual for interest	(364)	(428,511)

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities, likewise proceeds from debt issuance is presented as revenue in the governmental funds, but increases long-term liabilities for governmental activities. Bond costs are presented as expenses in the governmental funds, however they are presented as amortizable assets for governmental activities. Such amounts are as follows:

Amortization of bond issue costs		(3,570)
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Change in net position of governmental activities	\$	(255,524)
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See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Net Position

Proprietary Funds

June 30, 2013

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 1,542,378	6,416,359	10,137,777	18,096,514
Investments	-	-	557,176	557,176
Accounts receivable, net of allowance for doubtful accounts	198,416	52,056	2,297,883	2,548,355
Inventory, materials	162,875	312,243	453,089	928,207
Prepaid expenses	-	10,684	31,774	42,458
Due from other funds	-	-	-	-
Unbilled revenue	-	286,771	431,828	718,599
Other receivables	-	1,085	53,706	54,791
Total Current Assets	1,903,669	7,079,198	13,963,233	22,946,100
Restricted Assets:				
Cash and cash equivalents	989,721	281,197	855,109	2,126,027
Total Restricted Assets	989,721	281,197	855,109	2,126,027
Capital Assets:				
Capital assets not being depreciated:				
Land	234,956	63,637	127,487	426,080
Construction in Progress	15,047,269	27,887	26,144	15,101,300
Capital assets, net of accumulated depreciation	28,336,306	11,400,931	13,631,882	53,369,119
Total Capital Assets	43,618,531	11,492,455	13,785,513	68,896,499
Other assets:				
Conservation loans receivable	-	-	147,729	147,729
Cash and cash equivalents designated by the Board	1,626,513	-	-	1,626,513
Other-bond issue costs	439,825	15,476	-	455,301
Total Other Assets	2,066,338	15,476	147,729	2,229,543
Total Assets	\$ 48,578,259	18,868,326	28,751,584	96,198,169
<u>Liabilities and Net Position</u>				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 382,439	425,929	2,285,288	3,093,656
Due to other funds	-	-	-	-
Accrued expenses and other current liabilities	-	94,887	201,088	295,975
Accrued interest	21,536	-	-	21,536
Current portion of long-term debt and other obligations payable	590,548	137,684	1,508	729,740
Payable from restricted assets:				
Customer deposits	411,956	281,197	855,109	1,548,262
Retainage payable	561,296	-	-	561,296
Total Current Liabilities	1,967,775	939,697	3,342,993	6,250,465
Long-term debt and other obligations, net of current portion	18,783,104	1,272,797	119,540	20,175,441
Other Liabilities:				
Conservation advances-TVA	-	-	150,209	150,209
Deferred regulatory liability	-	934,596	-	934,596
	-	934,596	150,209	1,084,805
Total liabilities	20,750,879	3,147,090	3,612,742	27,510,711
Net Position:				
Net investment in capital assets	24,684,705	10,759,709	13,784,005	49,228,419
Restricted	16,468	-	-	16,468
Unrestricted	3,126,207	4,961,527	11,354,837	19,442,571
Total net position	27,827,380	15,721,236	25,138,842	68,687,458
Total Liabilities and Net Position	\$ 48,578,259	18,868,326	28,751,584	96,198,169

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

**Statement of Revenue, Expenses and Changes
in Fund Net Position**

Proprietary Funds

For the Year Ended June 30, 2013

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Operating Revenues:				
Services	\$ 4,946,038	6,655,778	26,138,140	37,739,956
Other	232,976	-	-	232,976
Total Operating Revenues	<u>5,179,014</u>	<u>6,655,778</u>	<u>26,138,140</u>	<u>37,972,932</u>
Operating Expenses:				
Cost of sales and service	934,453	4,092,446	22,055,171	27,082,070
Distribution	663,142	394,953	826,508	1,884,603
Operating and maintenance	1,909,569	899,806	1,671,323	4,480,698
Depreciation	1,169,544	479,322	720,521	2,369,387
Taxes	-	44,902	121,557	166,459
Total Operating Expenses	<u>4,676,708</u>	<u>5,911,429</u>	<u>25,395,080</u>	<u>35,983,217</u>
Operating Income (Loss)	<u>502,306</u>	<u>744,349</u>	<u>743,060</u>	<u>1,989,715</u>
Nonoperating Revenues (Expenses):				
Interest income	5,635	26,001	65,983	97,619
Other income (expense)	-	786	(2,525)	(1,739)
Interest expense	(281,778)	(4,429)	(976)	(287,183)
Total Nonoperating Revenues (Expenses)	<u>(276,143)</u>	<u>22,358</u>	<u>62,482</u>	<u>(191,303)</u>
Net Income (Loss) Before Transfers and Contributions	226,163	766,707	805,542	1,798,412
Transfers and Contributions:				
Transfers out-payments in lieu of taxes-City of Lewisburg	-	(162,966)	(418,697)	(581,663)
Clean Water State Revolving Fund Loan-debt forgiveness	438,298	-	-	438,298
Capital grants	261,995	-	-	261,995
Capital contributions-utility plant	31,565	24,469	-	56,034
Total Transfers and Contributions	<u>731,858</u>	<u>(138,497)</u>	<u>(418,697)</u>	<u>174,664</u>
Change in Net Position	958,021	628,210	386,845	1,973,076
Net Position , Beginning of Year, as restated	<u>26,869,359</u>	<u>15,093,026</u>	<u>24,751,997</u>	<u>66,714,382</u>
Net Position, End of Year	<u>\$ 27,827,380</u>	<u>15,721,236</u>	<u>25,138,842</u>	<u>68,687,458</u>

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2013

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
<u>Cash Flows from Operations</u>				
Cash received from customers	\$ 4,941,616	6,474,118	25,616,040	37,031,774
Cash paid to employees for services	(1,933,489)	(575,052)	(1,567,408)	(4,075,949)
Cash paid to suppliers of goods and services	(1,449,023)	(4,467,982)	(23,321,565)	(29,238,570)
Other receipts	232,976	51,712	525,136	809,824
Net Cash Provided (Used) by Operating Activities	<u>1,792,080</u>	<u>1,482,796</u>	<u>1,252,203</u>	<u>4,527,079</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Construction and acquisition of plant	(6,264,859)	(660,148)	(436,026)	(7,361,033)
Grant revenues	261,995	3,960		265,955
Net change in retainage payable	170,686	-		170,686
Plant removal costs	-	(4,447)	(66,416)	(70,863)
Interest paid on bonds and notes payable	(398,403)	(5,090)		(403,493)
Principal payments on long-term debt	(796,816)	(188,000)		(984,816)
Proceeds from the issuance of debt	4,191,491	-	-	4,191,491
Proceeds from sale of assets		9,324	111,385	120,709
Net Cash Used by Capital and Related Financing Activities	<u>(2,835,906)</u>	<u>(844,401)</u>	<u>(391,057)</u>	<u>(4,071,364)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>				
Payments in lieu of taxes	-	(162,966)	(421,222)	(584,188)
Net decrease in TVA advances for conservation loans	-	-	(264)	(264)
Other	-	-	(976)	(976)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>(162,966)</u>	<u>(422,462)</u>	<u>(585,428)</u>
<u>Cash Flows from Investing Activities</u>				
Other	-	-	(7,271)	(7,271)
Proceeds from sale and maturities of investments	-	54	-	54
Interest income received	5,635	26,001	65,983	97,619
Net Cash Provided (Used) by Investing Activities	<u>5,635</u>	<u>26,055</u>	<u>58,712</u>	<u>90,402</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,038,191)	501,484	497,396	(39,311)
Cash and Cash Equivalents, Beginning of Year	5,196,803	6,196,072	10,495,490	21,888,365
Cash and Cash Equivalents, End of Year	<u>\$ 4,158,612</u>	<u>6,697,556</u>	<u>10,992,886</u>	<u>21,849,054</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operations</u>				
Operating income (loss)	\$ 502,306	744,349	743,060	1,989,715
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,169,544	486,780	720,521	2,376,845
(Increase) decrease in:				
Accounts receivable	(4,422)	(1,896)	(103,490)	(109,808)
Unbilled utility revenue		(51,969)	52,941	972
Inventory	(8,787)	77,314	(30,507)	38,020
Prepaid expenses	-	(1,733)	(1,329)	(3,062)
Increase (decrease) in:				
Accounts payable	116,739	149,903	91,865	358,507
Due to other funds		-	(294,406)	(294,406)
Customer deposits	16,700	25,500	53,585	95,785
Accrued expenses		54,548	19,963	74,511
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,792,080</u>	<u>1,482,796</u>	<u>1,252,203</u>	<u>4,527,079</u>
<u>Supplemental Schedule of Non-Cash Capital and Related Financing Activities and Other Disclosures</u>				
Utility plant contributed by developers	\$ 31,565	955,105	-	986,670
Depreciation capitalized as part of costs to construct electric plant	\$ -	-	85,658	85,658
Clean Water Revolving Loan Fund Loan-debt forgiveness	\$ 438,298	-	-	438,298
Capitalized costs and interest	\$ 373,460	-	-	373,460

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Trust Funds			
	Lone Oak Trust	Lewisburg Defined Benefit Pension Trust	Water & Wastewater Defined Benefit Pension Trust	Donations in Trust
<u>Assets</u>				
Cash and cash equivalents	\$ -	442,013	94,551	37,950
Receivable - interest	-	-	-	-
Investments, at fair value:				
Equities and options	-	180,910	9,767	-
Mutual funds	-	3,126,477	1,054,587	-
Real estate investment trusts	-	577,524	245,020	-
Mutual funds	-	-	-	-
Total Investments	-	3,884,911	1,309,374	-
Total Assets	\$ -	4,326,924	1,403,925	37,950
<u>Liabilities</u>				
Accrued liabilities	\$ -	-	-	-
Total Liabilities	-	-	-	-
<u>Net Position</u>				
Reserved for purpose of donation				37,950
Reserved for cemetery maintenance	-	-	-	-
Reserved for employee's pension benefits	-	4,326,924	1,403,925	-
Total Net Position	\$ -	4,326,924	1,403,925	37,950

See accompanying notes to financial statements

CITY OF LEWISBURG, TENNESSEE

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2013

	Trust Funds			
	Lone Oak Trust	Lewisburg Defined Benefit Pension Trust	Water & Wastewater Defined Benefit Pension Trust	Donations in Trust
<u>Additions:</u>				
Contributions:				
Employer	\$ -	180,059	85,201	-
Plan members	-	179,807	46,374	
Other	-	-	20,435	37,469
Total contributions	-	359,866	152,010	37,469
Investment income:				
Net increase (decrease) in fair value of investments	-	316,082	55,274	-
Investment earnings	-	101,818	26,854	14
Net investment earnings	-	417,900	82,128	14
Total Additions	-	777,766	234,138	37,483
<u>Deductions:</u>				
Pension benefits and refunds, net of federal tax withheld	-	297,056	1,048	-
Withdrawals	-	175,000	-	-
Administrative expenses	-	41,423	13,488	
Program costs	-	-	-	20,121
Total deductions	-	513,479	14,536	20,121
Net increase	-	264,287	219,602	17,362
Net Position, Beginning of Year, as Previously Reported	100,000	4,062,637	1,184,323	6,355
Restatement	(100,000)	-	-	14,233
Net Position, Beginning of Year, as Restated	-	4,062,637	1,184,323	20,588
Net Position, End of Year	-	4,326,924	1,403,925	37,950

See accompanying notes to financial statements

CITY OF LEWISBURG, TENNESSEE

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues:				
Taxes:				
Real estate tax	\$ 3,308,000	3,413,000	3,364,767	(48,233)
Local sales tax	1,500,000	1,500,000	1,476,321	(23,679)
Interest and penalty-real estate tax	25,000	50,000	46,435	(3,565)
Business tax	160,000	160,000	177,988	17,988
Wholesale beer tax	370,000	370,000	406,640	36,640
Wholesale liquor tax	90,000	90,000	112,470	22,470
In-lieu of property tax	-	-	140,404	140,404
Total Taxes	5,453,000	5,583,000	5,725,025	142,025
Intergovernmental:				
Streets and transportation	22,000	22,000	22,744	744
State sales tax	700,000	765,062	767,254	2,192
State street aid	285,000	285,000	253,647	(31,353)
State income and excise	85,000	85,000	85,561	561
State and Federal grant programs	1,034,217	1,082,967	372,308	(710,659)
Mixed drink tax	15,000	15,000	15,709	709
Total Intergovernmental	2,141,217	2,255,029	1,517,223	(737,806)
Franchise Fees				
Cable TV franchise fee	50,000	50,000	64,497	14,497
City Court Fines and Vehicle Fees	230,000	230,000	261,423	31,423
Charges for Services:				
Airport revenue	69,222	73,020	68,566	(4,454)
Recreation revenue and fees	273,100	273,100	302,012	28,912
Sanitation revenue	660,000	660,000	703,059	43,059
Cemetery revenue	26,500	26,000	28,921	2,921
Total Charges for Services	1,028,822	1,032,120	1,102,558	70,438
Miscellaneous:				
Proceeds - sale of property	100,000	40,000	64,789	24,789
Rabies control	20,000	20,000	32,905	12,905
Interest revenue	82,013	82,013	78,538	(3,475)
Miscellaneous revenue	163,000	378,477	408,632	30,155
Total Miscellaneous	365,013	520,490	584,864	64,374
Total Revenues	9,268,052	9,670,639	9,255,590	(415,049)
Other Sources				
Transfer from Other Funds	676,500	676,500	581,663	(94,837)
Total Other Financing Sources	676,500	676,500	581,663	(94,837)
Total Revenues and Other Financing Sources	9,944,552	10,347,139	9,837,253	(509,886)

Continued on next page.

CITY OF LEWISBURG, TENNESSEE

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
Expenditures:				
General Government				
Current:				
Salaries	\$ 475,234	472,234	456,764	15,470
Employee benefits and payroll tax	126,924	128,924	138,882	(9,958)
Insurance	180,000	205,000	201,907	3,093
Supplies	36,250	42,750	42,476	274
Utilities	20,000	17,000	18,016	(1,016)
Professional services	120,000	120,000	111,041	8,959
Traffic fees to State	40,000	52,000	52,038	(38)
Other costs	52,001	61,000	56,929	4,071
Total Current	<u>1,050,409</u>	<u>1,098,908</u>	<u>1,078,053</u>	<u>20,855</u>
Capital outlay	<u>10,000</u>	<u>14,000</u>	<u>40,994</u>	<u>(26,994)</u>
Total General Government	<u>1,060,409</u>	<u>1,112,908</u>	<u>1,119,047</u>	<u>(6,139)</u>
Industrial Recruiting				
Current:				
Salaries	84,985	78,985	76,898	2,087
Employee benefits and payroll tax	18,246	24,046	23,558	488
Supplies	5,000	7,000	10,111	(3,111)
Utilities	2,000	6,000	6,143	(143)
Travel and lodging	10,000	10,000	9,279	721
Other costs	8,500	3,500	2,776	724
Total Current	<u>128,731</u>	<u>129,531</u>	<u>128,765</u>	<u>766</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Industrial Recruiting	<u>128,731</u>	<u>129,531</u>	<u>128,765</u>	<u>766</u>
Airport				
Current:				
Salaries	35,283	35,283	35,475	(192)
Employee benefits and payroll tax	17,073	14,973	13,843	1,130
Repairs and maintenance	18,500	15,500	17,841	(2,341)
Utilities	23,000	18,000	18,425	(425)
Other costs	4,000	4,400	1,838	2,562
Total Current	<u>97,856</u>	<u>88,156</u>	<u>87,422</u>	<u>734</u>
Capital outlay	<u>700,000</u>	<u>23,300</u>	<u>58,300</u>	<u>(35,000)</u>
Total Airport	<u>797,856</u>	<u>111,456</u>	<u>145,722</u>	<u>(34,266)</u>

Continued on next page.

CITY OF LEWISBURG, TENNESSEE

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Expenditures, continued				
Public Safety:				
Police Department:				
Current:				
Salaries	\$ 1,672,870	1,625,870	1,563,990	61,880
Employee benefits and payroll tax	543,904	558,904	603,680	(44,776)
Fuel	75,000	71,000	71,341	(341)
Repair and maintenance	59,500	37,500	38,014	(514)
Supplies	42,500	40,000	39,244	756
Utilities	40,000	40,000	37,508	2,492
Other costs	56,200	57,900	52,732	5,168
Total Current	2,489,974	2,431,174	2,406,509	24,665
Capital outlay	48,000	80,000	85,389	(5,389)
Total Police Department	2,537,974	2,511,174	2,491,898	19,276
Fire Department				
Current:				
Salaries	877,817	927,817	895,234	32,583
Employee benefits and payroll tax	341,488	409,688	405,230	4,458
Fuel	8,000	8,000	10,402	(2,402)
Repairs and maintenance	30,500	18,700	22,805	(4,105)
Supplies	24,000	35,000	35,413	(413)
Utilities	33,000	26,000	25,014	986
Other costs	23,000	3,500	3,872	(372)
Total Current	1,337,805	1,428,705	1,397,970	30,735
Capital outlay	75,000	-	-	-
Total Fire Department	1,412,805	1,428,705	1,397,970	30,735
Animal Control				
Current:				
Salaries	35,701	40,201	39,544	657
Employee benefits and payroll tax	12,958	13,458	15,407	(1,949)
Veterinary expense	18,000	18,000	20,551	(2,551)
Supplies	3,000	11,000	10,223	777
Other costs	13,000	13,000	13,132	(132)
Total Current	82,659	95,659	98,857	(3,198)
Capital outlay	-	-	-	-
Total Animal Control	82,659	95,659	98,857	(3,198)

Continued on next page.

CITY OF LEWISBURG, TENNESSEE

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Expenditures, continued				
Building Inspector				
Current:				
Salaries	\$ 41,201	41,201	42,563	(1,362)
Employee benefits and payroll tax	16,379	16,779	16,622	157
Other costs	4,350	4,350	3,020	1,330
Total Current	61,930	62,330	62,205	125
Capital outlay	18,000	18,000	17,843	157
Total Building Inspector	79,930	80,330	80,048	282
Total Public Safety	4,113,368	4,115,868	4,068,773	47,095
Public Works				
Shop:				
Current:				
Salaries	61,594	66,594	65,209	1,385
Employee benefits and payroll tax	40,977	37,047	37,573	(526)
Supplies	63,000	45,000	45,817	(817)
Utilities	17,500	17,500	16,541	959
Other costs	3,850	3,850	4,241	(391)
Less departmental allocations	(60,000)	(47,500)	(46,617)	(883)
Total Current	126,921	122,491	122,764	(273)
Capital outlay	8,500	8,500	-	8,500
Total Shop	135,421	130,991	122,764	8,227
Highways and Streets:				
Current:				
Salaries	265,999	350,999	345,812	5,187
Employee benefits and payroll tax	121,549	151,049	165,672	(14,623)
Repairs and maintenance	43,000	58,000	47,485	10,515
Fuel	42,000	52,000	51,150	850
Street maintenance and supplies	157,500	157,500	189,021	(31,521)
Streets and transportation	24,000	24,000	23,943	57
State Street Aid costs	500,000	370,000	377,720	(7,720)
Other costs	31,100	61,282	60,809	473
Total Current	1,185,148	1,224,830	1,261,612	(36,782)
Capital outlay	162,182	193,000	189,092	3,908
Total Highways and Streets	1,347,330	1,417,830	1,450,704	(32,874)
Total Public Works	1,482,751	1,548,821	1,573,468	(24,647)

Continued on next page.

CITY OF LEWISBURG, TENNESSEE
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Expenditures, continued				
Recreation:				
Current:				
Salaries	\$ 427,240	427,240	412,590	14,650
Employee benefits and payroll tax	121,999	131,499	130,484	1,015
Facility & equipment maintenance	93,500	148,600	159,785	(11,185)
Fuel	11,000	11,000	11,139	(139)
Supplies	19,000	14,000	13,153	847
Utilities	168,000	168,000	181,983	(13,983)
Other costs	76,000	22,100	24,563	(2,463)
Total Current	916,739	922,439	933,697	(11,258)
Capital Outlay	413,000	455,000	460,541	(5,541)
Total Recreation	1,329,739	1,377,439	1,394,238	(16,799)
Sanitation:				
Current:				
Salaries	290,826	290,826	222,395	68,431
Employee benefits and payroll tax	110,860	95,860	93,219	2,641
Other costs	610,253	812,253	797,833	14,420
Total Sanitation	1,011,939	1,198,939	1,113,447	85,492
Community service:				
Current:				
Goat Festival	80,000	80,000	87,024	(7,024)
Junior Economic & Community Development	22,000	22,000	20,451	1,549
Marshall County Community Theater	10,000	10,000	10,000	-
CSCC Maintenance	11,200	11,200	11,507	(307)
Other appropriations	18,600	11,600	13,575	(1,975)
Total Community service	141,800	134,800	142,557	(7,757)
Cemetery				
Current:				
Supplies	10,000	18,500	19,838	(1,338)
Other costs	17,800	16,800	16,998	(198)
Total Current	27,800	35,300	36,836	(1,536)
Capital outlay	7,500	7,500	6,874	626
Total Cemetery	35,300	42,800	43,710	(910)
Debt Service:				
Retirement of principle and interest	263,605	263,605	263,605	-
Total Debt Service	263,605	263,605	263,605	-
Total Expenditures	10,365,498	10,036,167	9,993,332	42,835
Excess Revenues over Expenditures and Other Sources	(420,946)	310,972	(156,079)	(467,051)

Continued on next page.

CITY OF LEWISBURG, TENNESSEE

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual**

General Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Excess Revenues over Expenditures and Other Sources- from preceeding page	\$ (420,946)	310,972	(156,079)	(467,051)
Special item-proceeds from sale of spec building	-	-	996,046	996,046
Net Change	(420,946)	310,972	839,967	528,995
Fund Balance, Beginning of Year, as Previously Reported	4,415,019	4,415,019	4,415,019	-
Restatement	-	-	228,245	(228,245)
Fund Balance, Beginning of Year, as Restated	<u>4,415,019</u>	<u>4,415,019</u>	<u>4,643,264</u>	<u>(228,245)</u>
Fund Balance, End of Year	\$ <u><u>3,994,073</u></u>	<u><u>4,725,991</u></u>	<u><u>5,483,231</u></u>	<u><u>757,240</u></u>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

The City of Lewisburg, Tennessee (the "City"), located in Marshall County, was incorporated as an entity under Chapter 214, Private Acts of 1915, which became the City's charter. The City is governed by a Mayor, a City Manager, and a City Council and provides the following services: police, fire, recreation, public works, industrial development and utilities.

The financial statements of the City of Lewisburg, Tennessee, have been prepared in conformity with accounting principles generally accepted in the United States of America, applied to governmental units as promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies.

Reporting Entity

The accompanying financial statements of the City present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit, if any, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. As of June 30, 2013 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements. Because the following organizations are not legally separate, data from these entities has been presented as part of the primary government.

The Waste Water, Natural Gas and the Electric Power Funds are governed by the Boards whose members are appointed by the City Commission, further all long-term debt is in the City's name. Accordingly, the related financial statements of the Waste Water, Natural Gas and Electric Power Funds are presented as enterprise funds of the primary government.

Complete financial statements of the Lewisburg Natural Gas Department, Lewisburg Electric Power System, and Lewisburg Water and Wastewater Department can be obtained from the Treasurer of the City of Lewisburg.

Separately Administered Organizations

Lewisburg Industrial Development Corporation

The Lewisburg Industrial Development Corporation is a not-for-profit corporation authorized to issue industrial development bonds with approval of the City Council. The bonds do not constitute indebtedness of the City, and are secured solely by real estate and/or by revenues received from the commercial organizations on whose behalf the bonds are issued. The City must approve any bonded debt issued. Because the Industrial Development Corporation's assets and operations are not material to the financial position or the assets of the City, the Industrial Development Corporation is not included in the City's financial statements.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lewisburg Housing Authority

The Lewisburg Housing Authority (the Housing Authority) was chartered in 1953, pursuant to the Housing Authorities Law of the State of Tennessee, for the purpose of developing and administering low-income housing. Other than appointment of members of the governing board, the City has no oversight responsibility with respect to management and operation of the Housing Authority.

Housing Authority operations are funded by rental income and subsidies from the federal government. Debt of the Housing Authority is guaranteed and subsidized by the federal government. The only financial benefit to the City is an in-lieu-of-tax agreement, which is not material to either the City or the Housing Authority. The Housing Authority does not meet the prescribed criteria and thus is excluded from the City's financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net position and the statement of changes in net position, report information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes and state income and excise taxes. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received because they are generally not measurable prior to receipt. Interest income is recognized when it becomes measurable and available.

The City also recognizes imposed revenue transactions when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. In the State of Tennessee, the enforceable legal claim or lien date on taxable property occurs January 1 as stated in Tennessee Code Annotated §67-5-2101. Thus a receivable is recognized for the tax levy of the ensuing tax year, net of estimated refunds and uncollectible amounts, but revenue recognition is deferred until available.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The government reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

Lewisburg Water and Wastewater Department - established to account for sewer and water service charges and related expenditures.

Lewisburg Electric Power System - established to account for power service charges and related expenditures.

Lewisburg Natural Gas Department - established to account for natural gas service charges and related expenditures.

The fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City in a fiduciary capacity to provide pension benefits for current and former employees of the City and Water & Wastewater Fund and assets held by the City to provide income for maintenance of the Lone Oak Cemetery, and assets held in trust for donations.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Amounts reported as program revenues include 1) charges to the customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary water, sewer, and power systems are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and consist primarily of demand deposits and savings deposits in banks, short-term (original maturities of three months or less) certificates of deposit, and a mutual fund holding U.S. obligations and investments in the Local Government Investment Pool of the State of Tennessee.

Statutes authorize the City to invest in, among other things, U. S. government securities and obligations guaranteed by the U. S. government; deposit accounts at state and federal chartered banks and savings and loan associations; and the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the City invested funds that were not immediately needed in savings accounts and short-term certificates of deposit. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

Certain cash and cash equivalents are set aside by management or Council for identified purposes over which the City retains control and may, at its discretion, be subsequently used for other purposes. A portion of unreserved retained earnings has been designated for such amounts.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Unrestricted investments of the governmental and proprietary fund types consist of certificates of deposit and are stated at cost, which approximates fair value. Restricted investments are comprised of a reserve held by the State invested in U.S. Treasury notes and governmental securities and are stated at fair value.

Pension Trust Funds investments consist of mutual funds and mortgage-backed securities and are reported at fair value.

Receivables

Accounts receivable are presented, when considered necessary, net of an allowance for uncollectible accounts.

Accrued Revenue

The Natural Gas Department and the Electric Power System accrue the unbilled revenue from the dates of the most recent meter reading to the balance sheet date. The Water & Wastewater does not record unbilled revenue.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet and are eliminated on the government-wide statements. Other activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.”

The City assesses a “tax equivalent charge” to the Lewisburg Natural Gas Department and Lewisburg Electric Power System. In lieu of a tax equivalent charge, the Lewisburg Water and Wastewater Department provides the City with water and fire hydrant services at no cost.

Restricted Assets

Restricted assets, consisting primarily of cash and investments, include funds limited by bond indentures or otherwise legally restricted for future construction projects, debt service requirements and reserves.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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 business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 50 years
Improvements other than buildings	10 - 20 years
Utility plant in service	33 - 50 years
Machinery, equipment and vehicles	5 - 20 years
Road system infrastructure	10 - 45 years
Sidewalks	30 years
Bridges	60 years

Inventories

Enterprise fund inventories, consisting primarily of materials and supplies, are valued using a moving average cost method, which does not differ materially from the lower of cost or market method. Items are removed from inventory and added to utility plant at the most current average cost per unit. General government supplies are recognized as expenditures when purchased since they are not of a material nature.

Compensated Absences

The amounts of unpaid vacation and sick leave accumulated by City employees are accrued as expenses when incurred (if material) in the Government-Wide Statements and Proprietary Funds. In addition to accrual for routine vacation and sick leave, as described above, the Lewisburg Gas Department provides for additional sick leave benefits up to 720 hours upon retirement.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity and Classifications

In the fund financial statements, the City maintains reservations of Fund Balance in accordance with Governmental Accounting Standards Board Statement No. 54. As a result, fund balance is reported in the fund financial statements under the following categories, if applicable.

Nonspendable - Fund balance reported as “nonspendable” represents fund balance that is (a) not in a spendable form such as inventory, prepaid items, or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted - Fund balance reported as “restricted” consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources.

Committed - Fund balance reported as “committed” are to be used for a specific purpose as per action by the City Council through the approval of the City’s budget or other ordinance. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Council removes or changes the commitment by taking the same action it employed to impose the commitment.

Assigned - Fund balance reported as “assigned” consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council. The purpose of the assignment must be narrower than the purpose of the General Fund. Formal action is not necessary to impose, remove, or modify a constraint in assigned fund balance. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year’s budget.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity and Classifications (Continued)

Unassigned - Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications. When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

Spending Policy

When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

When expenditures are incurred for purposes, for which both restricted and unrestricted (assigned or unassigned) amounts are available, it shall be the policy of the City to use the restricted amounts first as permitted under the law. When the expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City to use the assigned amounts first, followed by the unassigned amounts.

Government-Wide Equity

In the government-wide financial statements, equity is shown as net position and classified into three components. *Net Investment in capital assets*-capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. *Restricted net position*-net position with constraints placed on use, either by (1) external groups such as creditors, grantors, or laws and regulations of other governments, (2) laws through constitutional provisions or enabling legislation. *Unrestricted net position*-All other net position that does not meet the above classifications.

Property Taxes

Property taxes are levied each October 1 on assessed property values as of the preceding January 1. Property taxes are secured by a statutory lien effective as of the original assessment date of January 1 and as such an enforceable legal claim to the subsequent fiscal year levy exists at year-end. Taxes are due and payable on October 1, and are delinquent on March 1 each tax year. Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55% (Railroads 40%)
Industrial and Commercial Property	
Real	40%
Personal	30%
Residential Property	25%

Of the \$3,605,099 property taxes receivable, \$3,278,315 represents the estimated 2013 property taxes to be billed October 2013. This receivable is reported in the Balance Sheet – Governmental Funds with offsetting deferred revenue for the amounts not available at June 30, 2013. Amounts receivable at June 30, 2013 have been recorded net of an allowance for uncollectibles of \$27,000 in the governmental activities statements.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Retirement Plans

Electric System and Gas Department employees are covered by defined contribution pension plans operated by certain insurance companies on a contractual basis. The City is liable for certain pension costs as described in Note 8. However, control over the operation and administration of the plans, including investment decisions and custody of plan assets, is a function of the insurance companies.

All full time employees of the City and the Water and Wastewater Department are eligible for single-employer defined benefit pension plans, which are accounted for as pension trust funds of the City.

Use of Estimates

The preparation of the City's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Annual budgets are adopted for the general and special revenue funds on a basis consistent with generally accepted accounting principles ("GAAP"). Prior to June 30, the Budget Committee prepares a proposed operating budget for the fiscal year beginning July 1. This budget is submitted to the City Council for review and approval. The budget includes all proposed expenditures and the anticipated means of financing them. A public hearing is held at the City Hall in order to obtain taxpayers' comments. The budget is legally adopted by passage of an ordinance by June 30.

The City Treasurer is authorized to transfer budgeted amounts within departmental activities; Council must approve transfers of budgeted amounts between departmental activities. Any revisions to the total expenditures of any department or fund must be approved through passage of an ordinance by the City Council. Capital expenditures within the governmental funds are budgeted within the appropriate department. All annual appropriations lapse at year-end.

The 2012-13 budget was amended throughout the year. During the fiscal year, amendments to the General Fund expenditures totaling \$329,331 were approved, decreasing the budgets of several departments in response to decreases in revenues.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(2) DEPOSITS AND INVESTMENTS

Deposits:

The City's cash and cash equivalents and investments at June 30, 2013 were held by the Local Government Investment Pool and by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. The amount of collateral required to secure these public deposits must be equal to 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

All of the City's bank deposits were covered by federal depository insurance or by the bank collateral pool administered by the Treasurer of the State of Tennessee.

Investments:

As of June 30, 2013, the City had the following investments in its Pension Fund:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Cost Basis</u>
Cash and cash equivalents	\$ 442,013	\$ 442,013
Mutual funds, equities, and options	3,307,387	2,857,387
Real estate investment trusts	<u>577,524</u>	<u>450,000</u>
Total	<u>\$ 4,326,924</u>	<u>\$ 3,749,400</u>

As of June 30, 2013, the City Water & Wastewater Fund had the following investments in its Pension Fund:

Cash and cash equivalents	\$ 94,551	\$ 94,551
Mutual funds, equities, and options	1,064,354	1,047,868
Real estate investment trusts	<u>245,020</u>	<u>238,349</u>
Total Water and Wastewater Department Defined Benefit Pension Trust:	<u>\$ 1,403,925</u>	<u>\$ 1,380,768</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments, however, the City does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments, however, the City has no investment policy that would further limit its' investment choices

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy that further limits custodial credit risk for investments.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(3) NOTES RECEIVABLE

In connection with the UDAG program conducted in prior year the City entered in to the following note agreements.

In January 2010, the City entered into an agreement with Ronald Stacy and Donald Stacy, to lend \$20,000, which is being repaid in 54 monthly interest and principal payments of \$379 at an interest rate of 1% per annum.

In December 2007, the City entered into two agreements with U.S. Tank and Cryogenics Equipment, Inc. to lend a total of \$150,000. Of the \$150,000, \$100,000 is being repaid in 20 quarterly principal and interest payments at 2% annum. The remaining \$50,000 plus interest at 2% annum is due in one installment on or before five years from the date of the agreement.

In May 2011, the City entered into an agreement with Ace Bayou Corp. to lend \$100,000, which is being repaid in 60 monthly interest and principal payments of \$1,709 at an interest rate of 1% per annum.

The total outstanding balance of the above notes as of June 30, 2013 is \$119,247.

(4) INTERFUND TRANSACTIONS

Operating transfers among individual funds of the City for the year ended June 30, 2013, consisted of in lieu of property tax payments from the Natural Gas and Electric Power Fund to the General Fund in the amounts of \$162,966 and \$418,697, respectively.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,068,327	-	-	3,068,327
Investment in industrial park - held for sale	1,670,385	-	(1,443,063)	227,322
Construction in progress	<u>155,936</u>	<u>322,226</u>	<u>(72,257)</u>	<u>405,905</u>
Total capital assets, not being depreciated:	<u>4,894,648</u>	<u>322,226</u>	<u>(1,515,320)</u>	<u>3,701,554</u>
<u>Capital assets, being depreciated:</u>				
Buildings and improvements	12,222,101	267,794	-	12,489,895
Machinery and equipment	4,258,826	134,995	(222,827)	4,170,994
Infrastructure	<u>4,071,022</u>	<u>801,016</u>	<u>-</u>	<u>4,872,038</u>
Total capital assets, being depreciated:	<u>20,551,949</u>	<u>1,203,805</u>	<u>(222,827)</u>	<u>21,532,927</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	3,721,891	320,334	-	4,042,225
Machinery and equipment	3,548,560	227,468	(222,827)	3,553,201
Infrastructure	<u>2,933,774</u>	<u>114,486</u>	<u>-</u>	<u>3,048,260</u>
Total accumulated depreciation	<u>10,204,225</u>	<u>662,288</u>	<u>(222,827)</u>	<u>10,643,686</u>
Total capital assets, being depreciated, net	<u>10,347,724</u>			<u>10,889,241</u>
Governmental activities capital assets, net	<u>\$15,242,372</u>			<u>14,590,795</u>
Business-type activities:				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 426,081	-	-	426,081
Construction in progress	<u>9,262,589</u>	<u>6,083,402</u>	<u>(244,692)</u>	<u>15,101,299</u>
Total capital assets, not being depreciated:	<u>9,688,670</u>	<u>6,083,402</u>	<u>(244,692)</u>	<u>15,527,380</u>
<u>Capital assets, being depreciated:</u>				
Plant systems in service	85,011,692	2,636,791	(471,111)	87,177,372
Buildings and improvements	6,183,348	115,606	(235,079)	6,063,875
Machinery and equipment	<u>1,825,080</u>	<u>28,155</u>	<u>-</u>	<u>1,853,235</u>
Total capital assets, being depreciated:	<u>93,020,120</u>	<u>2,780,552</u>	<u>(706,190)</u>	<u>95,094,482</u>
<u>Less accumulated depreciation for:</u>				
Plant systems in service	33,919,826	2,165,800	(413,513)	35,672,113
Buildings and improvements	3,284,260	104,750	(34,367)	3,354,643
Machinery and equipment	<u>2,685,240</u>	<u>191,663</u>	<u>(178,296)</u>	<u>2,698,607</u>
Total accumulated depreciation	<u>39,889,326</u>	<u>2,462,213</u>	<u>(626,176)</u>	<u>41,725,363</u>
Total capital assets, being depreciated, net	<u>53,130,794</u>			<u>53,369,119</u>
Business-type activities capital assets, net	<u>\$62,819,464</u>			<u>68,896,499</u>

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(5) CAPITAL ASSETS (CONTINUED)

Depreciation expense changed to functions/programs as of June 30, 2013 follows:

Governmental activities:

General government	\$	72,133
Public works, including depreciation of general infrastructure assets		125,204
Sanitation		34,914
Public safety		214,650
Airport		73,768
Cemetery		3,315
Recreation		<u>138,304</u>

Total depreciation expense – governmental activities	\$	<u>662,288</u>
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Business-type activities:

Water	\$	1,169,544
Gas		486,490
Electric		<u>806,179</u>

Total depreciation expense – business-type activities	\$	<u>2,462,213</u>
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(6) LONG-TERM LIABILITIES

Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the changes in long-term liabilities reported were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Accrued vacation and sick pay	\$ 176,308	17,493	-	193,801	193,801
Other post-employment benefits	1,443,732	628,506	(118,504)	1,953,734	118,504
Net pension obligation	139,283	319,827	(239,907)	219,203	-
Series 2008 General Obligation Refunding Bonds, due in installments Beginning June 1, 2009, at varying rates of interest ranging from 3.00% to 3.50%	<u>2,185,000</u>	<u>-</u>	<u>(180,000)</u>	<u>2,005,000</u>	<u>185,000</u>
	3,944,323	<u>965,826</u>	<u>(588,411)</u>	4,371,737	<u>497,305</u>
Plus: premium	6,142			5,461	
Less: deferred loss on refunding	<u>(12,717)</u>			<u>(11,304)</u>	
Governmental activity long term liabilities	\$ <u>3,937,748</u>			<u>4,365,894</u>	

Interest costs for the year ended June 30, 2013 amounted to \$263,605.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(6) LONG-TERM LIABILITIES (CONTINUED)

During the year ended June 30, 2013, the changes in long-term liabilities reported were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-like activities					
<u>Water and Wastewater Fund</u>					
Bonds and notes payable					
2009 Water and Sewer Revenue and Tax Refunding Bonds, due in annual installments through July 1, 2027, at varying rates of interest from 2.00% to 4.60%.	\$ 5,600,000	-	(285,000)	5,315,000	-
2009A Water and Sewer Revenue and Tax Bonds, Due in annual installments through December 1, 2029, at varying rates of interest ranging from 2.00% to 4.20%.	4,635,000	-	(185,000)	4,450,000	190,000
Clean Water State Revolving Loan, due in monthly Installments of interest only through August 20, 2012 and converting to monthly installments of principal and interest through August 20, 2032, at an interest rate of 2.43%	-	1,960,922		1,960,922	79,596
Clean Water State Revolving Fund Loan, due in monthly installments of interest only through August 20, 2012 and converting to monthly installments of principal and interest through August 20, 2032, at an interest rate of 2.43%	<u>6,246,807*</u> 16,481,807	<u>2,230,569</u> <u>4,191,491</u>	<u>(765,114)</u> <u>(1,235,114)</u>	<u>7,712,262</u> 19,438,184	<u>320,952</u> <u>590,548</u>
Less: Deferred loss on refunding	<u>(68,906)</u>			<u>(64,532)</u>	
	<u>\$ 16,412,901</u>			<u>19,373,652</u>	
<u>Electric Power Fund</u>					
Bonds and notes payable					
Payable to Duck River Electric Membership Corporation	\$ 3,017	-	(1,509)	1,508	1,508
Other long term liabilities:					
Compensated absence	<u>112,455</u> <u>115,472</u>	<u>7,085</u> <u>7,085</u>	<u>-</u> <u>(1,509)</u>	<u>119,540</u> <u>121,048</u>	<u>-</u> <u>1,508</u>
<u>Natural Gas Department</u>					
Bonds and notes payable					
Capital Outlay Notes, Series 2007 -- due in annual installments through June 2024, variable interest rate, 0.23% as of June 30, 2011	920,746	-	(188,000)	732,746	92,000
Other long term liabilities:					
Compensated absences	91,835	-	(5,264)	86,571	29,790
Other post-employment benefits	<u>522,695</u> <u>1,535,276</u>	<u>84,363</u> <u>84,363</u>	<u>(15,894)</u> <u>(209,158)</u>	<u>591,164</u> <u>1,410,481</u>	<u>15,894</u> <u>137,684</u>
Total long-term liabilities	\$ <u>18,063,649</u>			<u>20,905,181</u>	<u>729,740</u>

*As restated.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(6) LONG TERM LIABILITIES (CONTINUED)

Debt Service Requirements

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2013, are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 185,000	77,305	682,548	614,273
2015	190,000	70,830	996,400	590,946
2016	195,000	63,990	1,025,468	565,702
2017	200,000	56,970	1,060,812	538,116
2018	210,000	49,470	1,090,396	508,084
2019-2023	1,025,000	119,480	5,655,822	2,033,432
2024-2028	-	-	6,441,604	1,045,898
2029-2032	-	-	3,217,880	164,061
Totals	\$ <u>2,005,000</u>	<u>438,045</u>	<u>20,170,930</u>	<u>6,060,512</u>

Interest costs for the year ended June 30, 2013 amounted to \$277,404, and \$3,210 for the Water and Wastewater and the Natural Gas Funds, respectively.

The Tennessee Valley Conservation Program loan payable with a balance of \$150,209 will be repaid according to collections on related program loans receivable and is not included in the schedule of maturities above.

(7) DEFERRED REVENUES

A schedule of deferred revenues as of June 30, 2013, follows:

	<u>Governmental Activities</u>	<u>General Fund</u>
Property taxes:		
Delinquent taxes	-	326,784
2013 estimated levy	\$ 3,278,315	3,278,315
Insurance proceeds	<u>49,939</u>	<u>49,939</u>
	\$ <u>3,328,254</u>	<u>3,655,038</u>

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(8) RETIREMENT PLANS

City of Lewisburg Plan Description and Contributions Information

The City of Lewisburg's full time employees are eligible to participate in the City of Lewisburg, Tennessee Defined Benefit Pension Plan (the "Plan") after reaching age 21 and completing one year of service, with a July 1 entry date.

The plan is a single-employer defined benefit pension plan, accounted for as a pension trust fund of the City. Participation in the plan is mandatory for City employees hired after January 1, 2010. Employees hired before January 1, 2010 could elect to begin participation on January 1, 2010 or could elect to use their previous pension funds held in the defined contribution plan to purchase prior service credit. Employees hired before January 1, 2010 could elect to not participate in the plan. The assets of the Plan are held separately and are used only for the payment of benefits to the members of the Plan or their beneficiaries and other administrative expenses of the plan.

The Plan provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's monthly plan compensation and years of service. Members become eligible to retire at the age of 65 or when age plus service equals at least 80, but not less than 55. A reduced retirement benefit is available to vested members at the age of 55 and 65 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Participants become vested after 5 (five) years of service.

Plan members are required to contribute 4% of their annual covered salary. The City is required to make contributions at an actuarial determined rate, which is adjusted as necessary. The City's contribution rate for the current year was 6%. The contribution requirements of the Plan members and the City are established under provisions of the Plan document and may be amended by the City Council. Administrative costs of the Plan are paid by the Plan in addition to Employer contributions to the Plan.

The City's annual pension cost and net pension obligation to the Plan for the current year were as follows:

Annual required contribution (ARC)	\$ 321,462
Interest on net pension obligation	10,811
Amortization	(24,892)
Adjustment to ARC	<u>12,446</u>
Annual pension cost	319,827
Contributions made	<u>(239,907)</u>
Increase (decrease) in net pension obligation	79,920
Net pension obligation beginning of year	<u>139,283</u>
Net pension obligation end of year	\$ <u>219,203</u>

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(8) RETIREMENT PLANS (CONTINUED)

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 265,688	79.4%	\$ 54,789
6/30/12	\$ 298,578	71.7%	\$ 139,284
6/30/13	\$ 319,827	75.0%	\$ 219,203

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was 60.6% funded. The actuarial accrued liability for benefits was \$6.8 million, and the actuarial value of assets was \$4.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.1 million, and the ratio of the UAAL to the covered payroll was 89.0 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

In the July 1, 2012, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included (a) 7.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 3.0 percent per year. The assumptions did not include postretirement benefit increases, which are funded by state appropriation when granted. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012 was 30 years.

Membership in the plan consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

Inactive Plan Participants:

Retirees and beneficiaries currently receiving benefits	18
Terminated employees entitled to benefits	<u>3</u>
Total	<u>21</u>

Active plan participants:

Vested	82
Nonvested	<u>11</u>
Total	<u>93</u>

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(8) RETIREMENT PLANS (CONTINUED)

Lewisburg Water and Wastewater Department Description and Contributions Information

All full time employees of the Water Department are eligible to participate in the Lewisburg Water and Wastewater Department Defined Benefit Pension Plan (the "DB Plan") after reaching age 21 and completing one year of service, with a January 1 entry date.

The DB Plan is a single-employer defined benefit pension plan, accounted for as a pension trust fund of the Lewisburg Water and Wastewater Department. Participation in the plan is mandatory for Department employees hired after January 1, 2011. Employees hired before January 1, 2011 could elect to begin participation on January 1, 2011 or could elect to use their previous pension funds held in the defined contribution plan to purchase prior service credit. The assets of the DB Plan are held separately and are used only for the payment of benefits to the members of the DB Plan or their beneficiaries and other administrative expenses of the DB Plan.

The DB Plan provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's monthly plan compensation and years of service. Members become eligible to retire at the age of 65 or when age plus service equals at least 80, but not less than 55. A reduced retirement benefit is available to vested members at the age of 55 and 5 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Participants become vested after 5 (five) years of service.

Membership in the DB Plan consisted of the following as of July 1, 2013:

Active Plan Participants:

Vested-over normal retirement age	5
Vested-under normal retirement age	<u>34</u>
Total	<u>39</u>

DB Plan members are required to contribute 4% of their annual covered salary. The Department is required to make contributions at an actuarial determined rate, which is adjusted as necessary. The Department's contribution rate for the current year was 6%. The contribution requirements of the DB Plan members and the Department are established under provisions of the DB Plan document and may be amended by the Board of Directors of the Department. Administrative costs of the DB Plan are paid by the DB Plan in addition to Employer contributions to the DB Plan.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(8) RETIREMENT PLANS (CONTINUED)

Lewisburg Water and Wastewater Department Description and Contributions Information

Annual Pension Cost and Net Pension Obligation

The Department's annual pension cost and net pension obligation to the DB Plan for the year ended June 30, 2013 was as follows:

Annual required contribution (ARC)	\$ 117,583
Interest on net pension obligation	1,768
Adjustment to ARC	<u>(2,035)</u>
Annual pension cost	117,316
Contributions made	<u>(85,201)</u>
Increase (decrease) in net pension obligation	32,115
Net pension obligation beginning of year	<u>25,258</u>
Net pension obligation end of year	\$ <u>57,373</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/20 12	\$ 110,971	77.2%	\$ 25,258
6/30/20 13	\$ 117,316	72.6%	\$ 57,373

Funded Status and Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B)-(A)	Funded Ratio A/B	Covered Payroll (C)	UAAL as a Percentage Of Covered Payroll ((B-A)/C)
7/01/12	\$1,184,324	\$2,304,315	\$1,119,991	51.4%	\$1,553,563	72.1%
7/01/11	\$1,032,540	\$2,005,035	\$ 972,495	51.5%	\$1,428,563	68.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplemental information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(8) RETIREMENT PLANS (CONTINUED)

Lewisburg Water and Wastewater Department Description and Contributions Information

Actuarial Methods and Assumptions

In the July 1, 2012 actuarial valuation, the entry age normal method was used. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.0 percent a year compounded annually, (b) projected salary increases of 3.0 percent (graded) annual rate (with 2.25% of the increases attributable to the effects of inflation on salaries and 0.75% attributable to merit/seniority), and (c) projected post retirement increases of 1.0 percent annually. The Department's unfunded actuarial accrued liability is being amortized as a level dollar amount on a 30-year open period. An actuarial valuation was performed as of July 1, 2012, which established contribution rates effective July 1, 2012.

The DB Plan does not issue separate financial statements, and as such, all required disclosures and supplementary information are included as part of the City's annual financial report.

Lewisburg Gas Department

The Gas Department provides pension benefits to its employees through the Lewisburg Gas Department Employees Pension plan, a defined contribution – money purchase plan. In this plan, benefits depend solely on amounts contributed to the plan plus earnings. The Gas department and the employee will contribute 6% and 4% respectively of the employee's current compensation with employees permitted to contribute up to an additional 10%. Employees may become participants on the first January 1 or July 1 after reaching 21 years of age accruing one year of service. Employees are allowed up to fifteen different funds as investment options and become fully vested after seven years in the plan. Employees who leave the Gas Department before becoming fully vested forfeit the Department's contributions, which are then used to reduce the Gas Department's contribution requirement.

The Gas Department contracts with an insurance carrier that uses an "unallocated" group annuity contract as the investment vehicle. The Gas Department may amend any election in the adoption agreement by giving the Trustee written notification of such amendment as adopted.

The Gas Department's total payroll for the fiscal year ended June 30, 2013 was \$655,320. The employees' required contributions of \$26,213 were calculated at 4% of total "base salary" for the year. Total payroll for covered employees was \$655,320. The Gas Department's contribution amounted to \$39,319 (6% of total covered payroll).

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(8) RETIREMENT PLANS (CONTINUED)

Lewisburg Electric Power Fund

The Electric System provides pension benefits for all of its full-time employees through a defined contribution plan - Lewisburg Electric System Employees Pension Trust. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who are at least 25 years of age are eligible to participate in the plan after completion of two years of service. Under the terms of the plan, covered employees are required to contribute 4% of their "base salary" (or 50% of the total required contribution, if less), and the Electric System is required to fund the balance of the contribution, which is determined using a "target benefit" method. The Electric System's contributions for each employee (and interest thereon allocated to the employee's account) are fully vested after 10 years of service. Electric System contributions for, and interest forfeited by, employees who leave employment prior to vesting are used to reduce the Electric System's current-year contribution requirements.

The Electric System contracts with an insurance carrier that uses a variable annuity contract as the investment vehicle. The contract may be amended by written mutual consent of the Electric System and the insurance carrier.

The Electric System's total payroll for the fiscal year ended June 30, 2013 was \$1,569,815. The employees' contributions of \$46,598 were calculated at 3.31% of their total "base salary" for the year. Total payroll for covered employees was \$1,408,118. The Electric System's contribution amounted to \$137,774 (approximately 9.78% of covered payroll).

The Electric System also offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Electric System employees, permits the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

(9) OTHER POST-EMPLOYMENT BENEFITS

City of Lewisburg

The City's post-employment benefits are administered as a single-employer defined benefit plan (the "OPEB Plan"). The City Council has the authority to establish and amend benefit provisions of the OPEB Plan. Under the OPEB Plan, the City provides continued health insurance coverage for retired fulltime employees and their dependents after retirement, provided the employee has reached certain age and length of service requirements with the City. Fulltime employees as of April 10, 2007 are eligible for coverage under either the original policy adopted January 9, 1996 or the revised policy adopted April 10, 2007. All employees hired after April 10, 2007 are eligible for benefits under the April 10, 2007 policy.

The original policy provides any fulltime employee age 62 or older with 10 years of service individual insurance coverage upon retirement under the City's original insurance policy until they become Medicare eligible. The policy also provides for any dependent coverage to continue under the City's policy at the employee's expense upon retirement until the dependent becomes Medicare eligible.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

City of Lewisburg

The revised policy provides any fulltime employee age 55 or older with 20 years of service individual insurance coverage upon retirement under the current insurance policy until they become Medicare eligible. Employees with 30 years of service are also eligible for dependent coverage. All post-employment health insurance benefits shall cease when retiree reaches Medicare eligibility and benefits shall be replaced by a Medicare supplement allowance equal to, but not exceeding the applicable active employee costs.

The City funds its post-employment health care benefits when the actual health care costs are incurred for retirees and their eligible dependents. The plan is not required to issue a separate financial report.

The City's annual OPEB cost (expense) is calculated based on the annual required contributions of the employer (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current rate is calculated using a percentage of annual covered payroll. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset):

Annual required contribution	\$ 656,706
Interest on net OPEB obligation	43,312
Adjustment to annual required contribution	<u>(71,513)</u>
Annual OPEB cost (expense)	628,505
Contributions made	<u>(118,504)</u>
Increase in net OPEB obligation	510,001
Net OPEB obligation (asset) - beginning of year	<u>1,443,733</u>
Net OPEB obligation (asset) - ending of year	<u>\$1,953,734</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2013 were as follows:

Annual Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
\$ 628,505	18.85%	\$1,953,734

As of December 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$11,381,118, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,381,118.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplemental information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

- Actuarial valuation date: December 31, 2012
- Actuarial cost method: Projected unit credit method
- Amortization method: Level percentage amortization
- Remaining amortization period: 30 years, open period

The actuarial assumptions included a 3.0% long-term investment rate of return. The assumptions include a health care cost trend rate equal to the following: 10.0% in year 0, 9.0% in years 1-2, 8.0% in years 3-5, 7.0% in years 6-8, 6.0% in years 9-10, and 5.0% in years 11 and thereafter.

The results of this valuation must be viewed as an estimate of the actual results that will occur in the future. In addition, certain assumptions have been made that will affect the results of the valuation.

Lewisburg Gas Department

The Natural Gas Board provides continued health insurance premiums for all employees and their spouses after retirement, provided the employee has reached certain age and length of service requirements with the Gas Department. The Plan also provides a Medicare supplement starting at age 65. New employees or new spouses of current employees will not be eligible to receive this benefit after June 11, 2007. Employees will be vested after twenty-five years continuous service and having reached the age of 62 or older before retiring from the Gas Department. The benefit is being provided one year at a time, if approved by an annual vote of the Natural Gas Board. There were five retired employees (or spouses) in the Plan during fiscal year 2013; employer's contributions, which are on a pay-as-you-go basis, totaled \$15,894 for the year.

The Gas Department's post-employment benefits are administered as a single-employer defined benefit plan. The Gas Department funds its post-employment health care benefits when the actual health care costs are incurred for retirees and their eligible dependents. The plan is not required to issue a separate financial report.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Lewisburg Gas Department

The Gas Department's annual OPEB cost (expense) is calculated based on the annual required contributions of the employer (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The current rate is calculated using a percentage of annual covered payroll. The following table shows the components of the Gas Department's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Gas Department's net OPEB obligation (asset):

Annual required contribution	\$ 68,680
Interest on net OPEB obligation	<u>15,681</u>
Annual OPEB cost (expense)	84,361
Contributions made	<u>(15,894)</u>
Increase in net OPEB obligation	68,467
Net OPEB obligation (asset) - beginning of year	<u>522,695</u>
Net OPEB obligation (asset) - ending of year	\$ <u>591,164</u>

The Gas Department's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2013 were as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
\$ 84,361	18,84%	\$ 591,164

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$685,427 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$685,427. The covered payroll (annual payroll of active employees covered by the plan) was \$545,539 and the ratio of the UAAL to the covered payroll was 126%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the Gas Department are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplemental information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the Gas Department and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Gas Department and the plan members to that point. The results of this valuation must be viewed as an estimate of the actual results that will occur in the future. In addition, certain assumptions have been made that will affect the results of the valuation.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(10) MAJOR CUSTOMERS

The Water and Wastewater Department's sales to the Marshall County Board of Public Utilities in 2013 were approximately 11.4% of total revenue.

(11) DEFERRED REGULATORY LIABILITY

During the year, the State of Tennessee paid contractors to move a gas line in connection with road work that was being done. In accordance with accounting standards, the Natural Gas Fund recorded the value of this work as an increase in capital assets. The Fund also elected, in accordance with GASB 62, to follow ASC 980, *Accounting for the effects of certain Types of Regulation*. This resulted in the Fund recording a deferred regulatory liability during 2013 and recognizing revenue over the estimated useful life of the assets. This resulted in \$20,509 in revenue during the year which is included as capital contribution in the financial statements. The remaining deferred regulatory liability as of June 30, 2013 is \$934,596 and is included in the liabilities section on the financial statements.

(12) 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; injuries to employees; and natural disasters. The City and the Electric Power System participate in the Tennessee Municipal League Risk Management Pool (the "Pool"), a public entity risk pool currently operating a workers compensation common risk management and insurance program. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City continues to carry commercial insurance for employee health and accident insurance. May 1, 2005, the City switched their employee health insurance coverage to include a Health Reimbursement Account ("HRA") for each employee. The City is using a third party administrator for the processing of these accounts and it is estimated to be a savings for both the City and the employees without further liability exposure to either party.

The Water and Wastewater and the Natural Gas Funds have each purchased commercial insurance against the risk of losses on property, general liability and workers' compensation to which it is exposed. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(13) COMMITMENTS AND CONTINGENCIES

City of Lewisburg

The facilities and operations of the City and its Departments are subject to a wide range of environmental protection laws related to the use and disposal of hazardous materials. As a result, there is the possibility that environmental conditions may arise which would require the City or its Departments to incur cleanup costs. As in prior years, management continues its efforts to comply, and to determine compliance, with all applicable environmental protection laws and does not believe such costs, if any, would materially affect the City's financial position or its future cash flows.

The City is a defendant in various lawsuits. All cases are pending and will be highly contested. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the City's financial position. Accordingly, no provision for any liability resulting from such litigation has been made in the accompanying financial statements.

Lewisburg Water and Wastewater Department

Construction commitments amounting to approximately \$930,000 were outstanding as of June 30, 2013.

Lewisburg Electric System

The Electric System has a contract to purchase power from the Tennessee Valley Authority, which is subject to termination by either party upon not less than ten years prior written notice. The rates paid for the power and energy supplied by TVA shall be in accordance with the provisions of Wholesale Power Rate - Schedule WS.

Lewisburg Gas Department

To ensure a continued supply of natural gas, the Gas Department has entered into contracts for the purchase, transportation, and storage of its natural gas requirements with various companies. Purchase prices of gas are based on an index, although the Gas Department may obtain fixed price gas as well, when the market conditions favor this option.

The Department has an open contract with James N. Bush Construction, Inc. (Bush) for construction work. During a previous year, the Gas Department advertised for bids on an open contract consisting of individual pricing for inserting, trenching dirt or rock and by size of piping, casing test stations, concrete, asphalt repair, equipment usage, valves, etc. Bush was the only bidder.

Environmental Concerns

The Electric Power and Natural Gas Funds facilities and operations are subject to a wide range of environmental protection laws related to the use and disposal of hazardous materials. As a result, there is a possibility that environmental conditions may arise which would require the System to incur cleanup costs. As in prior years, management continues its efforts to comply, and to determine compliance, with all applicable environmental protection laws and does not believe such costs, if any, would materially affect the City's financial position or its future cash flows.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(14) BUDGET OVERAGES

For the year ended June 30, 2013, expenditures exceeded budget appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Fund:			
General Government	1,112,908	1,119,047	6,139
Airport	111,456	145,722	34,266
Animal Control	95,659	98,857	3,198
Highway and Streets	1,417,830	1,450,704	32,874
Recreation	1,377,439	1,394,238	16,799
Community Service	134,800	142,557	7,757
Cemetery	42,800	43,710	910
Drug Fund	17,000	32,801	15,801

Funding of any departmental budget overage or fund deficit is ultimately the responsibility of the General Fund.

(15) IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement was effective for periods beginning after December 15, 2011. The Statement had no effect on the City's financial statements.

GASB Statement 63, *Financial Reporting for Deferred /Outflows of Resources, Deferred inflows of Resources, and Net Position*, provides for reporting of deferred outflows and inflows of resources of which are distinct from assets and liabilities, and also renames applicable statements as net position, rather than net assets. This Statement was effective for periods beginning after December 15, 2011. The City had no deferred outflows or inflows of resources at June 30, 2013.

(16) NEW PRONOUNCEMENTS

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial periods beginning after December 15, 2012.

CITY OF LEWISBURG, TENNESSEE

Notes to Financial Statements

(16) NEW PRONOUNCEMENTS (CONTINUED)

In March 2012, GASB issued Statement No. 66 *Technical Corrections*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of previous pronouncements, Statements No 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and No 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30 1989 FASB and AICPA Pronouncements*. The provisions of this statement are effective for the City for the year ending June 30, 2014. The City does not believe the adoption of this standard will have an impact on the financial statements.

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from the comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement are effective for financial periods beginning after June 15, 2014.

(17) SPECIAL ITEM-SALE OF SPEC BUILDING

As a means of attracting business to the City in 2009 had built a speculative building. During 2013, the City sold the building to a relocating business for \$996,046. The City had accumulated cost in the building of approximately \$1,443,063. The transaction, as it is somewhat unique to the ongoing operations of the City is accounted for as a special item in the accompanying financial statements.

The General Fund financial statements present resources and expenditures, accordingly, the sales proceeds of 996,046 are presented as a special item. The Governmental Activities financial statements present revenue and expenses on the accrual basis, as a result only the resulting loss on disposition of the building of \$447,017 is realized and presented as a special item.

(18) RESTATEMENT

General Fund:

During 2013, it was discovered that accounts payable and deferred revenue were inadvertently overstated in the General Fund by \$128,245 for the prior year. Also, the City accounts for the investment of funds related to the original endowment of the Lone Oak Cemetery Trust Agreement (\$100,000) in the General Fund. In 2013, the City restated related amounts In the Loan Oak Trust Fund to the General Fund. Accordingly, fund balance and net position of the General Fund at July 1, 2012 have been increased by \$228,245 and net position of the Loan Oak Trust Fund decreased by \$100,000.

Water and Wastewater fund:

During 2013, The Fund determined that the forgiveness of debt related to the Clean Water State Revolving Fund Loan was intended to be recognized ratably as draws were received rather than upon completion of the construction of the additions to the sewer plant. The correction increased capital contributions by \$1,561,702 for the year ended June 30, 2012, decreased the balance of notes payable and increased the ending net position as of June 30, 2012 by the same amount.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LEWISBURG, TENNESSEE

**Schedule of Funding Progress
and
Schedule fo Employer Contributions**

Defined Benefit Pension Plan-City and Water & Wastewater Fund Plans

June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
	(a)	(b)	(b)-(a)			(b-a)/(c)
City of Lewisburg						
Funding Progress						
7-1-10	\$ 3,204,791	5,421,778	2,216,987	59.1%	3,459,728	64.1%
7-1-11	3,818,962	6,300,422	2,481,460	60.6%	2,950,498	84.1%
7-1-12	4,062,637	6,791,664	2,729,027	59.8%	3,065,819	89.0%

Employer Contributions:

Year Ended	Annual Required Contribution	Percentage Contributed*	Net Pension Benefit Obligation
2010	N/A	N/A	N/A
2011	265,688	79.4%	54,788
2012	298,578	71.7%	139,283
2013	239,907	75.0%	219,203

Lewisburg Water and Wastewater Fund

Funding Progress

7-1-11	\$ 1,032,540	2,005,035	972,495	51.5%	1,428,563	68.1%
7-1-12	1,184,324	2,304,315	1,119,991	51.4%	1,553,563	72.1%

Employer Contributions:

Year Ended	Annual Required Contribution	Percentage Contributed*	Net Pension Benefit Obligation
2012	110,971	77%	25,258
2013	117,583	72%	57,873

* Includes projected employer payment for retiree benefits in total contributions.

CITY OF LEWISBURG, TENNESSEE

**Schedule of Funding Progress
and
Schedule fo Employer Contributions**

Other Postemployment Benefits-City and Natural Gas Fund Plans

June 30, 2013

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
	(a)	(b)	(b)-(a)			(b-a)/(c)

City of Lewisburg

Funding Progress

12-31-09	\$	-	5,256,114	5,256,114	0.0%	3,605,000	145.8%
12-31-11		-	7,396,840	7,396,840	0.0%	3,906,000	189.4%
12-31-12		-			0.0%		#DIV/0!

Employer Contributions:

Year Ended	Annual Required Contribution	Percentage Contributed*
2010	569,434	9.2%
2011	569,434	9.2%
2012	511,526	19.5%
2013	0	19.5%

Lewisburg Natural Gas Fund

Funding Progress

7-1-08	\$	-	739,851	739,851	0.0%	517,175	143.1%
7-1-11		-	685,427	685,427	0.0%	545,539	125.6%

Employer Contributions:

Year Ended	Annual Required Contribution	Percentage Contributed*
2010	96,928	13.1%
2011	96,928	13.1%
2012	68,682	14.4%
2013	84,361	19.0%

* Includes projected employer payment for retiree benefits in total contributions.

NONMAJOR FINANCIAL SCHEDULE

CITY OF LEWISBURG, TENNESSEE

**Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP) and Actual**

Drug Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance from Variance Final Budget Positive (Negative)
Revenues:				
Fines and fees				
Drug fines, confiscated property	\$ 4,000	17,000	14,587	(2,413)
Intergovernmental revenue				
Federal grant	-	-	77,618	77,618
Total Revenues	4,000	17,000	92,205	75,205
Expenditures:				
Current:				
Program Costs	35,500	17,000	32,801	(15,801)
Capital outlay	-	-	-	-
Total Expenditures	35,500	17,000	32,801	(15,801)
Net Change in Fund Balance	(31,500)	-	59,404	59,404
Fund Balance, Beginning of Year	22,504	22,504	22,504	-
Fund Balance, End of Year	\$ (8,996)	22,504	81,908	59,404

FINANCIAL SCHEDULES

CITY OF LEWISBURG, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds -

Schedule of General Fixed Assets - By Function and Activity

June 30, 2013

	<u>Land</u>	<u>Buildings & Improvements</u>	<u>Machinery & Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Industrial Park</u>	<u>Balance June 30, 2013</u>
Cost / Estimated Cost:							
General government:	\$ 1,541,568	2,501,668	58,475	200,208	34,577	227,322	4,563,818
Public works:	263,001	91,348	734,127	4,664,531	12,900	-	5,765,907
Police	-	1,573,675	886,514	-	-	-	2,460,189
Fire	180,020	247,231	1,283,230	-	-	-	1,710,481
Parks and recreation	445,083	5,459,653	183,722	7,300	300,178	-	6,395,936
Industrial recruiting	-	-	-	-	-	-	-
Airport	421,827	2,563,367	151,056	-	58,250	-	3,194,500
Garage/shop	-	-	21,264	-	-	-	21,264
Cemetery	215,228	52,952	58,442	-	-	-	326,622
Sanitation	1,600	-	794,164	-	-	-	795,764
Total Capital Assets	\$ <u>3,068,327</u>	<u>12,489,894</u>	<u>4,170,994</u>	<u>4,872,039</u>	<u>405,905</u>	<u>227,322</u>	<u>25,234,481</u>

CITY OF LEWISBURG, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds -

Schedule of Changes in Capital Assets-By Function and Activity

For the Year Ended June 30, 2013

Cost / Estimated Cost:	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
General government:	\$ 4,497,348	66,470	-	4,563,818
Public works:	5,023,255	821,416	(78,764)	5,765,907
Police	2,375,411	84,778	-	2,460,189
Fire	1,710,481	-	-	1,710,481
Parks and recreation	5,979,950	415,986	-	6,395,936
Industrial recruiting	1,443,063	-	(1,443,063)	-
Airport	3,136,250	58,250	-	3,194,500
Garage/shop	21,264	-	-	21,264
Cemetery	319,748	6,874	-	326,622
Sanitation	939,827	-	(144,063)	795,764
	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Assets	\$ <u>25,446,597</u>	<u>1,453,774</u>	<u>(1,665,890)</u>	<u>25,234,481</u>

CITY OF LEWISBURG, TENNESSEE

Schedule of Debt Service Requirements

General Obligation Debt

June 30, 2013

Fiscal Year	General Obligation Refunding Bonds - Series 2008*	
	Principal	Interest
2014	\$ 185,000	77,305
2015	190,000	70,830
2016	195,000	63,990
2017	200,000	56,970
2018	210,000	49,470
2019	210,000	41,595
2020	220,000	33,195
2021	230,000	24,395
2022	235,000	14,965
2023	130,000	5,330
	\$ <u>2,005,000</u>	<u>438,045</u>

* Interest at approximately 4%.

CITY OF LEWISBURG, TENNESSEE

Schedule of Debt Service Requirements to Maturity

Business - Type Activities

June 30, 2013

Fiscal Year	Water & Wastewater Fund								Natural Gas Fund			
	Water & Sewer Revenue and Tax Refunding Bonds- Series 2009		Water & Sewer Revenue and Tax Bonds Series 2009A		Clean Water State Revolving Fund Loan		Clean Water State Revolving Fund Loan		Tennessee Municipal Bond Fund Capital Outlay Note 2007		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ -	222,729	190,000	153,055	320,952	184,488	79,596	46,764	92,000	7,237	682,548	614,273
2015	295,000	214,028	195,000	149,205	328,848	176,592	81,552	44,808	96,000	6,313	996,400	590,946
2016	305,000	204,266	200,000	144,755	336,924	168,516	83,544	42,816	100,000	5,349	1,025,468	565,702
2017	315,000	193,416	210,000	139,368	345,204	160,236	85,608	40,752	105,000	4,344	1,060,812	538,116
2018	325,000	181,404	215,000	132,986	353,688	151,752	87,708	38,652	109,000	3,290	1,090,396	508,084
2019	335,000	168,204	225,000	125,780	362,376	143,064	89,868	36,492	113,000	2,475	1,125,244	476,015
2020	350,000	154,504	235,000	118,190	371,280	134,160	92,076	34,284	117,746	772	1,166,102	441,910
2021	365,000	140,204	245,000	110,209	380,400	125,040	94,332	32,028	-	-	1,084,732	407,481
2022	380,000	125,303	255,000	101,706	389,748	115,692	96,648	29,712	-	-	1,121,396	372,413
2023	395,000	109,557	265,000	92,604	399,324	106,116	99,024	27,336	-	-	1,158,348	335,613
2024	410,000	92,595	275,000	82,881	409,140	96,300	101,460	24,900	-	-	1,195,600	296,676
2025	430,000	74,320	290,000	72,497	419,196	86,244	103,956	22,404	-	-	1,243,152	255,465
2026	450,000	54,510	300,000	61,432	429,492	75,948	106,512	19,848	-	-	1,286,004	211,738
2027	470,000	33,350	315,000	49,354	440,052	65,388	109,128	17,232	-	-	1,334,180	165,324
2028	490,000	11,270	330,000	36,293	450,864	54,576	111,804	14,556	-	-	1,382,668	116,695
2029	-	-	345,000	22,365	461,940	43,500	114,552	11,808	-	-	921,492	77,673
2030	-	-	360,000	7,560	473,292	32,148	117,372	8,988	-	-	950,664	48,696
2031	-	-	-	-	484,920	20,520	120,252	6,108	-	-	605,172	26,628
2032	-	-	-	-	496,836	7,170	123,204	3,156	-	-	620,040	10,326
2033	-	-	-	-	57,786	262	62,726	476	-	-	120,512	738
	\$ 5,315,000	1,979,660	4,450,000	1,600,240	7,712,262	1,947,712	1,960,922	503,120	732,746	29,780	20,170,930	6,060,512

CITY OF LEWISBURG, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2013

<u>Tax Year</u>	<u>Balance, June 30, 2012</u>	<u>Tax Levy and Adjustments</u>	<u>Collections and Adjustments</u>	<u>Balance, June 30, 2013</u>
2012	\$ -	3,283,732	(3,172,289)	111,443
2011	143,894		(107,302)	36,592
2010	81,246		(51,090)	30,156
2009	70,557		(40,449)	30,108
2008	31,268		213	31,481
2007	23,649		305	23,954
2006	12,345		311	12,656
2005	21,522		186	21,708
2004	24,919		(254)	24,665
2003	4,094		(73)	4,021
2002	744		(744)	-
	<u>\$ 414,238</u>	<u>3,283,732</u>	<u>(3,371,186)</u>	<u>326,784</u>
		Add 2013 tax levy		<u>3,278,315</u>
		Total property tax receivable		3,605,099
		Less allowance for doubtful accounts		<u>(27,000)</u>
		Total property tax receivable, net	\$	<u><u>3,578,099</u></u>

CITY OF LEWISBURG, TENNESSE
SCHEDULE OF FEDERAL AND STATE ASSISTANCE
For the Year Ended June 30, 2013

CFDA Number	State Grant Number	Program Name	Grantor Agency	Deferred (Receivable) Balance 6-30-12	Adjustments	Receipts	Disbursements	Deferred (Receivable) Balance 6-30-13
Federal Grants								
16.922	N/A	Equitable Sharing Program	U.S. Department of Justice	26,865	(26,865)	151,295	(151,295)	-
20.600	N/A	Police Department Grant	U.S. Department of Justice	-		4,986	(4,986)	-
								-
20.205	SRTS-5900(21)	Safe Routes to Schools	U.S Department of Transportation	-		9,616	(11,000)	(1,384)
20.205	HPP/STP-EN-9310(9)	Walkway Phase III Program	U.S Department of Transportation	(32,047)		220,906	(188,859)	-
20.106	3-47-SBGp-44	Airport Hangar Grant	U.S Department of Transportation	-		23,250	(43,906)	(20,656)
20.205	STP-M-9310(10)	Resurfacing Grant	U.S Department of Transportation			-	(15,890)	(15,890)
Total Federal Grants				<u>(5,182)</u>	<u>(26,865)</u>	<u>410,053</u>	<u>(415,936)</u>	<u>(37,930)</u>
State Grants:								
N/A	AERO-M12-236	Airport Maintenance Grant	Tennessee Department of Transportation	(5,994)		5,994	(8,704)	(8,704)
N/A	GG-09-27394-00	Park Improvement Grant	Tennessee Department of Environment & Conservation	(4,500)		4,500	-	-
N/A	32506-294-13	Rural Development Grant	Tennessee Department of Agriculture			1,500	(1,500)	-
N/A	GG1237958	Downtown Renovation Grant	Tennessee Department of Environment & Conservation			15,000	(15,000)	-
Total State Grants				<u>(10,494)</u>	<u>-</u>	<u>26,994</u>	<u>(25,204)</u>	<u>(8,704)</u>

The accrual basis of accounting is utilized by the above programs.

CITY OF LEWISBURG, TENNESSEE

Property Tax Rates and Assessments - Unaudited

Last Ten Fiscal Years

ASSESSMENT RATE:

Personal property	30%
Residential property	25%
Commercial property	40%
Public utilities	55%

TAX RATE*:

2013	\$	1.45
2012		1.36
2011		1.36
2010		1.36
2009		1.36
2008		1.36
2007		1.45
2006		1.45
2005		1.45
2004		1.45

* Per \$100 of assessed value

CITY OF LEWISBURG, TENNESSEE

Utility Rates and Customers - Unaudited

June 30, 2013

<u>Service</u>	<u>Number of Customers</u>
Water	6,227
Sewer	4,747
Gas	2,735
Electricity	5,903

	<u>Rate Per 1,000 Gallon</u>	
	<u>Inside City*</u>	<u>Outside City*</u>
<u>Water Rates</u>		
Minimum bill	\$ 10.59	14.38
Per unit above minimum bill	\$ 3.69-3.39	5.50-4.98

<u>Sewer Rates</u>		
Minimum bill	15.47	19.79
Per unit above minimum bill	6.49	8.44

	<u>Residential</u>	<u>Small Commercial</u>	<u>Large Commercial</u>
<u>Natural Gas Rates</u>			
Minimum bill	\$ 8.00	\$ 10.00	135.00
Per unit above minimum bill		\$ 0.79	0.81
Demand Charge	N/A	N/A	
First 10,000 CCF			\$ 1.17
10,001 to 40,000 CCF			\$ 1.14
Over 40,000 CCF			\$ 1.11
User Charge per unit above minimum	\$ 1.22/CCF	1.22/CCF	
First 10,000 CCF			0.845/CCF
10,001 to 40,000 CCF			0.805/CCF
Over 40,000 CCF			0.750/CCF

Electric Rates - Electric Power Fund

Residential Rate Schedule:

Customer charge	\$12.70 per month less \$1.60 hydro allocation credit
Energy charge per KWH	\$ 0.08764

GENERAL POWER RATE SCHEDULE

Part A (Demand 0-5000 KW)

Part 1

Customer charge per delivery point	\$ 17.31
Energy charge	0.0975

Part 2

Customer charge per delivery point	\$ 169.27
Demand charge-all KW	10.02
Energy charge	
First 15,000 KWH	0.06353
Additional KWH per month	0.06292

CITY OF LEWISBURG, TENNESSEE

Utility Rates and Customers - Unaudited

June 30, 2013

Electric Rates - Electric Power Fund

Part 3		
Customer charge per delivery point	\$	750.00
Demand charge-all KW		11.39
Energy charge		10.02
All KWH Energy		0.06292
All kWh		0.06160

Part B (Demand over 5000 KW)

Customer charge per delivery point	\$	1,500.00
Energy charge		0.0975
Energy:		
First 620 kWh		0.04983
Additional kWh		0.04983

Schedule GSC

Customer charge per delivery point	\$	1,850.00
Admin charge		350.00
Demand charge per KW:		18.74
All kW		0.04206

OUTDOOR LIGHTING (PER MONTH):

Customer charge per delivery point	\$	2.50
Energy charge - cents per Kwh		0.07599
Facility charge (part B)		

AWWA Reporting Worksheet-Unaudited

AWWA WLCCL Free Water Audit Software: Reporting Worksheet									
Copyright © 2010, American Water Works Association. All Rights Reserved. WAS v4.2									
<input type="button" value="Click to access definition"/>		Water Audit Report for: <u>Levinsburg Water and Wastewater</u> Reporting Year: <u>2013</u> <u>7/2012 - 6/2013</u>							
<p style="font-size: x-small;">Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades</p> <p style="text-align: center; font-weight: bold;">All volumes to be entered as: MILLION GALLONS (US) PER YEAR</p>									
WATER SUPPLIED									
<< Enter grading in column 'E'									
Volume from own sources:		<input type="text" value="9"/>	<input type="text" value="874.774"/>	Million gallons (US)/yr (MG/Yr)					
Master meter error adjustment (enter positive value):		<input type="text" value="2"/>	<input type="text" value="n/a"/>	under-registered					
Water imported:		<input type="text" value="7"/>	<input type="text" value="n/a"/>	MG/Yr					
Water exported:		<input type="text" value="7"/>	<input type="text" value="5"/>	<input type="text" value="219.654"/> MG/Yr					
WATER SUPPLIED:				<input type="text" value="655.121"/> MG/Yr					
AUTHORIZED CONSUMPTION									
Billed metered:		<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="436.008"/> MG/Yr					
Billed unmetered:		<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="2.326"/> MG/Yr					
Unbilled metered:		<input type="text" value="7"/>	<input type="text" value="9"/>	<input type="text" value="0.000"/> MG/Yr					
Unbilled unmetered:		<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="23.040"/> MG/Yr					
AUTHORIZED CONSUMPTION:				<input type="text" value="461.374"/> MG/Yr					
WATER LOSSES (Water Supplied - Authorized Consumption)									
Apparent Losses									
Unauthorized consumption:		<input type="text" value="7"/>	<input type="text" value="1.638"/>	MG/Yr					
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed									
Customer metering inaccuracies:		<input type="text" value="7"/>	<input type="text" value="6"/>	<input type="text" value="13.485"/> MG/Yr					
Systematic data handling errors:		<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="0.001"/> MG/Yr					
Apparent Losses:				<input type="text" value="15.124"/> MG/Yr					
Real Losses (Current Annual Real Losses or CARL)									
Real Losses = Water Losses - Apparent Losses:				<input type="text" value="178.623"/> MG/Yr					
WATER LOSSES:				<input type="text" value="193.747"/> MG/Yr					
NON-REVENUE WATER									
NON-REVENUE WATER:		<input type="text" value="7"/>		<input type="text" value="216.787"/> MG/Yr					
= Total Water Loss + Unbilled Metered + Unbilled Unmetered									
SYSTEM DATA									
Length of mains:		<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="180.0"/> miles					
Number of <u>active AND inactive</u> service connections:		<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="6,315"/>					
Connection density:				<input type="text" value="35"/> conn./mile main					
Average length of customer service line:		<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="0.0"/> ft (pipe length between curbstop and customer meter or property boundary)					
Average operating pressure:		<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="50.0"/> psi					
COST DATA									
Total annual cost of operating water system:		<input type="text" value="7"/>	<input type="text" value="10"/>	<input type="text" value="\$3,535,238"/> \$/Year					
Customer retail unit cost (applied to Apparent Losses):		<input type="text" value="7"/>	<input type="text" value="8"/>	<input type="text" value="\$7.41"/> \$/1000 gallons (US)					
Variable production cost (applied to Real Losses):		<input type="text" value="7"/>	<input type="text" value="9"/>	<input type="text" value="\$1,008.00"/> \$/Million gallons					
PERFORMANCE INDICATORS									
Financial Indicators									
Non-revenue water as percent by volume of Water Supplied:				<input type="text" value="33.1%"/>					
Non-revenue water as percent by cost of operating system:				<input type="text" value="8.9%"/>					
Annual cost of Apparent Losses:				<input type="text" value="\$112,096"/>					
Annual cost of Real Losses:				<input type="text" value="\$180,052"/>					
Operational Efficiency Indicators									
Apparent Losses per service connection per day:				<input type="text" value="6.56"/> gallons/connection/day					
Real Losses per service connection per day*:				<input type="text" value="77.49"/> gallons/connection/day					
Real Losses per length of main per day*:				<input type="text" value="N/A"/>					
Real Losses per service connection per day per psi pressure:				<input type="text" value="1.55"/> gallons/connection/day/psi					
<input type="text" value="7"/> Unavoidable Annual Real Losses (UARL):				<input type="text" value="35.06"/> million gallons/year					
From Above, Real Losses = Current Annual Real Losses (CARL):				<input type="text" value="178.62"/> million gallons/year					
<input type="text" value="7"/> Infrastructure Leakage Index (ILI) (CARL/UARL):				<input type="text" value="5.09"/>					
* only the most applicable of these two indicators will be calculated									
WATER AUDIT DATA VALIDITY SCORE:									
*** YOUR SCORE IS: 80 out of 100 ***									
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score									
PRIORITY AREAS FOR ATTENTION:									
Based on the information provided, audit accuracy can be improved by addressing the following components:									
<input type="text" value="1: Water exported"/>									
<input type="text" value="2: Customer metering inaccuracies"/>									
<input type="text" value="3: Volume from own sources"/>									
For more information, click here to see the Grading Matrix worksheet									

OTHER REPORT SECTION

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

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(615) 385-1008
FAX (615) 385-1208

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and City Council
of the City of Lewisburg
Lewisburg, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lewisburg, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2013. Other auditors audited the financial statements of the Business-Type Activities (Enterprise Funds) as described in our report on the City Lewisburg's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered, the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses item (13-1).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, items (13-2,3 and 4).

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lewisburg's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

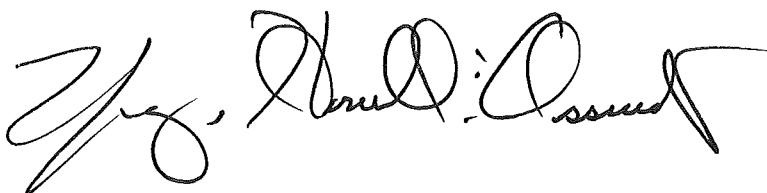
City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

We also noted certain other matters that were reported to management in a separate letter dated December 30, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Z. J. [unclear] [unclear]", is written over a horizontal line.

December 30, 2013

CITY OF LEWISBURG, TENNESSEE

Schedule of Findings and Recommendations

June 30, 2013

Finding 2013-1 Accumulated Sick Leave Payouts at Retirement

Condition

Upon retirement, employees are entitled to payment for any accumulated unpaid sick leave. However, the City has not been reporting such amounts on form W-2 in the year of retirement. It appears the amount should be included as compensation on the form W-2 in the year received

Recommendation

We recommend the City commence reporting amounts of accumulated pay paid to retirees as compensation on the employees form W-2 in the year of receipt.

Management Response

Management has changed the procedure for issuing checks for accrued sick leave at retirement. The checks are now run through payroll with all applicable payroll taxes being deducted.

Finding 2013-2 OPEB Payments for Medicare Supplement

Condition

During the examination, it came to our attention that under the City's OPEB Plan, retired employees were receiving payments from the City intended to cover a portion of their medicare supplement. The question arose as to whether these payments, since they were not actually payments to a provider of medicare supplement insurance, but to the retiree, were considered as taxable supplemental compensation to the employee.

Recommendation

This is a very specialized area and one that we do not feel qualified to address. However, it does appear reasonable that since payments to retirees are only intended to be used for the medicare supplemental insurance and not actually payments to an insurer for the supplemental insurance that the issue of taxable compensation and all the related federal filing requirements should be considered.

Management Response

Management has consulted with a tax professional on this matter. Starting with calendar year ending 12/31/2014, the City of Lewisburg will issue a 1099-R to each retiree receiving a Medicare insurance supplement. A W-4P will be sent to each qualifying retiree to complete and these forms will be kept on file in the payroll office at City Hall.

Finding 2013-3 Personal Usage of City Vehicles

Condition

The City has a policy which requires, when necessary, City employees to drive City owned vehicles to and from work. In doing this, personal usage relative to commuting to and from work becomes an issue: and personal usage is considered a federally taxable fringe benefit.

Recommendation

There are certain exemptions for specially equipped vehicles which exclude users of these vehicles from fringe benefit taxation; however, strict interpretation of specially equipped is quite restrictive. There are also provisions for a daily allowance (\$3.00 per day) for de minimus usage, as defined in the federal regulations which provides for the inclusion of this amount (times the applicable days) in the employees compensation. We strongly urge the City to review its policy and procedures relative to this issue.

Management Response:

Management has consulted with a tax professional and takes the position that the vehicles taken home by employees are so equipped with emergency lights and City decals that each vehicle meets the specially equipped vehicle requirement. Only those employees who have the potential to be called out on emergency situations are allowed to take City vehicles home and are not to be used for personal use. Management will review its policy and procedures to see if revisions are needed,

Finding 2013-4 LGIP Account Transactions

Condition

During the examination, we noted that not all transactions in the City's LGIP account had been recorded in the general ledger. This appears to have been simply and oversight since all transactions have to be entered by journal entry into the general ledger.

Recommendation

We recommend that all cash accounts be reconciled monthly and agreed to the related general ledger account by persons independent of the actual receipt and disbursement of cash.

Management Response:

Management will include the LGIP account in the monthly cash reconciliations.

Finding 2013-5 Budgeting

Condition

At the end of the fiscal year, there were budget overages noted in various departments of the General Fund, along with overages in the Drug Fund.

Recommendation

We urge management to emphasize the need for departments to operate within budgetary limitations, if increases in appropriations are needed, then appropriate budgetary amendments should be requested, reviewed and approved by the Board. Further, the deficit fund balance in the Sanitation Fund indicates a potential funding problem which should be addressed by City management.

Management Response:

Management is already making regular budget amendments. All departments are sent details of expenditures on at least a quarterly basis to help them monitor expenditures against the departmental budget.