CITY OF LEWISBURG, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2014

CITY OF LEWISBURG, TENNESSEE

List of Principal Officials

ELECTED OFFICIALS

Mayor ..... Jim Bingham

City Judge ..... Roger Brandon

Councilmen:

Ward 1 ..... .Steve Thomas

Ward 2..... ..... .Artie Allen

Ward 3 ..... .Odie Whitehead, Jr.

Ward 4..... .....Trigg Cathey

Ward 5..... .....Robin Minor

APPOINTED OFFICIALS

Interim City Manager ..... Randall Dunn

City Treasurer..... Donna J. Park

City Recorder ..... .Pam Davis

City Attorney ..... Stephen Broadway

CITY OF LEWISBURG, TENNESSEE

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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, 2014 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, 2014, 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 14 to the financial statements, in 2014, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Recognized as Assets and Liabilities* and (GASB) Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. 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 12 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.

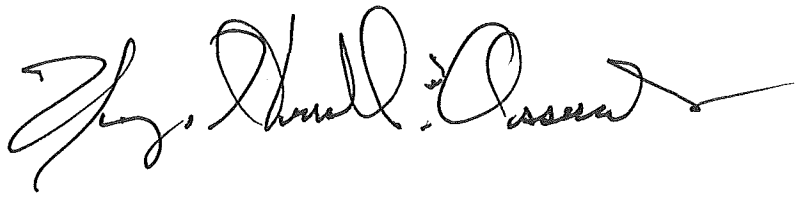
Other Information

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 November 18, 2014 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.



November 18, 2014

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, 2014. 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 $84,876,047 (net position). Of this amount, $22,690,909 (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 $477,795. Increases totaling $928,451 within the utility systems and a decrease of $450,656 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 $5,150,932. Approximately 64% of this total amount is available for spending at the government's discretion (unassigned fund balance), although 10% or $509,255 is designated for specific purposes.

4. At the end of the current fiscal year, unassigned fund balance for the general fund was $3,253,777 (32%) of general fund operating expenditures.

5. The City of Lewisburg's total bonds and notes payable decreased by $1,278,558 during the current fiscal year. Long-term liabilities related to compensated absences, net pension obligation and other post-employment benefits increased $825,308 (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 15-18 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 19-21 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 which 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 $84,876,047 as of June 30, 2014

City of Lewisburg, Tennessee

Net Position - Primary Government

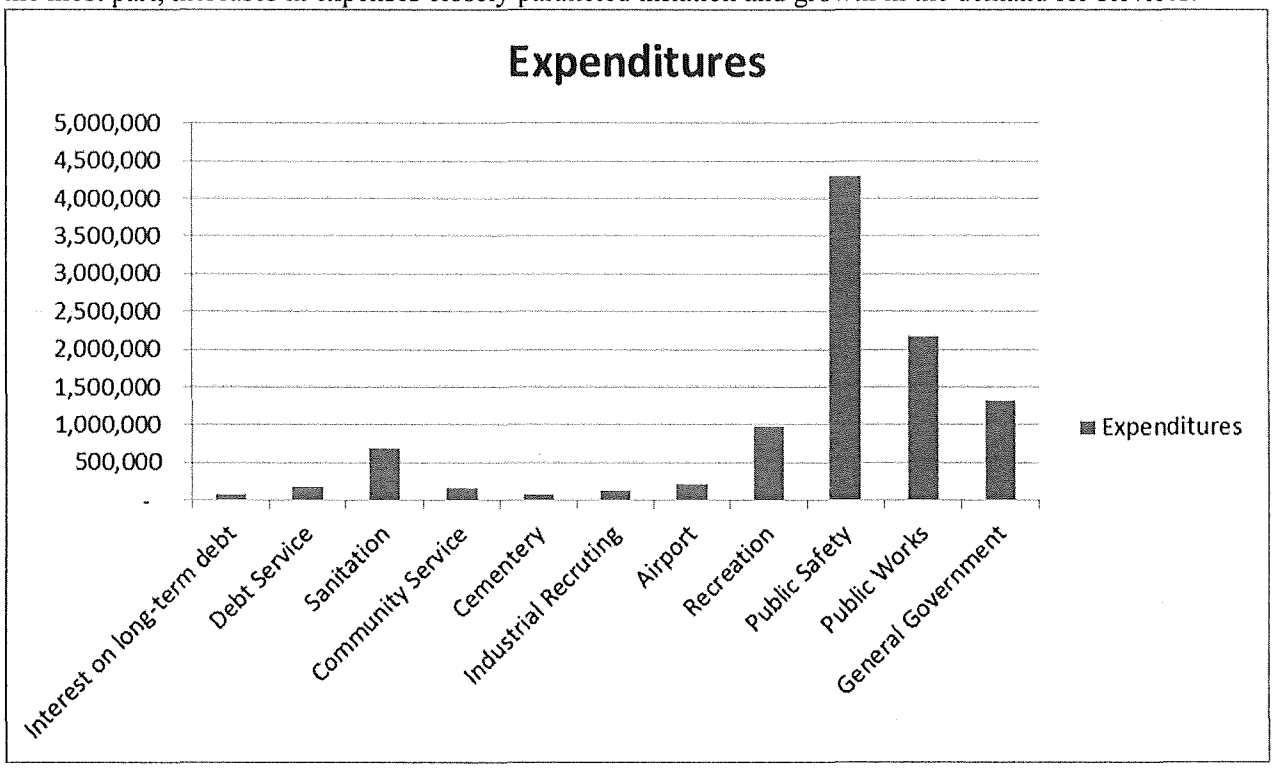
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	9,590,105	9,678,634	27,172,257	27,301,670	36,762,362	36,980,304
Capital Assets	15,052,505	14,590,795	68,444,009	63,896,499	83,496,514	83,487,294
Total Assets	24,642,610	24,269,429	95,616,266	96,198,169	120,258,876	120,467,598
Long-term Liabilities	4,304,332	3,868,589	19,242,021	20,175,441	23,546,353	24,044,030
Other Liabilities	4,596,006	4,162,511	7,240,470	7,335,270	11,836,476	11,497,781
Total Liabilities	8,900,338	8,031,101	26,482,491	27,510,711	35,382,829	35,541,811
Net Position:						
Net Investment in Capital Assets net of related debt	13,227,725	12,591,639	48,457,410	49,228,419	61,685,135	61,820,058
Restricted	483,385	458,415	16,618	16,468	500,003	474,883
Unrestricted	2,031,162	3,188,275	20,659,747	19,442,571	22,690,909	22,630,846
Total Net Position	15,742,272	16,238,329	69,133,775	68,687,458	84,876,047	84,925,787

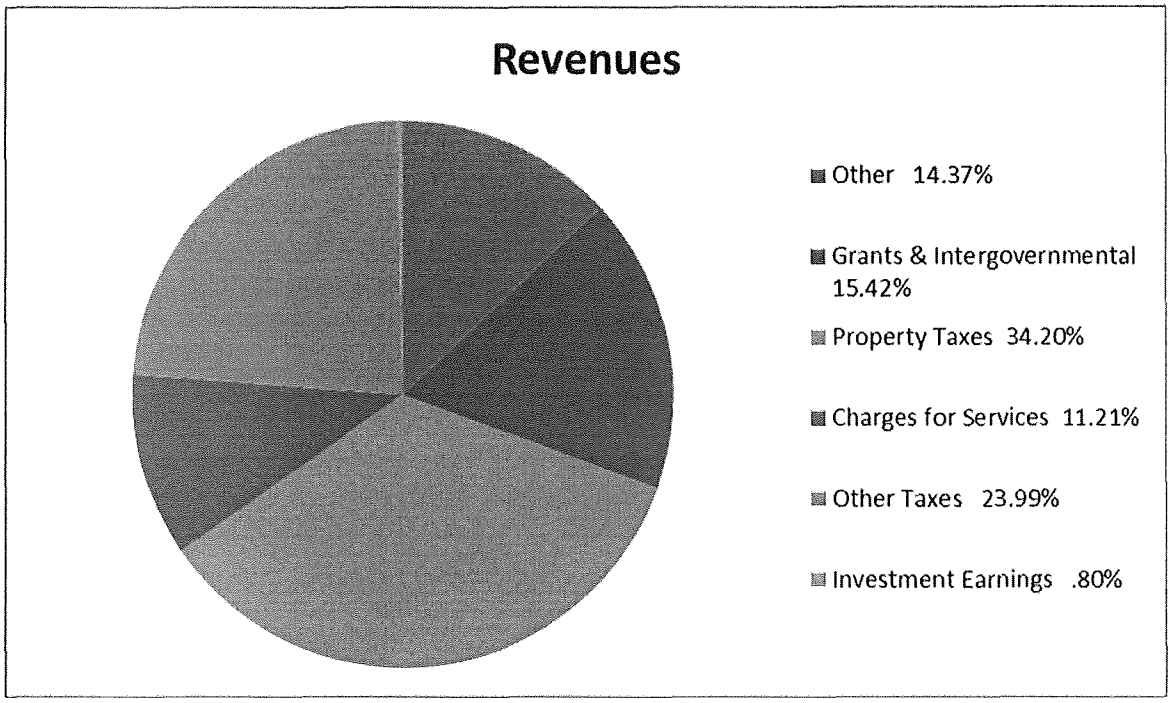
The largest portion of the City of Lewisburg's net position (73%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lewisburg uses these capital assets 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, $677,294 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 other taxes.

Business-type activities

Business-type activities increased the City of Lewisburg's net position by $928,451. Key elements of this increase are as follows:

1. The Lewisburg Water and Wastewater Fund accounts for 31% of the increase in business-type net position. This fund had a net income of $286,829 for the year.

2. The Lewisburg Electric System accounts for 35% of the increase in business-type assets and reflected a net position of $321,249.

3. The Lewisburg Gas System accounts for the remaining 34% of the total increase in business-type net position reflecting a net income of $320,373.

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 $5,150,932. Approximately 64% of this total amount is unassigned fund balance, which is available for spending at the government's discretion. 27% is assigned for future subsequent years budget expenditures and the remaining 9% is restricted.

Asset, Liabilities, and Fund Balances
Total Governmental Funds

	2014	2013
Total Assets	$ 9,509,129	$ 9,550,686
Total Liabilities	$ 4,358,197	$ 3,985,547
Fund Balances:		
Restricted	509,255	458,415
Assigned	1,387,900	302,790
Unassigned	3,253,777	4,803,934
	5,150,932	5,565,139
Total Liabilities and Fund Balance	$ 9,509,129	$ 9,550,686

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 $3,253,777, a decrease of $1,550,157 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 32% 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 $537,100.

Original Budget Compared to Final Budget by Department

Department	Original	Final	Variance
General Government	1,134,019	1,260,019	(126,000)
Industrial Recruiting	134,831	174,831	(40,000)
Airport	815,886	215,886	600,000
Public Safety	4,442,901	4,505,401	(62,500)
Public Works	2,600,670	2,226,070	374,600
Recreation	1,002,285	1,045,285	(43,000)
Sanitation	700,000	700,000	-
Community Service	143,900	288,900	(145,000)
Cemetery	39,300	60,300	(21,000)
Debt Service	262,305	262,305	-
Totals	**11,276,097**	**10,738,997**	**537,100**

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, 2014 amounts to $83,496,514 (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	
	2014	2013	2014	2013	2014	2013
Capital asset, not being depreciated:						
Land	3,163,327	3,068,327	426,080	426,081	3,589,407	3,494,408
Investment in Industrial Park - held for resale	227,322	227,322	-	-	227,322	227,322
Construction in progress	790,157	405,905	299,609	15,101,299	1,089,766	15,507,204
Total capital assets, not being depreciated:	4,180,806	3,701,554	725,689	15,527,380	4,906,495	19,228,934
Capital assets, being depreciated:						
Buildings and improvements	12,489,895	12,489,895	6,184,045	6,063,875	18,673,940	18,553,770
Plants in service	-	-	103,912,607	87,177,372	103,912,607	87,177,372
Machinery and equipment	3,918,948	4,170,994	1,836,363	1,853,235	5,755,311	6,024,229
Infrastructure	5,180,800	4,872,038	-	-	5,180,800	4,872,038
Total capital assets, being depreciated:	21,589,643	21,532,927	111,933,015	95,094,482	133,522,658	116,627,409
Less accumulated depreciation for:						
Buildings and improvements	4,361,523	4,042,225	3,338,232	3,354,643	7,699,755	7,396,868
Plants in service	-	-	38,062,689	35,672,113	38,062,689	35,672,113
Machinery and equipment	3,188,253	3,553,201	2,813,774	2,698,607	6,002,027	6,251,808
Infrastructure	3,168,168	3,048,260	-	-	3,168,168	3,048,260
Total accumulated depreciation	10,717,944	10,643,686	44,214,695	41,725,363	54,932,639	52,369,049
Total capital assets, being depreciated, net	10,871,699	10,889,241	67,718,320	53,369,119	78,590,019	64,258,360
Capital assets, net	15,052,505	14,590,795	68,444,009	68,896,499	83,496,514	83,487,294

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 $20,897,372. Of this amount, $1,820,000 comprises governmental activities debt and $19,077,372 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 $20,897,372 translates to approximately $1,883 per capita using the 2010 Census population of 11,100.

The City also had post employment and pension obligations totaling $3,480,924 as of June 30, 2014. Of this amount, $2,802,071 comprises governmental activities debt and $678,853 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
131 E Church St
Lewisburg, TN 37091
931-359-1544
donna.park@lewisburgtn.gov

CITY OF LEWISBURGH, TENNESSEE

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
Unrestricted	$ 4,881,124	18,980,440	23,861,564
Restricted - construction	-	1,763,939	1,763,939
Total cash	4,881,124	20,744,379	25,625,503
Investments:			
Certificates of deposit	-	64,353	64,353
Total investments	-	64,353	64,353
Accounts receivable:			
Property taxes	3,666,667	-	3,666,667
Other governments	935,467	-	935,467
Customers	-	3,638,872	3,638,872
Others	-	48,023	48,023
Less allowance for doubtful accounts	(24,924)	(955,032)	(979,956)
Total accounts receivable	4,577,210	2,731,863	7,309,073
Inventory of supplies	-	898,973	898,973
Prepaid expenses	-	162,297	162,297
Other assets:			
Net investment in direct financing capital lease	-	736,966	736,966
Notes receivable	96,006	141,746	237,752
Debt issuance costs	-	72,998	72,998
Other	25,872	1,602,608	1,628,480
Depreciable capital assets, net of accumulated depreciation	10,871,698	67,718,320	78,590,018
Non depreciable capital assets	4,180,807	725,689	4,906,496
Total Assets	24,632,717	95,600,192	120,232,909
Deferred Outflows of Resources	9,893	16,074	25,967
Liabilities			
Accounts payable	488,832	3,343,489	3,832,321
Accrued liabilities	158,663	292,862	451,525
Customer deposits	-	1,747,321	1,747,321
Other liabilities	-	1,058,326	1,058,326
Accrued interest	-	21,536	21,536
Noncurrent liabilities:			
Due within one year	489,222	776,936	1,266,158
Due in more than one year	4,304,332	19,242,021	23,546,353
Total Liabilities	5,441,048	26,482,491	31,923,539
Deferred Inflow of Resources	3,459,290	-	3,459,290
Net Position			
Net investment in capital assets	13,227,725	48,457,410	61,685,135
Restricted for:			
Public safety	84,774	-	84,774
Other	12,854	16,618	29,472
UDAG program activities	285,756	-	285,756
Cemetery maintenance	100,000	-	100,000
Unrestricted	2,031,162	20,659,747	22,690,909
Total Net Position	$ 15,742,272	69,133,775	84,876,047

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	$ 1,485,638	-	-	88,150	(1,397,488)	-	(1,397,488)
Industrial recruiting	129,233	-	-	-	(129,233)	-	(129,233)
Airport	181,043	-	144,228	-	(36,815)	-	(36,815)
Public safety	4,779,497	429,319	35,382	16,000	(4,298,796)	-	(4,298,796)
Public works	2,239,424	-	22,716	795,328	(1,421,380)	-	(1,421,380)
Parks & Recreation	1,075,481	286,294	-	-	(789,187)	-	(789,187)
Cemetery	76,442	-	-	-	(76,442)	-	(76,442)
Sanitation	910,913	706,545	-	-	(204,368)	-	(204,368)
Interest on long-term debt	77,496	-	-	-	(77,496)	-	(77,496)
Total government activities	10,955,168	1,422,158	202,326	899,478	(8,431,206)	-	(8,431,206)
Business-type activities:							
Water and Sewer	5,712,979	5,730,052	-	266,639	-	283,712	283,712
Natural Gas	6,723,798	7,185,815	-	21,552	-	483,569	483,569
Electric	26,107,799	26,809,769	-	-	-	701,970	701,970
Total business-type activities	38,544,576	39,725,636	-	288,191	-	1,469,251	1,469,251
Total primary government	$ 49,499,744	41,147,794	202,326	1,187,669	(8,431,206)	1,469,251	(6,961,955)
General Revenues:							
Property taxes					$ 5,057,235	-	5,057,235
Sales taxes					793,050	-	793,050
Business tax					176,331	-	176,331
Local beer tax					407,999	-	407,999
Local beer tax					115,784	-	115,784
State income and excise					115,709	-	115,709
Other taxes					303,425	-	303,425
Unrestricted investment earnings					3,545	50,820	54,365
Gain (loss) on sale of capital assets					4,583	-	4,583
Other					411,270	-	411,270
Transfers					591,620	(591,620)	-
Total general revenues and transfers					7,980,550	(540,800)	7,439,750
Change in net position					(450,656)	928,451	477,795
Net position - beginning of year, as restated					16,192,928	68,205,324	84,398,252
Net position - end of year					$ 15,742,272	69,133,775	84,876,047

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2014

		General Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents-unrestricted	$	4,794,869	86,255	4,881,124
Total cash and cash equivalents		4,794,869	86,255	4,881,124
Accounts and notes receivable				
Property taxes		3,666,667	-	3,666,667
Other governments		935,467	-	935,467
Total accounts and notes receivable		4,602,134	-	4,602,134
Prepaid costs		25,871	-	25,871
Due from other funds		-	-	-
Total Assets	$	9,422,874	86,255	9,509,129
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	$	487,351	1,481	488,832
Accrued liabilities		152,760	-	152,760
Deferred revenue		3,716,605	-	3,716,605
Total Liabilities		4,356,716	1,481	4,358,197
Fund Balances:				
Nonspendable:				
Prepaid items		25,871		25,871
Restricted for:				
Public safety		-	84,774	84,774
Cemetery maintenance		100,000	-	100,000
UDAG program activities		285,756	-	285,756
Other		12,854	-	12,854
Assigned for:				
Subsequent year's budget		1,387,900	-	1,387,900
Unassigned		3,253,777	-	3,253,777
Total Fund Balances		5,066,158	84,774	5,150,932
Total Liabilities and Fund Balances	$	9,422,874	86,255	9,509,129

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities

June 30, 2014

Total Governmental Funds Fund Balances		$ 5,150,932
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	$ 25,770,450	
Accumulated Depreciation	(10,717,945)	15,052,505
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds for:		
Property tax		232,391
Loan receivable-UDAG		96,006
Liabilities not due and payable currently and not recorded in the governmental funds for:		
Accrued interest		(5,903)
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	(1,820,000)	
Bond premium	5,113	
Compensated absences	(166,703)	
Net pension obligation	(38,084)	
OPEB Obligation	(2,763,987)	
		(4,783,661)
Net position of governmental activities		$ 15,742,271

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, 2014

		General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$	5,824,741	-	5,824,741
Intergovernmental		1,752,219	-	1,752,219
Licenses and permits		68,343	-	68,343
Fines and costs		248,167	-	248,167
Charges for services		1,089,345	-	1,089,345
Miscellaneous		420,206	20,803	441,009
Total Revenues		9,403,021	20,803	9,423,824
Expenditures:				
Current:				
General government		1,225,767	-	1,225,767
Industrial recruiting		121,585	-	121,585
Airport		91,811	-	91,811
Police Department		2,543,445	-	2,543,445
Fire prevention and control		1,522,163	-	1,522,163
Animal control		81,462	-	81,462
Building inspector		68,700	-	68,700
Pubic works		1,730,860	-	1,730,860
Parks & Recreation		919,758	-	919,758
Appropriations and other		159,095	-	159,095
Cemetery		35,801	-	35,801
Sanitation		697,829	-	697,829
Program costs		-	12,735	12,735
Capital outlay		836,613	5,202	841,815
Debt service		262,305	-	262,305
Total Expenditures		10,297,194	17,937	10,315,131
Excess (deficiency) of revenues over expenditures		(894,173)	2,866	(891,307)
Other Financing Sources (Uses):				
Transfers in		591,620	-	591,620
Total Other Financing Sources (Uses)		591,620	-	591,620
Net Change in Fund Balance		(302,553)	2,866	(299,687)
Fund Balance, Beginning of Year, as Previously Reported		5,483,230	81,908	5,565,138
Restatement		(114,519)	-	(114,519)
Fund Balance, Beginning of Year, as Restated		5,368,711	81,908	5,450,619
Fund Balance, End of Year	$	5,066,158	84,774	5,150,932

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, 2014

Amounts reported for net change in fund balance - total governmental funds		$ (299,687)
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	$ 559,302	
Donated capital assets	584,284	
Depreciation expense	(677,294)	
Book value of assets disposed	(4,583)	461,710
Revenues for governmental activities that do not provide current financial resources are not reported as revenues in the governmental funds as follows:		
Property tax		(67,392)
Receipt of amounts owed by Power System		-
Repayment of UDAG loan principal		(23,241)
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	(810,253)	
Net Change in net pension obligation	76,301	
Reduction of debt	185,000	
Amortization of deferred loss and bond premium	(731)	
Changes in the accrual for compensated absences	27,098	
Changes in the accrual for interest	540	(522,045)
Change in net position of governmental activities		$ (450,656)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Net Position

Proprietary Funds

June 30, 2014

		Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Assets					
Current Assets:					
Cash and cash equivalents	$	1,700,401	6,393,371	10,886,668	18,980,440
Investments		-	-	64,353	64,353
Accounts receivable, net of allowance for doubtful accounts		206,145	50,102	2,427,593	2,683,840
Inventory, materials		166,665	324,338	407,970	898,973
Prepaid expenses		-	13,791	148,506	162,297
Due from other funds		-	-	-	-
Unbilled revenue		-	320,559	416,407	736,966
Other receivables		-	2,211	45,812	48,023
Total Current Assets		2,073,211	7,104,372	14,397,309	23,574,892
Restricted Assets:					
Cash and cash equivalents		446,474	301,366	1,016,099	1,763,939
Total Restricted Assets		446,474	301,366	1,016,099	1,763,939
Capital Asets:					
Capital assets not being depreciated:					
Land		234,956	63,637	127,487	426,080
Construction in Progress		19,190	264,548	15,871	299,609
Capital assets, net of accumulated depreciation		42,658,752	11,412,844	13,646,724	67,718,320
Total Capital Assets		42,912,898	11,741,029	13,790,082	68,444,009
Other assets:					
Conservation loans receivable		-	-	141,746	141,746
Cash and cash equivalents designated by the Board		1,602,608	-	-	1,602,608
Bond insurance		57,812	15,186	-	72,998
Total Other Assets		1,660,420	15,186	141,746	1,817,352
Deferred Outflows of Resources		16,074	-	-	16,074
Total Assets and Deferred Outflows of Resources	$	47,109,077	19,161,953	29,345,236	95,616,266
Liabilities and Net Position					
Current Liabilities:					
Accounts payable and accrued expenses	$	436,030	511,092	2,396,367	3,343,489
Due to other funds		-	-	-	-
Accrued expenses and other current liabilities		-	80,390	212,472	292,862
Accrued interest		21,536	-	-	21,536
Current portion of long-term debt and other obligations payable		605,400	171,536	-	776,936
Payable from restricted assets:					
Customer deposits		429,856	301,366	1,016,099	1,747,321
Total Current Liabilities		1,492,822	1,064,384	3,624,938	6,182,144
Long-term debt and other obligations, net of current portion		17,984,180	1,141,873	115,968	19,242,021
Other Liabilities:					
Conservation advances-TVA		-	-	144,239	144,239
Deferred regulatory liability		-	914,087		914,087
		-	914,087	144,239	1,058,326
Total liabilities		19,477,002	3,120,344	3,885,145	26,482,491
Net Position:					
Net investment in capital assets		24,381,132	10,286,196	13,790,082	48,457,410
Restricted		16,618	-	-	16,618
Unrestricted		3,234,325	5,755,413	11,670,009	20,659,747
Total net position		27,632,075	16,041,609	25,460,091	69,133,775
Total Liabilities and Net Position	$	47,109,077	19,161,953	29,345,236	95,616,266

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, 2014

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Operating Revenues:				
Services	$ 5,331,684	7,185,815	26,809,769	39,327,268
Other	398,368	-	-	398,368
Total Operating Revenues	5,730,052	7,185,815	26,809,769	39,725,636
Operating Expenses:				
Cost of sales and service	-	4,854,465	22,690,690	27,545,155
Water supply, pumping and filtration	1,375,246	-	-	1,375,246
Distribution and collection	639,970	395,936	883,469	1,919,375
Wastewater treatment and disposal	1,776,070	-	-	1,776,070
Administrative and general	615,966	-	-	615,966
Laboratiory and pretreatment	281,769	-	-	281,769
Customer service	308,133	-	-	308,133
Operating and maintenance	127,546	905,927	1,674,525	2,707,998
Depreciation	-	493,501	733,390	1,226,891
Taxes	-	44,440	120,626	165,066
Total Operating Expenses	5,124,700	6,694,269	26,102,700	37,921,669
Operating Income (Loss)	605,352	491,546	707,069	1,803,967
Nonoperating Revenues (Expenses):				
Interest income	3,117	12,933	34,770	50,820
Other income (expense)	-	(27,283)	(2,862)	(30,145)
Interest and amortization expense	(588,279)	(2,246)	(2,237)	(592,762)
Total Nonoperating Revenues (Expenses)	(585,162)	(16,596)	29,671	(572,087)
Net Income (Loss) Before Transfers and Contributions	20,190	474,950	736,740	1,231,880
Transfers and Contributions:				
Transfers out-payments in lieu of taxes-City of Lewisburg	-	(176,129)	(415,491)	(591,620)
Capital grants	227,639	-	-	227,639
Capital contributions-utility plant	39,000	21,552	-	60,552
Total Transfers and Contributions	266,639	(154,577)	(415,491)	(303,429)
Change in Net Position	286,829	320,373	321,249	928,451
Net Position , Beginning of Year, as restated	27,345,246	15,721,236	25,138,842	68,205,324
Net Position, End of Year	$ 27,632,075	16,041,609	25,460,091	69,133,775

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

		Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Cash Flows from Operations					
Cash received from customers	$	5,323,955	7,033,955	26,021,518	38,379,428
Cash paid to employees for services		(1,983,510)	(592,347)	(1,618,531)	(4,194,388)
Cash paid to suppliers of goods and services		(1,436,363)	(5,375,821)	(23,703,501)	(30,515,685)
Other receipts		398,368	68,698	842,846	1,309,912
Net Cash Provided (Used) by Operating Activities		2,302,450	1,134,485	1,542,332	4,979,267
Cash Flows from Capital and Related Financing Activities					
Construction and acquisition of plant		(892,493)	(777,006)	(724,135)	(2,393,634)
Grant revenues and contributions		227,639	1,043		228,682
Net change in retainage payable		(561,296)	-		(561,296)
Plant removal costs		-	(4,250)	(66,299)	(70,549)
Interest paid on bonds and notes payable		(586,988)	(2,801)		(589,789)
Principal payments on long-term debt		(901,558)	(192,000)	(1,508)	(1,095,066)
Proceeds from the issuance of debt		-	-	-	-
Proceeds from sale of assets			907	52,475	53,382
Net Cash Used by Capital and Related Financing Activities		(2,714,696)	(974,107)	(739,467)	(4,428,270)
Cash Flows from Non-Capital Financing Activities					
Payments in lieu of taxes		-	(176,130)	(418,353)	(594,483)
Net decrease in TVA advances for conservation loans		-	-	13	13
Other		-	-	(2,237)	(2,237)
Net Cash Provided (Used) by Non-Capital Financing Activities		-	(176,130)	(420,577)	(596,707)
Cash Flows from Investing Activities					
Other		-	-	(7,177)	(7,177)
Proceeds from sale and maturities of investments		-	-	-	-
Interest income received		3,117	12,933	34,770	50,820
Net Cash Provided (Used) by Investing Activities		3,117	12,933	27,593	43,643
Net Increase (Decrease) in Cash and Cash Equivalents		(409,129)	(2,819)	409,881	(2,067)
Cash and Cash Equivalents, Beginning of Year		4,158,612	6,697,556	10,992,886	21,849,054
Cash and Cash Equivalents, End of Year	$	3,749,483	6,694,737	11,402,767	21,846,987
Reconciliation of Operating Income to Net Cash Provided (Used) by Operations					
Operating income (loss)	$	605,352	491,546	707,069	1,803,967
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization		1,637,126	505,337	733,390	2,875,853
Other		-	3,214	-	3,214
(Increase) decrease in:					
Accounts receivable		(7,729)	(2,386)	(121,816)	(131,931)
Unbilled utility revenue			(33,788)	15,421	(18,367)
Inventory		(3,790)	(12,095)	45,119	29,234
Prepaid expenses		-	(3,107)	(116,732)	(119,839)
Increase (decrease) in:					
Accounts payable		53,591	85,163	111,079	249,833
Due to other funds and customers			(3,619)	-	(3,619)
Customer deposits		17,900	20,170	160,990	199,060
Accrued expenses			84,050	7,812	91,862
Net Cash Provided (Used) By Operating Activities	$	2,302,450	1,134,485	1,542,332	4,979,267
Supplemental Schedule of Non-Cash Capital and Related Financing Activities and Other Disclosures					
Uitlity plant contributed by developers	$	39,000	-	-	39,000

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

		Trust Funds		
		Lewisburg Defined Benefit Pension Trust	Water & Wastewater Defined Benefit Pension Trust	Donations in Trust
Assets				
Cash and cash equivalents	$	145,466	62,157	41,113
Investments, at fair value:				
Equities and options		121,798	57,156	-
Mutual funds		3,823,644	1,366,455	-
Real estate investment trusts		912,102	216,919	-
Total Investments		4,857,544	1,640,530	-
Total Assets	$	5,003,010	1,702,687	41,113
Liabilities				
Accrued liabilities	$	-	-	-
Total Liabilities		-	-	-
Net Position				
Reserved for purpose of donation				41,113
Reserved for cemetery maintenance		-	-	-
Reserved for employee's pension benefits		5,003,010	1,702,687	-
Total Net Position	$	5,003,010	1,702,687	41,113

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, 2014

	Trust Funds		
	Lewisburg Defined Benefit Pension Trust	Water & Wastewater Defined Benefit Pension Trust	Donations in Trust
Additions:			
Contributions:			
Employer	$ 231,006	85,838	-
Plan members	115,402	57,226	
Other	-	6,504	21,553
Total contributions	346,408	149,568	21,553
Investment income:			
Net increase (decrease) in fair value of investments	594,269	107,860	-
Investment earnings	136,376	58,734	21
Net investment earnings	730,645	166,594	21
Total Additions	1,077,053	316,162	21,574
Deductions:			
Pension benefits and refunds, net of federal tax withheld	359,382	2,335	-
Administrative expenses	41,586	15,065	
Program costs	-		18,411
Total deductions	400,968	17,400	18,411
Net increase	676,085	298,762	3,163
Net Position, Beginning of Year, as Restated	4,326,925	1,403,925	37,950
Net Position, End of Year	5,003,010	1,702,687	41,113

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, 2014

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues:				
Taxes:				
Real estate tax	$ 3,500,000	3,500,000	3,437,589	(62,411)
Local sales tax	1,600,000	1,600,000	1,511,885	(88,115)
Interest and penalty-real estate tax	50,000	50,000	37,022	(12,978)
Business tax	200,000	200,000	176,331	(23,669)
Wholesale beer tax	400,000	400,000	407,999	7,999
Wholesale liquor tax	115,000	115,000	115,784	784
In-lieu of property tax	139,000	139,000	138,131	(869)
Total Taxes	6,004,000	6,004,000	5,824,741	(179,259)
Intergovernmental:				
Streets and transportation	22,000	22,000	22,716	716
State sales tax	785,000	785,000	793,050	8,050
State street aid	285,000	285,000	287,180	2,180
State income and excise	70,000	99,000	115,709	16,709
State and Federal grant programs	1,553,307	865,807	517,319	(348,488)
Mixed drink tax	22,000	22,000	16,245	(5,755)
Total Intergovernmental	2,737,307	2,078,807	1,752,219	(326,588)
Franchise Fees				
Cable TV franchise fee	60,000	60,000	68,343	8,343
City Court Fines and Vehicle Fees	230,000	230,000	248,167	18,167
Charges for Services:				
Airport revenue	87,000	87,000	69,491	(17,509)
Recreation revenue and fees	271,600	271,600	286,294	14,694
Sanitation revenue	700,000	700,000	706,545	6,545
Cemetery revenue	28,500	28,500	27,015	(1,485)
Total Charges for Services	1,087,100	1,087,100	1,089,345	2,245
Miscellaneous:				
Proceeds - sale of property	100,000	175,000	179,897	4,897
Rabies control	25,000	25,000	16,226	(8,774)
Interest revenue	32,600	32,600	26,786	(5,814)
Miscellaneous revenue	96,300	96,300	197,297	100,997
Total Miscellaneous	253,900	328,900	420,206	91,306
Total Revenues	10,372,307	9,788,807	9,403,021	(385,786)
Other Sources				
Transfer from Other Funds	601,000	601,000	591,620	(9,380)
Total Other Financing Sources	601,000	601,000	591,620	(9,380)
Total Revenues and Other Financing Sources	10,973,307	10,389,807	9,994,641	(395,166)

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, 2014

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Expenditures:				
General Government				
Current:				
Salaries	$ 467,831	467,831	422,956	44,875
Employee benefits and payroll tax	147,138	147,138	139,419	7,719
Insurance	205,000	230,000	226,411	3,589
Supplies	41,000	44,500	54,618	(10,118)
Utilities	18,000	18,000	19,429	(1,429)
Professional services	140,000	163,000	209,728	(46,728)
Traffic fees to State	40,000	62,000	61,336	664
Other costs	36,850	39,850	91,870	(52,020)
Total Current	1,095,819	1,172,319	1,225,767	(53,448)
Capital outlay	38,200	87,700	94,879	(7,179)
Total General Government	1,134,019	1,260,019	1,320,646	(60,627)
Industrial Recruiting				
Current:				
Salaries	86,685	86,685	72,272	14,413
Employee benefits and payroll tax	24,896	24,896	25,177	(281)
Supplies	8,000	8,000	8,018	(18)
Utilities	2,000	2,000	1,636	364
Travel and lodging	10,000	10,000	8,572	1,428
Other costs	3,250	3,250	5,910	(2,660)
Total Current	134,831	134,831	121,585	13,246
Capital outlay	-	40,000	-	40,000
Total Industrial Recruiting	134,831	174,831	121,585	53,246
Airport				
Current:				
Salaries	36,636	36,636	35,852	784
Employee benefits and payroll tax	14,750	14,750	15,620	(870)
Repairs and maintenance	16,500	16,500	20,918	(4,418)
Utilities	20,000	20,000	18,050	1,950
Other costs	5,000	5,000	1,371	3,629
Total Current	92,886	92,886	91,811	1,075
Capital outlay	723,000	123,000	117,659	5,341
Total Airport	815,886	215,886	209,470	6,416

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, 2014

Expenditures, continued	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Public Safety:				
Police Department:				
Current:				
Salaries	$ 1,792,338	1,792,338	1,646,690	145,648
Employee benefits and payroll tax	644,834	644,834	643,067	1,767
Fuel	75,000	75,000	71,304	3,696
Repair and maintenance	59,500	59,500	41,051	18,449
Supplies	28,000	28,000	24,659	3,341
Utilities	40,000	40,000	40,075	(75)
Other costs	74,000	74,000	76,599	(2,599)
Total Current	2,713,672	2,713,672	2,543,445	170,227
Capital outlay	46,000	46,000	48,632	(2,632)
Total Police Department	2,759,672	2,759,672	2,592,077	167,595
Fire Department				
Current:				
Salaries	896,253	931,253	934,942	(3,689)
Employee benefits and payroll tax	445,479	447,979	444,932	3,047
Fuel	9,200	9,200	11,534	(2,334)
Repairs and maintenance	80,500	95,000	76,655	18,345
Supplies	23,500	23,500	23,144	356
Utilities	33,000	33,000	25,052	7,948
Other costs	10,000	10,000	5,904	4,096
Total Current	1,497,932	1,549,932	1,522,163	27,769
Capital outlay	22,500	33,000	34,200	(1,200)
Total Fire Department	1,520,432	1,582,932	1,556,363	26,569
Animal Control				
Current:				
Salaries	41,160	41,160	38,894	2,266
Employee benefits and payroll tax	16,605	16,605	16,223	382
Veterinary expense	18,000	18,000	13,845	4,155
Supplies	3,000	3,000	2,208	792
Other costs	12,600	12,600	10,292	2,308
Total Current	91,365	91,365	81,462	9,903
Capital outlay	-	-	-	-
Total Animal Control	91,365	91,365	81,462	9,903

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, 2014

Expenditures, continued	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Building Inspector				
Current:				
Salaries	$ 42,613	42,613	40,811	1,802
Employee benefits and payroll tax	17,669	17,669	18,351	(682)
Other costs	11,150	11,150	9,538	1,612
Total Current	71,432	71,432	68,700	2,732
Capital outlay	-	-	-	-
Total Building Inspector	71,432	71,432	68,700	2,732
Total Public Safety	4,442,901	4,505,401	4,298,602	206,799
Public Works				
Shop:				
Current:				
Salaries	66,734	66,734	53,630	13,104
Employee benefits and payroll tax	44,411	44,411	36,787	7,624
Supplies	50,000	50,000	50,465	(465)
Utilities	15,000	15,000	15,007	(7)
Other costs	4,500	4,500	2,961	1,539
Less departmental allocations	(60,000)	(60,000)	(53,076)	(6,924)
Total Current	120,645	120,645	105,774	14,871
Capital outlay	-	-	-	-
Total Shop	120,645	120,645	105,774	14,871
Highways and Streets:				
Current:				
Salaries	547,208	547,208	556,145	(8,937)
Employee benefits and payroll tax	266,615	266,615	255,425	11,190
Repairs and maintenance	40,000	40,000	53,937	(13,937)
Fuel	42,000	42,000	53,754	(11,754)
Street maintenance and supplies	182,000	182,000	161,147	20,853
State contract	894,182	94,182	12,448	81,734
State Street Aid costs	360,000	738,500	509,244	229,256
Storm water costs	28,000	28,000	21,935	6,065
Other costs	3,100	3,100	1,051	2,049
Total Current	2,363,105	1,941,605	1,625,086	316,519
Capital outlay	116,920	163,820	435,788	(271,968)
Total Highways and Streets	2,480,025	2,105,425	2,060,874	44,551
Total Public Works	2,600,670	2,226,070	2,166,648	59,422

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, 2014

Expenditures, continued	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Recreation:				
Current:				
Salaries	$ 464,804	464,804	433,293	31,511
Employee benefits and payroll tax	137,031	137,031	144,119	(7,088)
Facility & equipment maintenance	131,700	131,700	123,971	7,729
Fuel	11,000	11,000	10,381	619
Supplies	15,500	23,500	21,535	1,965
Utilities	182,750	182,750	169,624	13,126
Other costs	26,500	26,500	16,835	9,665
Total Current	969,285	977,285	919,758	57,527
Capital Outlay	33,000	68,000	64,814	3,186
Total Recreation	1,002,285	1,045,285	984,572	60,713
Sanitation:				
Current:				
Disposal charges	650,000	650,000	677,159	(27,159)
Other costs	50,000	50,000	20,670	29,330
Total Sanitation	700,000	700,000	697,829	2,171
Community service:				
Current:				
Goat Festival	80,000	100,000	95,061	4,939
Junior Economic & Community Development	22,000	22,000	20,481	1,519
Marshall County Community Theater	10,000	10,000	10,000	-
CSCC Maintenance	11,200	11,200	2,356	8,844
Other appropriations	20,700	145,700	31,197	114,503
Total Community service	143,900	288,900	159,095	129,805
Cemetary				
Current:				
Supplies	15,000	15,000	15,654	(654)
Other costs	17,300	20,800	20,147	653
Total Current	32,300	35,800	35,801	(1)
Capital outlay	7,000	24,500	40,641	(16,141)
Total Cemetary	39,300	60,300	76,442	(16,142)
Debt Service:				
Retirement of principle and interest	262,305	262,305	262,305	-
Total Debt Service	262,305	262,305	262,305	-
Total Expenditures	11,276,097	10,738,997	10,297,194	441,803
Excess Revenues over Expenditures and Other Sources	(302,790)	(349,190)	(302,553)	46,637

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, 2014

		Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Excess Revenues over Expenditures and Other Sources- from preceeding page	$	(302,790)	(349,190)	(302,553)	46,637
Net Change		(302,790)	(349,190)	(302,553)	46,637
Fund Balance, Beginning of Year, as Previously Reported		5,483,231	5,483,231	5,483,230	1
Restatement		-	-	(114,519)	114,519
Fund Balance, Beginning of Year, as Restated		5,483,231	5,483,231	5,368,711	114,520
Fund Balance, End of Year	$	5,180,441	5,134,041	5,066,158	(67,883)

See accompanying notes to financial statements.

(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, 2014 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.

(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.

(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.

(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.

(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.

(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.

(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 as 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 that 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.

(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.

Net Position

Net position is 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 $3,666,667 property taxes receivable, $3,409,357 represents the estimated 2014 property taxes to be billed October 2014. This receivable is reported in the Balance Sheet – Governmental Funds with offsetting deferred revenue for the amounts not available at June 30, 2014. Amounts receivable at June 30, 2014 have been recorded net of an allowance for uncollectibles of $24,924 in the governmental activities 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 2013-14 budget was amended throughout the year. During the fiscal year, amendments to the General Fund expenditures totaling $537,100 were approved, decreasing the budgets of several departments in response to decreases in revenues.

(2) DEPOSITS AND INVESTMENTS

Deposits:

The City's cash and cash equivalents and investments at June 30, 2014 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, 2014, the City had the following investments in its Pension Fund:

Investment Type	Fair Value	Cost Basis
Cash and cash equivalents	$ 145,466	145,466
Mutual funds, equities, and options	3,945,442	3,643,459
Real estate investment trusts	912,102	912,102
Total	$ 5,003,010	4,701,027

As of June 30, 2014, the City Water & Wastewater Fund had the following investments in its Pension Fund:

	Fair Value	Cost Basis
Cash and cash equivalents	$ 62,157	$ 62,157
Mutual funds, equities, and options	1,423,611	1,366,066
Real estate investment trusts	216,919	216,919
Total Water and Wastewater Department Defined Benefit Pension Trust:	$ 1,702,687	$ 1,645,142

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.

(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, 2014 is $96,006.

(4) INTERFUND TRANSACTIONS

Operating transfers among individual funds of the City for the year ended June 30, 2014, consisted of in lieu of property tax payments from the Natural Gas and Electric Power Fund to the General Fund in the amounts of $176,129 and $415,491, respectively.

(5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,068,327	95,000	-	3,163,327
Investment in industrial park - held for sale	227,322	-	-	227,322
Construction in progress	405,905	684,431	(300,178)	790,158
Total capital assets, not being depreciated:	3,701,554	779,431	(300.178)	4,180,807
Capital assets, being depreciated:				
Buildings and improvements	12,489,895	-	-	12,489,895
Machinery and equipment	4,170,994	355,572	(607,618)	3,918,948
Infrastructure	4,872,038	308,761	-	5,180,799
Total capital assets, being depreciated:	21,532,927	664,333	(607,618)	21,589,642
Less accumulated depreciation for:				
Buildings and improvements	4,042,225	319,298	-	4,361,523
Machinery and equipment	3,553,201	238,088	(603,036)	3,188,253
Infrastructure	3,048,260	119,908	-	3,168,168
Total accumulated depreciation	10,643,686	677,294	(603,036)	10,717,944
Total capital assets, being depreciated, net	10,889,241			10,871,698
Governmental activities capital assets, net	$14,590,795			15,052,505
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 426,081	-	-	426,080
Construction in progress	15,101,299	264,548	(15,066,239)	299,609
Total capital assets, not being depreciated:	15,527,380	264,548	(15,066,239)	725,689
Capital assets, being depreciated:				
Plant systems in service	87,177,372	17,001,065	(265,830)	103,912,607
Buildings and improvements	6,063,875	309,843	(189,673)	6,184,045
Machinery and equipment	1,853,235	20,065	(36,937)	1,836,363
Total capital assets, being depreciated:	95,094,482	17,330,973	(492,440)	111,933,015
Less accumulated depreciation for:				
Plant systems in service	35,672,113	2,674,599	(284,023)	38,062,689
Buildings and improvements	3,354,643	95,389	(111,800)	3,338,232
Machinery and equipment	2,698,607	201,667	(86,500)	2,813,774
Total accumulated depreciation	41,725,363	2,971,655	(482,323)	44,214,695
Total capital assets, being depreciated, net	53,369,119			67,718,320
Business-type activities capital assets, net	$68,896,499			68,444,009

(5) CAPITAL ASSETS (CONTINUED)

Depreciation expense changed to functions/programs as of June 30, 2014 follows:

Governmental activities:		
General government	$	79,471
Public works, including depreciation of general infrastructure assets		152,238
Sanitation		11,836
Public safety		204,646
Airport		74,760
Cemetery		7,153
Recreation		147,190
Total depreciation expense – governmental activities	$	677,294
Business-type activities:		
Water & wastewater	$	1,637,126
Gas		505,047
Electric		827,974
Total depreciation expense – business-type activities	$	2,970,147

Depreciation expense for the Electric and Gas Funds in the amount of $96,093 and $11,546 were charged to transportation clearing accounts.

(6) LONG-TERM LIABILITIES

Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the changes in long-term liabilities reported were as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Accrued vacation and sick pay	$ 193,801	-	(27,098)	166,703	166,703
Other post-employment benefits	1,953,734	942,772	(132,519)	2,763,987	132,519
Net pension obligation	114,385	270,197	(346,498)	38,084	-
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%	2,005,000	-	(185,000)	1,820,000	190,000
	4,266,920	1,212,969	(691,115)	4,788,774	489,222
Plus: premium	5,461			4,780	
Governmental activity long term liabilities	$ 4,272,381			4,793,554	

*Net pension obligation was reduced in the amount of $104,818 from that previously reported.
Interest costs for the year ended June 30, 2014 amounted to $262,305.

(6) LONG-TERM LIABILITIES (CONTINUED

During the year ended June 30, 2014, the changes in long-term liabilities reported were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-like activities					
Water and Wastewater Fund					
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%.	$ 5,315,000	-	(295,000)	5,020,000	-
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%.	4,450,000	-	(190,000)	4,260,000	195,000
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	-	(79,644)	1,881,278	81,552
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%	7,712,262	-	(336,914)	7,375,348	328,848
	19,438,184	-	(901,558)	18,536,626	605,400
Add: unamortized bond premium	56,642			52,954	
	$ 19,494,825			18,589,580	
Electric Power Fund					
Bonds and notes payable					
Payable to Duck River Electric Membership Corporation	$ 1,508	-	(1,508)	-	
Other long term liabilities:					
Compensated absence	119,540	-	(3,572)	115,968	-
	121,048	-	(5,080)	115,968	-
Natural Gas Department					
Bonds and notes payable					
Capital Outlay Notes, Series 2007 – due in annual installments through June 2024, variable interest rate, 0.22% as of June 30, 2014	732,746	-	(192,000)	540,746	96,000
Other long term liabilities:					
Compensated absences	86,571	7,239	-	93,810	58,954
Other post-employment benefits	591,164	103,686	(15,997)	678,853	16,582
	1,410,481	110,925	(207,997)	1,313,409	171,536
Total long-term liabilities	$ 20,905,181			20,018,957	776,936

(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, 2014, are as follows:

	Governmental Activities		Business-Type Activities	
Fiscal Year	Prinicpal	Interest	Principal	Interest
2015	$ 190,000	70,830	701,400	482,932
2016	195,000	63,990	1,025,468	564,702
2017	200,000	56,970	1,060,812	537,116
2018	210,000	49,470	1,090,396	507,084
2019	210,000	41,595	1,126,244	474,735
2019-2023	815,000	77,885	5,625,178	1,853,472
2024-2028	-	-	6,167,496	826,895
2029-2032	-	-	2,280,378	86,388
Totals	$ 1,820,000	360,740	19,077,372	5,333,324

Interest costs for the year ended June 30, 2014 amounted to $3,117, and $1,765 for the Water and Wastewater and the Natural Gas Funds, respectively.

The Power System has been advanced $144,239 by the Tennessee Valley Authority to make low-interest loans to consumers. Uncollectible loans are deducted from the advances and are not an expense of the System. Servicing of the loans is provided by Regions Bank.

(7) DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets and liabilities the statement of financial position will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources are presented after total assets. A deferred outflow of resources is a consumption of net assets by the City that is applicable to a future reporting period. Deferred inflows of resources are presented after total liabilities. A deferred inflow of resources is an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time.

The City had one item that qualifies as a deferred outflow. It is the deferred amount on refunding reported in the government-wide and in the proprietary fund statement of net position. A deferred amount on refunding results form the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding bonds. The City also has only type of item that qualifies as a deferred inflow of resources. It is unavailable revenue primarily from property taxes, insurance proceeds and state income tax and reported in the government-wide and fund statement of net position. The fund statement of net position deferred inflow amount also includes unavailable delinquent property taxes.

(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)	$ 271,408
Interest on net pension obligation	8,007
Adjustment to ARC	(9,218)
Annual pension cost	270,197
Contributions made	(346,498)
Increase (decrease) in net pension obligation	(76,301)
Net pension obligation beginning of year, as restated	114,385
Net pension obligation end of year	$ 38,084

(8) RETIREMENT PLANS (CONTINUED)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/12	$ 298,578	71.7%	$ 139,284
6/30/13	$ 321,462	112.0%	$ 114,385
6/30/14	$ 270,197	127.7%	$ 38,084

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 63.8% funded. The actuarial accrued liability for benefits was $6.8 million, and the actuarial value of assets was $4.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of $2.4 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 80.1 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, 2013, 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 1,2013 was 30 years.

Membership in the plan consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	19
Beneficiaries receiving benefits	4
Terminated employees entitled to benefits	8
Total	31
Active plan participants:	
Vested	62
Nonvested	32
Total	94

(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:

Retired participants	2
Active Plan Participants:	
Vested-over normal retirement age	3
Vested-under normal retirement age	34
Total	39

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 7.8%. 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.

(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, 2014 was as follows:

Annual required contribution (ARC)	$ 134,086
Interest on net pension obligation	4,016
Adjustment to ARC	(4,623)
Annual pension cost	133,479
Contributions made	(85,838)
Increase (decrease) in net pension obligation	47,641
Net pension obligation beginning of year	57,373
Net pension obligation end of year	$ 105,014

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$ 110,971	77.2%	$ 25,258
6/30/2013	$ 117,316	72.6%	$ 57,373
6/30/2014	$ 133,479	64.31%	$ 105,014

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)
7/01/13	$1,403,925	$2,545,233	$1,141,308	55.2%	$1,473,619	77.4%
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.

(8) RETIREMENT PLANS (CONTINUED)

Lewisburg Water and Wastewater Department Description and Contributions Information

Actuarial Methods and Assumptions

In the July 1,2013 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, 2013.

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 investment provider that uses a group funding agreement to maintain individual accounts in the pension plan for accounting and funding purposes. 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, 2014 was $657,395. The employees' required contributions of $26,213 (excludes voluntary contributions of $2,403) were calculated at 4% of total "base salary" for the year. Total payroll for covered employees was $616,649. The Gas Department's contribution amounted to $36,999 (6% of total covered payroll).

(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 terns 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. Employees are fully vested after 10 years of service. For employees who continue to work past normal retirement age, the employer will continue to contribute on his behalf the same annual amount that contributed in the year the employee reached 65.

The Electric System acts as the plan administrator and is a named fiduciary of the plan. As such, the System is responsible for all discretionary decisions relating to the plan.

The Electric System's total payroll for the fiscal year ended June 30, 2014 was $1,625,829. The employees' contributions of $51,359 were calculated at 3.63% of their total "base salary" for the year. Total payroll for covered employees was $1,413,422. The Electric System's contribution amounted to $157,540 (approximately 11.15% 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.

(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 he 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 ears. 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	$ 983,838
Interest on net OPEB obligation	58,612
Adjustment to annual required contribution	(99,678)
Annual OPEB cost (expense)	942,772
Contributions made	(132,519)
Increase in net OPEB obligation	810,253
Net OPEB obligation (asset) - beginning of year	1,953,734
Net OPEB obligation (asset) - ending of year	$2,763,987

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2014 were as follows:

Annual Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
$ 942,772	14.1%	$2,763,987

As of December 31, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $11,720,291, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $11,720,291.

(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, 2013
- 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 I1 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 Medicare supplement health insurance premiums for retired employees and their spouses at age 65, provided the employee has reached certain age and length of service requirements with the Gas Department. 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 2014; employer's contributions, which are on a pay-as-you-go basis, totaled $15,998 for the year.

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

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Lewisburg Gas Department (Continued)

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	$ 68,682
Actuarial Adjustment	17,271
Interest on net OPEB obligation	17,735
Annual OPEB cost (expense)	103,688
Contributions made	(15,999)
Increase in net OPEB obligation	87,689
Net OPEB obligation (asset) - beginning of year	591,164
Net OPEB obligation (asset) - ending of year	$ 678,853

The Gas Department's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2014 were as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
$ 103,688	15.43%	$ 678,853

As of July 1,2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $811,620 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $811,620. The covered payroll (annual payroll of active employees covered by the plan) was $438,468 and the ratio of the UAAL to the covered payroll was 185%.

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.

(10) MAJOR CUSTOMERS

The Water and Wastewater Department's sales to the Marshall County Board of Public Utilities in 2013 were approximately 9.56% 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 June30, 2013 is $914,087 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.

(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 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.

(14) BUDGET OVERAGES

For the year ended June 30, 2014, expenditures exceeded budget appropriations as follows:

	Budget	Actual	Overage
General Fund:			
General Government	1,260,019	1,320,646	60,627
Cemetery	60,300	76,772	16,142
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.

(14) RESTATEMENT

The City implemented GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. This resulted in a decrease in Government Activities and Business Activities, net position at July 1, 2013 of $35,700 and $515,529, respectively to remove bond costs no longer required to be capitalized in accordance with GASB Statement No. 65. During 2014, the City became aware of Tennessee Code Annotated 57-4-306 which required the split of the liquor tax with the local county school system. As a result, the City agreed to reimburse the County School System for its portion of mixed drink tax collected by the City in prior years in the amount of $114,519. Also, in 2014 it was determined that the Pension Benefit Obligation has been inadvertently overstated in the prior year by approximately $104,818. A summary of the above restatements to net position are as follow.

	Water & Wastewater Fund	Business Activities	General Fund	Government Acivities
GASB 65, Bond Costs	$ (515,529)	(515,529)	-	(35,700)
Mixed Drink Tax	-	-	(114,519)	(114,519)
Pension Benefit Obligation	-	-	-	104,818
Totals	$ (515,529)	(515,529)	(114,519)	(45,401)

GASB Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25, 27*. Statement 67 is effective for the fiscal year ending June 30, 2014, the Statement revises existing standards of financial reporting by state and local government pension plans and was adopted by the City for 2014.

(15) NEW PRONOUNCEMENTS (CONTINUED)

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 the City for the year beginning July 1, 2014.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LEWISBURG, TENNESSEE

Schedule of Funding Progress
and
Schedule of Employer Contributions

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

June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (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%
7-1-13	4,327,847	6,788,422	2,460,575	63.8%	3,071,598	80.1%
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%
7-1-13	1,403,925	2,545,233	1,141,308	55.2%	1,473,619	77.4%

Employer Contributions:

City of Lewisburg Fiscal Year	Annual Required Contribution	Percentage Contirbuted*	Net Pension Benefit Obligation
2010	N/A	N/A	N/A
2011	265,688	79.4%	54,788
2012	298,578	66.4%	154,444
2013	321,462	112.0%	114,385
2014	271,408	127.7%	38,084

Employer Contributions:

Lewisburg Water and Wastewater Fund			
2012	110,971	77%	25,258
2013	117,583	72%	57,873
2014	134,086	64%	105,014

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

CITY OF LEWISBURG, TENNESSEE

Schedule of Funding Progress
and
Schedule of Employer Contributions

Other Postemployement Benefits-City and Natural Gas Fund Plan

June 30, 2014

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (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%
12-31-13	-	11,720,291	11,720,291	0.0%	4,194,286	279.4%
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%
7-1-14	-	811,620	811,620	0.0%	438,468	185.1%

Employer Contributions:

City of Lewisburg Year Ended	Annual Required Contribution	Percentage Contirbuted*
2010	569,434	9.2%
2011	569,434	9.2%
2012	511,526	19.5%
2013	942,772	14.1%

Employer Contributions:

Lewisburg Natural Gas Fund		
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, 2014

		Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Revenues:					
Fines and fees					
Drug fines, confiscated property	$	15,000	15,000	-	(15,000)
Intergovernmental revenue					
Federal grant		-	-	20,803	20,803
Total Revenues		15,000	15,000	20,803	5,803
Expenditures:					
Current:					
Program Costs		20,000	20,000	12,735	7,265
Capital outlay		80,000	80,000	5,202	74,798
Total Expenditures		100,000	100,000	17,937	82,063
Net Change in Fund Balance		(85,000)	(85,000)	2,866	87,866
Fund Balance, Beginning of Year		81,908	81,908	81,908	-
Fund Balance, End of Year	$	(3,092)	(3,092)	84,774	87,866

FINANCIAL SCHEDULES

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, 2014

Cost / Estimated Cost:		Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
General government:	$	4,598,536	70,750	(17,975)	4,651,311
Public works:		5,890,759	717,222	(223,506)	6,384,475
Police		2,350,189	67,758	-	2,417,947
Fire		1,710,482	42,700	(17,975)	1,735,207
Parks and recreation		6,395,936	88,583	-	6,484,519
Airport		3,194,500	107,932	-	3,302,432
Garage/shop		21,264	8,000	-	29,264
Cemetery		326,622	40,641	(42,821)	324,442
Sanitation		746,193	-	(305,341)	440,852
Total Capital Assets	$	25,234,481	1,143,586	(607,618)	25,770,449

CITY OF LEWISBURG, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds -

Schedule of General Fixed Assets - By Function and Activity

June 30, 2014

		Land	Buildings & Improvements	Machinery & Equipment	Infrastructure	Construction in Progress	Industrial Park	Balance June 30, 2013
Cost / Estimated Cost:								
General government:	$	1,556,568	2,501,668	90,402	200,208	75,143	227,322	4,651,311
Public works:		263,001	91,348	786,963	4,664,531	578,632	-	6,384,475
Police		-	1,573,675	844,272	-	-	-	2,417,947
Fire		180,020	247,232	1,307,955	-	-	-	1,735,207
Parks and recreation		525,083	5,459,653	183,722	316,061	-	-	6,484,519
Airport		421,827	2,563,367	180,856	-	136,382	-	3,302,432
Garage/shop		-	-	29,264	-	-	-	29,264
Cemetery		215,228	52,952	56,262	-	-	-	324,442
Sanitation		1,600	-	439,252	-	-	-	440,852
Total Capital Assets	$	3,163,327	12,489,895	3,918,948	5,180,800	790,157	227,322	25,770,449

CITY OF LEWISBURG, TENNESSEE

Schedule of Debt Service Requirements

General Obligation Debt

June 30, 2014

Fiscal Year		General Obligation Refunding Bonds - Series 2008*	
		Principal	Interest
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
	$	1,820,000	360,740

* Interest at approximately 4%.

CITY OF LEWISBURG, TENNESSEE

Schedule of Debt Service Requirements to Maturity

Business - Type Activities

June 30, 2014

	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	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ -	107,014	195,000	149,205	328,848	176,592	81,552	44,808	96,000	5,313	701,400	482,932
2016	305,000	204,266	200,000	144,755	336,924	168,516	83,544	42,816	100,000	4,349	1,025,468	564,702
2017	315,000	193,416	210,000	139,368	345,204	160,236	85,608	40,752	105,000	3,344	1,060,812	537,116
2018	325,000	181,404	215,000	132,986	353,688	151,752	87,708	38,652	109,000	2,290	1,090,396	507,084
2019	335,000	168,204	225,000	125,780	362,376	143,064	89,868	36,492	114,000	1,195	1,126,244	474,735
2020	350,000	154,504	235,000	118,190	371,280	134,160	92,076	34,284	16,746	151	1,065,102	441,289
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	-	-	-	-	41,824	262	62,678	476	-	-	104,502	738
	$ 5,020,000	1,649,917	4,260,000	1,447,185	7,375,348	1,763,224	1,881,278	456,356	540,746	16,642	19,077,372	5,333,324

CITY OF LEWISBURG, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2014

Tax Year		Balance, June 30, 2013	Tax Levy and Adjustments	Collections and Adjustments	Balance, June 30, 2014
2013	$	-	3,409,358	-3,282,817	126,541
2012	$	111,443		-82,524	28,919
2011		36,592		-15,212	21,380
2010		30,156		-10,487	19,669
2009		30,108		-11,239	18,869
2008		31,481		-10,564	20,917
2007		23,954		-8,612	15,342
2006		12,656		-11,732	924
2005		21,708		-16,954	4,754
2004		24,665		-24,665	0
2003		4,021		-4,020	1
	$	326,784	3,409,358	(3,478,826)	257,316
			Add 2014 tax levy		3,409,351
			Total property tax receivable		3,666,667
			Less allowance for doubtful accounts		(24,924)
			Total property tax receivable, net		$ 3,641,743

CITY OF LEWISBURG, TENNESSE

SCHEDULE OF FEDERAL AND STATE ASSISTANCE

For the Year Ended June 30, 2014

CFDA Number	State Grant Number	Program Name	Grantor Agency	Deferred (Receivable) Balance 6-30-13	Adjustments	Receipts	Disbursements	Deferred (Receivable) Balance 6-30-14
Federal Grants								
16.922	N/A	Equitable Sharing Program	U.S. Department of Justice	-	-	35,382	(35,382)	-
97.044	WNNW-2012-FO-01813	Assistance to Firefighters	U.S. Department of Homeland Security	-		22,515	(22,515)	-
10.769	N/A	Rural Business Enterprise Grant	U.S. Department of Agriculture	-		-	(16,000)	(16,000)
20.205	SRTS-5900(21)	Safe Routes to Schools	U.S Department of Transportation	(1,384)		1,384	(10,728)	(10,728)
20.106	3-47-SBGP-44	Airport Hangar Grant	U.S Department of Transportation	(20,656)		65,632	(104,059)	(59,083)
20.205	STP-M-9310(10)	Resurfacing Grant	U.S Department of Transportation	(15,890)		17,004	(233,078)	(231,964)
20.205	STP-EN-9310(9)	Walkway III Improvements	U.S Department of Transportation	-		8,966	(8,966)	-
	Total Federal Grants			(37,930)	-	150,883	(430,728)	(317,775)
State Grants:								
N/A	PT 14-29	Governors Highway Safety Program	Tennessee Department of Safety	-		11,406	(11,406)	-
N/A	PT 13-41	Governors Highway Safety Program	Tennessee Department of Safety	-		11,516	(11,516)	-
N/A	154AL-14-208	GHSO Grant	Tennessee Department of Transportation	-		5,000	(5,000)	-
N/A	AERO-M13-302	Airport Maintenance Grant	Tennessee Department of Transportation	(8,704)		8,704	-	-
N/A	AERO-M14-370	Airport Maintenance Grant	Tennessee Department of Transportation	-		-	(10,339)	(10,339)
N/A	AERO-14-136	Airport Cost Reimbursement	Tennessee Department of Transportation	-		29,830	(29,830)	-
N/A	32506-2814	Farmers Market Retail Grant	Tennessee Department of Agriculture	-		1,000	(1,000)	-
	Total State Grants			(8,704)	-	67,456	(69,091)	(10,339)

The accrual basis of accounting in 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*:

Fiscal Year	Tax Rate
2014	$ 1.45
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, 2014

Service	Number of Customers
Water	6,227
Sewer	4,747
Gas	2,733
Electricity	6,031

	Rate Per 1,000 Gallon	
	Inside City*	Outside City*
Water Rates		
Minimum bill	$ 10.59	14.38
Per unit above minimum bill	$ 3.69-3.39	5.50-4.98
Sewer Rates		
Minimum bill	15.47	19.79
Per unit above minimum bill	6.49	8.44

	Residential	Small Commercial	Large Commercial	Industrial
Natural Gas Rates				
Minimum bill	$ 8.00	10.00	135.00	N/A
Per unit above minimum bill	1.220 / CCF	1.220 / CCF *		
Demand Charge				
First 10,000 CCF			1.170/CCF	.845 / CCf
10,001 to 40,000 CCF			1.140/CCF	.805 / CCF
Over 40,000 CCF			1.110/CCF	.750 / CCF
Interruptible				
Minimum charge			135.00	
All gas at:				
First 100,000 CCF			.5599 / CCF	
Above 100,000 CCF			.5349 / CCF	

* for Restaurnats all gas is charged at .995 per CCF.

Electric Rates - Electric Power Fund

Residential Rate Schedule:		
Customer charge	$12.70 per month less $1.60 hydro allocation cred	
Energy charge per KWH	$	0.09173
GENERAL POWER RATE SCHEDULE		
Part A (Demand 0-5000 KW)		
Part 1		
Customer charge per delivery point	$	17.31
Energy charge		0.10164
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		0.06641

CITY OF LEWISBURG, TENNESSEE

Utility Rates and Customers - Unaudited

June 30, 2014

Electric Rates - Electric Power Fund

Part 3		
Customer charge per delivery point	$	750.00
Demand charge-all KW		11.61
Energy charge		
Alll KWH Energy		0.06642
Part B (Demand over 5000 KW)		
Customer charge per delivery point	$	1,500.00
Admin charge		350.00
Demand charge per KW		19.19
Energy charge per KWH		0.04506
OUTDOOR LIGHTING (PER MONTH):		
Customer charge per delivery point	$	2.50
Energy charge - cents per KwH		0.07955
Facility charge (part B)		

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association
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Click to access definition
Click to add a comment

Water Audit Report for: Lewisburg Water and Wastewater (0000400)
Reporting Year: 2014 7/2013 - 6/2014

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 (n/a or 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

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

WATER SUPPLIED

<---------- Enter grading in column 'E' and 'J' ---------->

			Pcnt:	Value:	
Volume from own sources:	9	870.410 MG/Yr			MG/Yr
Water imported:	n/a	0.000 MG/Yr			MG/Yr
Water exported:	8	212.615 MG/Yr			MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 657.795 MG/Yr

AUTHORIZED CONSUMPTION

Click here: for help using option buttons below

			Pcnt:	Value:	
Billed metered:	8	435.702 MG/Yr			
Billed unmetered:	8	0.135 MG/Yr			
Unbilled metered:	9	0.000 MG/Yr			
Unbilled unmetered:	8	29.535 MG/Yr		29.535	MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

Use buttons to select percentage of water supplied **OR** value

AUTHORIZED CONSUMPTION: 465.372 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

192.423 MG/Yr

Apparent Losses

			Pcnt:	Value:	
Unauthorized consumption:		1.644 MG/Yr	0.25%		MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	6	13.475 MG/Yr	3.00%		MG/Yr
Systematic data handling errors:	10	0.001 MG/Yr		0.001	MG/Yr

Apparent Losses: 15.121 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 177.303 MG/Yr

WATER LOSSES: 192.423 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 221.958 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	10	181.8 miles
Number of active AND inactive service connections:	8	6,344
Service connection density:		35 conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:	8	50.0 psi

COST DATA

Total annual cost of operating water system:	10	$3,840,422	$/Year
Customer retail unit cost (applied to Apparent Losses):	8	$8.22	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	9	$947.69	$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 84 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:

1: Customer metering inaccuracies
2: Volume from own sources
3: Unauthorized consumption

AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: **Lewisburg Water and Wastewater (0000400)**
Reporting Year: **2014** | **7/2013 - 6/2014**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 ***

System Attributes:

	Apparent Losses:	15.121	MG/Yr
+	Real Losses:	177.303	MG/Yr
=	**Water Losses:**	**192.423**	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	35.32	MG/Yr
	Annual cost of Apparent Losses:	$124,293	
	Annual cost of Real Losses:	$168,028	Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	33.7%	
	Non-revenue water as percent by cost of operating system:	8.3%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	6.53	gallons/connection/day
	Real Losses per service connection per day:	76.57	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	1.53	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):	177.30	million gallons/year
? Infrastructure Leakage Index (ILI) [CARL/UARL]:	5.02	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

OTHER REPORT SECTION

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2014. 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. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (items 13-2, 13-3,)

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.

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.

November 18, 2014

CITY OF LEWISBURG, TENNESSEE

Schedule of Findings and Recommendations

June 30, 2014

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 w

Management Response and Disposition
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. Situation was resolved in 2014.

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 and Disposition
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. Appears situation will be resolved upon issuance of 1099-Rs for 2014.

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 deminimus 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 has reviewed its policy and procedures and believes no further action is 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 over sight 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 legder 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. Situation resolved in 2014.

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. Appears budget amendments were made on a timely basis in 2014. Situation resolved in 2014.