

CITY OF LEWISBURG, TENNESSEE  
FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2011

CITY OF LEWISBURG, TENNESSEE

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REQUIRED SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011

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CITY OF LEWISBURG, TENNESSEE  
FINANCIAL STATEMENTS,  
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JUNE 30, 2011

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# City of Lewisburg Tennessee

131 East Church Street - 37091

P.O. Box 1968

April 11, 2012

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

State law requires that every general-purpose local government publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

KraftCPAs PLLC has issued an unqualified ("clean") opinion on the City of Lewisburg's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The City of Lewisburg, incorporated in 1837, is the county seat of Marshall County and is located approximately 50 miles south of Nashville, Tennessee. The City of Lewisburg currently occupies a land area of 11 square miles and serves a population of approximately 11,000. The City of Lewisburg is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City of Lewisburg operates under the council-manager form of government. The governing council consists of six members (Mayor elected at large and five City Council members elected by ward). The election of the Mayor and Councilman is staggered every two years each with four year terms. The Mayor is the presiding officer of the City Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, and appointing a City Manager, who is chief administrative officer of the City, the City Treasurer, who is the chief financial officer of the City, the City Recorder, who is responsible for recording meetings of the city Council, and the City Attorney, who is the chief

counsel for the City. The City Manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the government, and for hiring and firing of all other employees.

The City provides a wide range of services characteristic of similar jurisdictions in the State including public safety (police and fire protection), highway and street maintenance, public works, parks and recreation, planning, code administration, solid waste collection, recreation, airport and general administration. The three city-owned utilities are business type activity funds and function under separate boards each with a council member on that board. Their financial statements are included as an integral part of the City of Lewisburg's administrative support services. The City owns the Lewisburg Water and Wastewater, the Lewisburg Gas department and Lewisburg Electric System and their financial statements are included as an integral part of the City of Lewisburg's financial statements.

The Council is required to adopt a budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Lewisburg's financial planning and control. The budget is prepared by fund and function (e.g. police). Department heads may transfer resources within activities as they see fit with City Manager approval. Transfers between activities or departments, however, require City Council approval.

### **Local Economy and Outlook**

Unemployment statistics as of January 31, 2012, indicate a 12.7% unemployment rate for Marshall County as compared to a statewide rate of 8.2 percent and a national jobless rate of 9.0 percent. One of Lewisburg's largest employers, Sanford Corporation, a pencil manufacturer employing over 400, closed in December 2009. The automotive industry has also had a definite impact with the GM Saturn plant in nearby Springhill, TN remaining idle. Lewisburg is now experiencing some of the same economic woes the rest of the nation has experienced.

The City has an aggressive economic and community development department that works very closely with the Tennessee Department of Economic and Community Development Department. The City has also invested in a new business park (200 acres) located on I-65 Exit 32. It is a site ready location with complete utilities. The State of Tennessee is to finish a new 5 lane highway construction project. This highway will enhance the access to and from Lewisburg as well. The City has also constructed a 60,000 square foot spec building in the park for immediate availability. The City is proactive in recovery from the national economic slump.

The City's General Fund revenue base continues to consist primarily of sales and property taxes. Local sales tax collections during the year (\$1.384 million) reflected a 3.4% increase from the FY 2010 total of \$1.338 million due to a gradual improvement in the economy. Local sales tax collections represented 16% of the total General Fund budget for 2011 and revenue from local sales tax was 2.5% over the budgeted amount of \$1.35 million. The property tax rate was \$1.36 and total revenue (3.226 million) increased by 1.4% from FY 2009-2010 (\$3.181 million). Property taxes represented nearly 39% of total budgeted General Fund revenues.

As referenced above, the impact of the layoffs and the repercussions for related suppliers during this period of time has resulted in an unemployment rate for Marshall County that is higher than the state rate. Uncertainty regarding employment combined with the overall economic slowdown was reflected in stagnant City sales tax revenue collection. Those collections, however, were within the budgeted

amount. The City Manager and Treasurer are closely monitoring collections on a monthly basis to ensure that revenues align with budgeted amounts. They have implemented several cost saving measures in the last year to compensate for lost revenues. A total of 12 full time positions have been eliminated or replaced with part time personnel. All expenditures have been scrutinized and reduced or justified. The entire system has examined and the end result is a more effective, efficient operation of city services.

### **Long-term financial planning**

The City's General Fund balance as of June 30, 2011 is approximately \$4.9 million, which is equal to 56.5% of the adopted General Fund operating budget for the new fiscal year. The unreserved fund balance remains 53.3% of the FY 2011 operating budget.

The City conducted an analysis for FY 2008-09 to comply with Governmental Accounting Standards Board (GASB) Statement No. 45 titled "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions". The City has adopted a "pay as you go" policy as in previous years. Additional information may be found in Notes 7 and 11 of the financial statement.

During the 2009-2010 fiscal year, the City issued new debt to refund existing some water and waste water debt and acquire new monies for mandated sewer plant renovations. The existing debt was changed from a variable rate debt to a fixed rate debt and then new debt was added. The bonds were sold with effective interest rates of 3.85% to 4.0%.

### **Major Initiatives - During the Year.**

Following is a synopsis of items of interest that have occurred during the fiscal year, as well as a summary of ongoing projects and issues that the City will face in the near future:

The City completed an airport improvement project in July 2010 consisting of a 20 bay hangar and apron/taxiway expansion. The total cost was \$1.5 million with the state funding 90%, the City 10%. The rental of the hangers will reimburse the City's cost in 5½ years. Afterward the rental income can be used as operating revenues for the airport.

The City has completed the 200 acre business park with all needed utilities and associated services. The City also funded the cost of a 60,000 square feet spec building and is currently marketing it to prospective buyers. Once sold, the monies will be returned to the city's general fund. This should reinstate that fund balance to 75% of operating budget. The City feels we must invest in ourselves before we can expect others to do likewise.

During this period of economic uncertainty the City is cautiously proceeding with business as usual. Cost cutting measures are being explored along with new revenue and income possibilities being sought. This strategy could prove to be beneficial for all concerned. The City is experiencing challenging times, but remains very optimistic concerning our future.

This report has been prepared by the Treasurer and the cooperation of each City department. The guidance provided by the City Manager, the support and leadership extended by the Mayor and City Council, and the technical assistance and guidance of the staff of KraftCPAs PLLC in the preparation of this report are all recognized and appreciated.

City of Lewisburg  
Elected and Appointed Officials

ELECTED OFFICIALS

Mayor.....Barbara Woods

City Judge.....Roger Brandon

Councilmen

Ward 1.....Steve Thomas

Ward 2.....Hershel Davis

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

Ward 4.....Ronald B. McRady

Ward 5.....Robin Minor

APPOINTED OFFICIALS

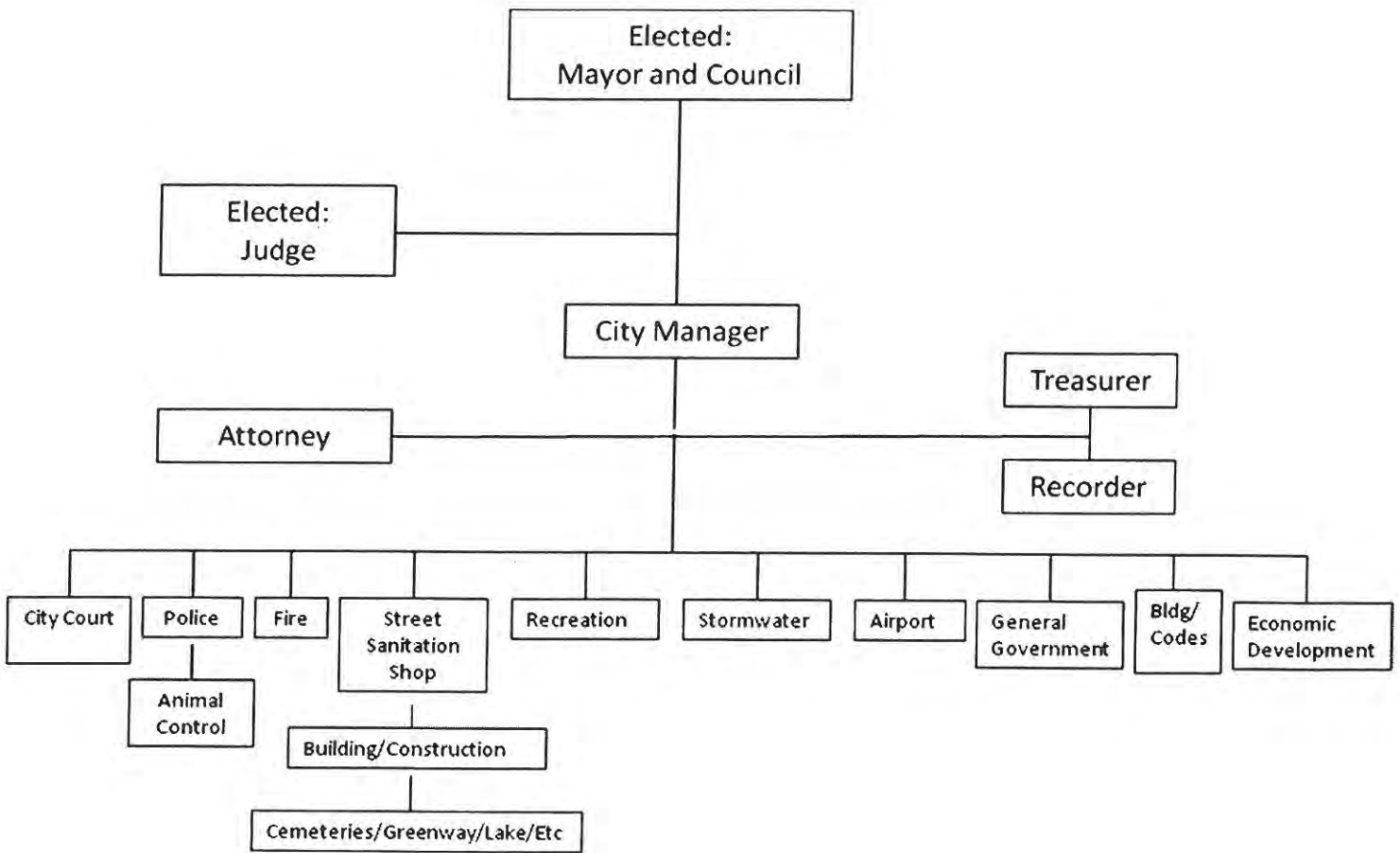
City Manager.....David P. Orr

City Treasurer.....Donna J. Park

City Recorder.....Brenda M. Brewer

City Attorney.....Stephen Broadway

CITY OF LEWISBURG  
ORGANIZATIONAL CHART





## INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the Financial Section of the Table of Contents, pages 14 through 76 inclusive. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Lewisburg Electric System and the Lewisburg Gas Department, which statements reflect total assets of \$44,895,192 as of June 30, 2011, and total revenues of \$31,726,718 for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the accompanying financial statements, insofar as it relates to the amounts included for the Lewisburg Gas Department and the Lewisburg Electric System in the Business Activities is based solely on the report of 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

In our opinion, based on our audit and the reports 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, 2011, and the respective changes in financial position, cash flows, where applicable, and the respective budgetary comparison for the major funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2012 on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 4 through 11 and the Schedule of Funding Progress and Schedule of Employer Contributions – Other Post Employment Benefits on page 78 and Schedule of Employer Contributions – Defined Benefit Pension Plan on page 79 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lewisburg's basic financial statements. The accompanying financial information listed in the Individual Nonmajor Fund Financial Schedule Section, the Financial Schedule Section and the Additional Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "Unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic statements taken as a whole.

*Kraft CPAs PLLC*

Columbia, Tennessee  
April 11, 2012

## 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, 2011. 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 our Letter of Transmittal and 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 \$79,704,597 (net assets). Of this amount, \$22,454,999 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
2. The government's total net assets increased by \$904,618. Increases totaling slightly over \$2.03 million within the utility systems and a decrease of \$1.13 million 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 \$4,641,336. Approximately 74% of this total amount is available for spending at the government's discretion (unassigned fund balance), although 26% or \$1,214,654 is designated for specific purposes.
4. At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,426,682 (38.4%) of general fund operating expenditures.
5. The City of Lewisburg's total bonds and notes payable were decreased \$1,259,029 during the current fiscal year. Long-term liabilities related to compensated absences, net pension obligation and other post employment benefits increased \$554,245 (net).
6. During the 2010 fiscal year, the Water and Wastewater's variable rate debt was refunded and replaced with very favorable fixed rate bonds. The move substantially reduces the utility's debt payment requirements.

## Overview of the Financial Statements (continued)

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 27-36 and the Drug Fund is reported as a Individual Nonmajor Fund on page 82.

The basic governmental funds financial statements can be found on pages 16-19 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 20-24 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 three fiduciary funds, Lone Oak Cemetery Trust, City of Lewisburg Defined Benefit Pension Trust and Lewisburg Water and Wastewater Defined Benefit Pension Trust and can be found on page 25-26 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 38-76 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 78 and 79 of this report.

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

## 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 assets* presents information on all of the City of Lewisburg's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 14 and 15 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** *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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

## Government-wide Financial Analysis

As noted earlier, net assets 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 \$79,704,597 as of June 30, 2011.

### City of Lewisburg, Tennessee Net Assets - Primary Government

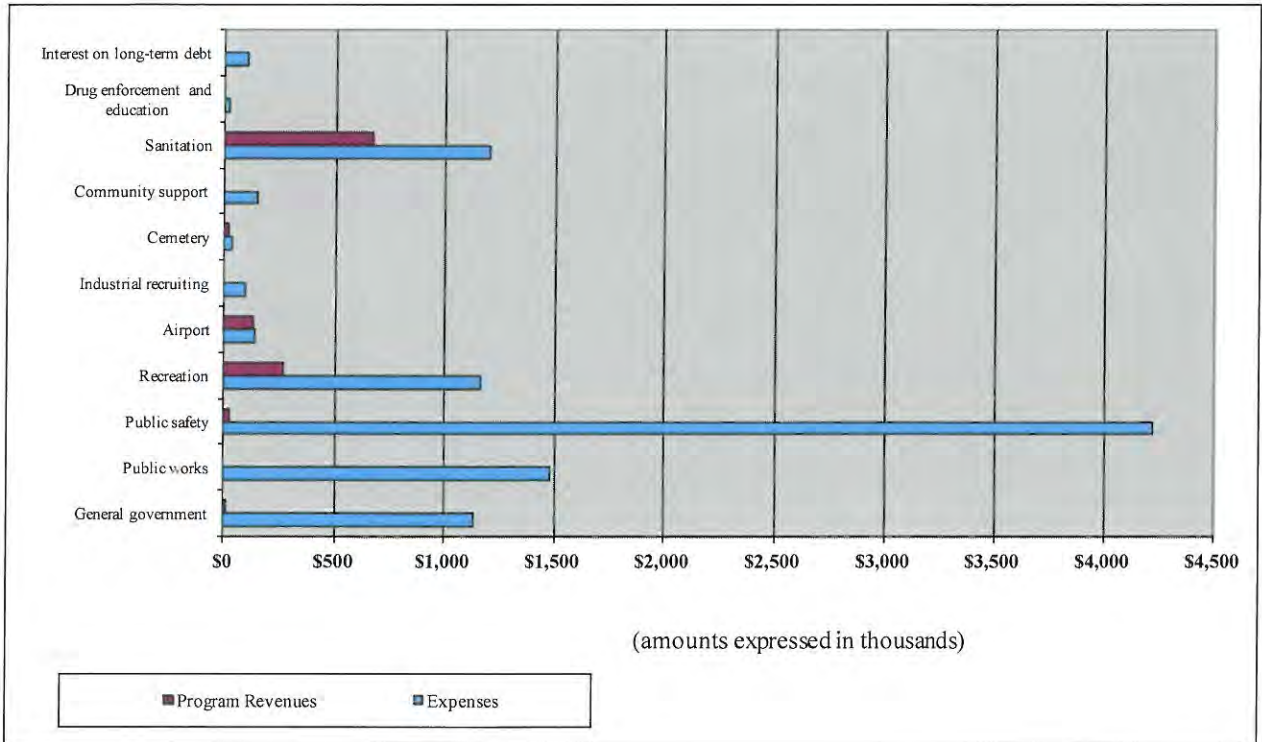
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 8,626,109	\$ 9,344,930	\$26,003,741	\$24,703,198	\$34,629,850	\$34,048,128
Capital Assets	<u>15,403,236</u>	<u>15,985,720</u>	<u>55,050,587</u>	<u>54,953,999</u>	<u>70,453,823</u>	<u>70,939,719</u>
Total Assets	<u>24,029,345</u>	<u>25,330,650</u>	<u>81,054,328</u>	<u>79,657,197</u>	<u>105,083,673</u>	<u>104,987,847</u>
Long-term Liabilities Outstanding	3,759,673	3,413,977	12,344,657	12,803,590	16,104,330	16,217,567
Other Liabilities	<u>4,176,136</u>	<u>4,694,582</u>	<u>5,098,610</u>	<u>5,275,719</u>	<u>9,274,746</u>	<u>9,970,301</u>
Total Liabilities	<u>7,935,809</u>	<u>8,108,559</u>	<u>17,443,267</u>	<u>18,079,309</u>	<u>25,379,076</u>	<u>26,187,868</u>
Net Assets:						
Invested in Capital Assets, net of related debt	11,239,818	12,154,124	44,745,799	44,227,818	55,985,617	56,381,942
Restricted	1,214,654	287,897	49,327	65,587	1,263,981	353,484
Unrestricted	<u>3,639,064</u>	<u>4,780,070</u>	<u>18,815,935</u>	<u>17,284,483</u>	<u>22,454,999</u>	<u>22,064,553</u>
Total Net Assets	<u>\$16,093,536</u>	<u>\$17,222,091</u>	<u>\$63,611,061</u>	<u>\$61,577,888</u>	<u>\$79,704,597</u>	<u>\$78,799,979</u>

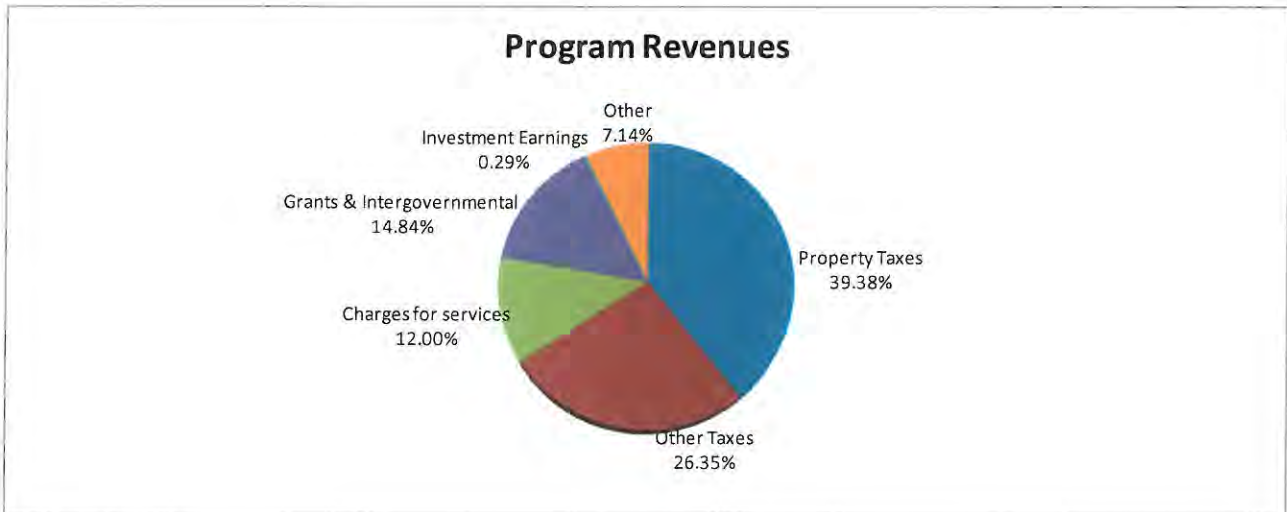
The largest portion of the City of Lewisburg's net assets (70 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Lewisburg uses these capital assets 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 assets, 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 Government, \$628,222 of expenses were related to recording of depreciation expense, an item associated with the new financial reporting format. Program revenues include only charges for services and operating grants and contributions directly related to an activity and do not include intergovernmental revenues that may be designated for a specific activity. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.





**Governmental activities (continued)**

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

**Business-type activities**

Business-type activities increased the City of Lewisburg's net assets by \$2,033,173. Key elements of this increase are as follows:

1. The Lewisburg Water and Wastewater Fund accounts for 20% of the increase in business-type net assets. This fund had a net income of \$409,772 for the year.
2. The Lewisburg Electric System accounts for 50% of the increase in business-type assets and reflected a net income of \$1,016,633.
3. The Lewisburg Gas System accounts for the remaining 30% of the total increase in business-type assets, reflecting a net income of \$606,768.

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 \$4,641,336. Approximately 75% of this total amount is unassigned fund balance, which is available for spending at the government's discretion. 23% is designated for future capital expenditures.

**Asset, Liabilities, and Fund Balances  
Total Governmental Funds**

	<u>2011</u>	<u>2010</u>
Total assets	<u>\$ 8,371,367</u>	<u>\$ 9,167,338</u>
Total liabilities	<u>\$ 3,730,031</u>	<u>\$ 4,230,553</u>
Fund balances:		
Restricted	136,894	195,667
Committed	1,077,760	1,150,124
Assigned	-	7,167
Unassigned	<u>3,426,682</u>	<u>3,583,827</u>
Total fund balances	<u>4,641,336</u>	<u>4,936,785</u>
Total liabilities and fund balances	<u>\$ 8,371,367</u>	<u>\$ 9,167,338</u>

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 \$3,426,682, a decrease of \$157,145 in comparison with the prior year. Note the change in fund balance includes a reclassification of one fund previously reported as a special revenue fund that is now required to be reported in the General Fund per GASB Statement 54 (see Note 17 – Prior Period Adjustments). 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 39% percent of total general fund operating expenditures.

## Budgetary Highlights

### Governmental Funds

Differences between the originally budgeted expenditures and final amended budgeted expenditures for all activities amounted to an increase of \$488,100. The changes in accounting for future OPEB costs have also affected the government's net assets. 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, 2011 amounts to \$70,453,823 (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)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Capital assets, not being depreciated:</u>						
Land	\$ 3,068,327	\$ 3,177,180	\$ 426,081	\$ 316,081	\$ 3,494,408	\$ 3,493,261
Investment in industrial park - held for sale	1,670,385	1,670,385	-	-	1,670,385	1,670,385
Construction in progress	93,912	1,018,200	1,052,803	2,302,902	1,146,715	3,321,102
Total capital assets, not being depreciated:	<u>4,832,624</u>	<u>5,865,765</u>	<u>1,478,884</u>	<u>2,618,983</u>	<u>6,311,508</u>	<u>8,484,748</u>
<u>Capital assets, being depreciated:</u>						
Buildings and improvements	12,158,545	11,123,710	5,199,571	5,090,020	17,358,116	16,213,730
Plant systems in service	-	-	83,981,858	81,053,518	83,981,858	81,053,518
Machinery and equipment	3,890,393	3,984,513	2,181,831	2,180,036	6,072,224	6,164,549
Infrastructure	4,071,022	4,063,722	-	-	4,071,022	4,063,722
Total capital assets, being depreciated:	<u>20,119,960</u>	<u>19,171,945</u>	<u>91,363,260</u>	<u>88,323,574</u>	<u>111,483,220</u>	<u>107,495,519</u>
<u>Less accumulated depreciation for:</u>						
Buildings and improvements	3,411,869	3,115,374	3,554,004	3,383,174	6,965,873	6,498,548
Plant systems in service	-	-	32,293,509	30,736,428	32,293,509	30,736,428
Machinery and equipment	3,308,041	3,211,422	1,944,044	1,868,956	5,252,085	5,080,378
Infrastructure	2,829,438	2,725,194	-	-	2,829,438	2,725,194
Total accumulated depreciation	<u>9,549,348</u>	<u>9,051,990</u>	<u>37,791,557</u>	<u>35,988,558</u>	<u>47,340,905</u>	<u>45,040,548</u>
Total capital assets, being depreciated, net	<u>\$ 10,570,612</u>	<u>\$ 10,119,955</u>	<u>\$ 53,571,703</u>	<u>\$ 52,335,016</u>	<u>\$ 64,142,315</u>	<u>\$ 62,454,971</u>
Capital assets, net	<u>\$ 15,403,236</u>	<u>\$ 15,985,720</u>	<u>\$ 55,050,587</u>	<u>\$ 54,953,999</u>	<u>\$ 70,453,823</u>	<u>\$ 70,939,719</u>

Additional information on the City of Lewisburg's capital assets can be found in Note 6 on pages 54-56 of this report.

### **Capital Asset and Debt Administration (continued)**

**Long-term debt.** At the end of the current fiscal year, the City of Lewisburg had total bonds and notes payable outstanding of \$14,503,920. Of this amount, \$2,365,000 comprises governmental activities debt and \$12,138,920 is business activities debt.

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 \$14,503,920 translates to approximately \$1,307 per capita using the 2010 Census population of 11,100.

The City also had post employment and pension obligations totaling \$2,088,473 as of June 30, 2011. Of this amount, \$1,634,115 comprises governmental activities debt and \$454,358 is business activities debt.

Additional information on the City of Lewisburg's long-term debt can be found in Note 7 on pages 57-60 of this report.

### **Requests for Information**

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

**City of Lewisburg  
Attn: Donna J. Park  
P.O. Box 1968  
Lewisburg, TN 37091  
931-359-1544**

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CITY OF LEWISBURG, TENNESSEE

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

JUNE 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,256,221	\$ 17,303,539	\$ 20,559,760
Investments	-	500,000	500,000
Receivables:			
Taxes	3,350,539	-	3,350,539
Accounts receivable - net of allowance for uncollectibles of \$125,023	-	2,356,182	2,356,182
Notes receivable	212,382	-	212,382
Intergovernmental	538,388	-	538,388
Inventories	-	1,009,657	1,009,657
Prepaid items and other current assets	-	152,147	152,147
Accrued revenue	-	687,302	687,302
Internal balances	31,315	(31,315)	-
Restricted assets:			
Cash and cash equivalents	170,749	2,517,156	2,687,905
Investments	-	32,012	32,012
Capital assets (net of accumulated depreciation):			
Land	3,068,327	426,081	3,494,408
Investment in industrial park building - held for sale	1,670,385	-	1,670,385
Buildings and structures	8,746,676	1,645,567	10,392,243
Machinery and equipment	582,352	237,787	820,139
Infrastructure	1,241,584	-	1,241,584
Utility plant in service	-	51,688,349	51,688,349
Construction in progress	93,912	1,052,803	1,146,715
Other assets			
Cash and cash equivalents - designated	1,023,675	798,465	1,822,140
Bond issue and loan costs, net of amortization	42,840	-	42,840
Other assets	-	678,596	678,596
<b>Total assets</b>	<b>24,029,345</b>	<b>81,054,328</b>	<b>105,083,673</b>
<b>LIABILITIES</b>			
Current portion of long-term obligations	446,585	329,003	775,588
Accounts payable	204,266	3,021,738	3,226,004
Accrued liabilities	110,727	-	110,727
Other	-	43,308	43,308
Unearned revenue	3,414,558	-	3,414,558
Accrued interest	-	24,856	24,856
Payable from restricted assets:			
Current portion of long-term obligations	-	32,464	32,464
Customer deposits	-	1,482,719	1,482,719
Long-term obligations	3,759,673	12,344,657	16,104,330
Other	-	164,522	164,522
<b>Total liabilities</b>	<b>7,935,809</b>	<b>17,443,267</b>	<b>25,379,076</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,239,818	44,745,799	55,985,617
Restricted other	1,214,654	49,327	1,263,981
Unrestricted	3,639,064	18,815,935	22,454,999
<b>Total Net Assets</b>	<b>\$ 16,093,536</b>	<b>\$ 63,611,061</b>	<b>\$ 79,704,597</b>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental Activities:							
General government	\$ 1,132,553	\$ -	\$ -	\$ 9,352	\$ (1,123,201)	\$ -	\$ (1,123,201)
Public works	1,479,522	0	-	-	(1,479,522)	-	(1,479,522)
Sanitation	1,199,180	665,282	-	-	(533,898)	-	(533,898)
Public safety	4,221,386	-	30,434	-	(4,190,952)	-	(4,190,952)
Recreation	1,165,566	237,127	27,608	-	(900,831)	-	(900,831)
Airport	142,274	57,607	-	70,878	(13,789)	-	(13,789)
Industrial recruiting	98,000	-	-	-	(98,000)	-	(98,000)
Cemetery	33,340	23,097	-	-	(10,243)	-	(10,243)
Community support	149,200	-	-	-	(149,200)	-	(149,200)
Drug enforcement and education	16,526	-	-	-	(16,526)	-	(16,526)
Interest on long-term debt	99,668	-	-	-	(99,668)	-	(99,668)
Total governmental activities	9,737,215	983,113	58,042	80,230	(8,615,830)	-	(8,615,830)
Business-type activities:							
Lewisburg Water and Wastewater Department	4,720,215	4,915,590	8,600	-	-	203,975	203,975
Lewisburg Gas Department	5,568,686	6,287,171	559	-	-	719,044	719,044
Lewisburg Electric System	24,118,331	25,439,547	-	-	-	1,321,216	1,321,216
Total business-type activities	34,407,232	36,642,308	9,159	-	-	2,244,235	2,244,235
Total primary government	\$ 44,144,447	\$ 37,625,421	\$ 67,201	\$ 80,230	(8,615,830)	2,244,235	(6,371,595)
General Revenues:							
Taxes					5,385,250	-	5,385,250
Intergovernmental					1,077,238	-	1,077,238
Interest					23,853	118,124	141,977
Other					476,227	195,333	671,560
Transfers					524,707	(524,519)	188
Total general revenues					7,487,275	(211,062)	7,276,213
Change in net assets					(1,128,555)	2,033,173	904,618
Net Assets - beginning					17,222,091	61,577,888	78,799,979
Net Assets - ending					\$ 16,093,536	\$ 63,611,061	\$ 79,704,597

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>GENERAL</u>	<u>DRUG</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,256,221	\$ -	\$ 3,256,221
Receivables (net of allowance for uncollectibles):			
Taxes	3,350,539	-	3,350,539
Due from other funds	31,636	159	31,795
Due from other governments	538,388	-	538,388
Restricted assets:			
Cash and cash equivalents	156,405	14,344	170,749
Other assets			
Cash and cash equivalents - designated	<u>1,023,675</u>	<u>-</u>	<u>1,023,675</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,356,864</u>	<u>\$ 14,503</u>	<u>\$ 8,371,367</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 204,266	\$ -	\$ 204,266
Accrued liabilities	110,727	-	110,727
Due to other funds - Note 3	480	-	480
Deferred revenue	<u>3,414,558</u>	<u>-</u>	<u>3,414,558</u>
<b>TOTAL LIABILITIES</b>	<u>3,730,031</u>	<u>-</u>	<u>3,730,031</u>
 <b>FUND BALANCE (DEFICIT)</b>			
Restricted	122,391	14,503	136,894
Assigned	1,077,760	-	1,077,760
Unassigned	<u>3,426,682</u>	<u>-</u>	<u>3,426,682</u>
<b>TOTAL FUND BALANCE (DEFICIT)</b>	<u>4,626,833</u>	<u>14,503</u>	<u>4,641,336</u>
<b>TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)</b>	<u>\$ 8,356,864</u>	<u>\$ 14,503</u>	<u>\$ 8,371,367</u>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF  
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2011

<b>Total Governmental Funds Balances</b>	<b>\$ 4,641,336</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Amounts loaned to industries are not available to pay for current expenditures and are therefore not reported in the governmental funds	212,382
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds	15,403,236
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	\$ (2,357,694)
Less bond discount	42,840
Net pension obligation	(54,789)
Other post-employment benefits	(1,579,326)
Compensated absences	<u>(214,449)</u>
	<u>(4,163,418)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 16,093,536</u></b>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>GENERAL</u>	<u>DRUG</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes	\$ 5,385,250	\$ -	\$ 5,385,250
Charges for services	983,113	-	983,113
Intergovernmental	1,077,238	-	1,077,238
Grant revenue	138,272	-	138,272
Interest	23,853	-	23,853
Other	<u>573,748</u>	<u>11,333</u>	<u>585,081</u>
 TOTAL REVENUES	 <u>8,181,474</u>	 <u>11,333</u>	 <u>8,192,807</u>
EXPENDITURES			
General government	1,016,731	-	1,016,731
Public works	1,304,855	-	1,304,855
Sanitation	1,088,704	-	1,088,704
Public safety	3,803,123	-	3,803,123
Recreation	1,023,144	-	1,023,144
Airport	140,768	-	140,768
Industrial recruiting	88,367	-	88,367
Cemetery	29,978	-	29,978
Community support	149,200	-	149,200
Drug fund	-	16,526	16,526
Debt service			
Principal	175,000	-	175,000
Interest	<u>95,367</u>	<u>-</u>	<u>95,367</u>
 TOTAL EXPENDITURES	 <u>8,915,237</u>	 <u>16,526</u>	 <u>8,931,763</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(733,763)</u>	<u>(5,193)</u>	<u>(738,956)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers	523,847	860	524,707
Loans to industries	(100,000)	-	(100,000)
Payments received on loans to industries	<u>18,800</u>	<u>-</u>	<u>18,800</u>
 TOTAL OTHER FINANCING SOURCES	 <u>442,647</u>	 <u>860</u>	 <u>443,507</u>
NET CHANGE IN FUND BALANCE	<u>(291,116)</u>	<u>(4,333)</u>	<u>(295,449)</u>
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED SEE NOTE 17	<u>4,917,949</u>	<u>18,836</u>	<u>4,936,785</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 4,626,833</u>	<u>\$ 14,503</u>	<u>\$ 4,641,336</u>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

<b>Net Change in Fund Balance - Governmental Funds</b>	<b>\$ (295,449)</b>
Amounts reported for governmental activities in the Statement of Activities are different from amounts reported for governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances because:	
Acquisition of capital assets, net of retirements	45,738
Depreciation expense	(628,222)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities for governmental activities.	175,000
Governmental funds report the effects of bond issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities:	
Amortization of bond discount	(731)
Amortization of bond issue costs	(3,570)
Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:	
Change in accrual for other post-employment benefits	(509,152)
Change in accrual for compensated absences	61,420
Change in net pension obligation	(54,789)
Governmental funds report payments on loans to industries as revenues. However, these amounts are reported as notes receivable for governmental activities, net of bad debts.	<u>81,200</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (1,128,555)</u></b>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATER AND WASTEWATER DEPARTMENT</u>	<u>GAS DEPARTMENT</u>	<u>ELECTRIC SYSTEM</u>	<u>TOTAL</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,757,823	\$ 6,327,013	\$ 9,218,703	\$ 17,303,539
Investments	-	-	500,000	500,000
Accounts receivable (net)	176,140	53,319	2,126,723	2,356,182
Inventories	147,036	454,337	408,284	1,009,657
Prepaid expenses and other	28,226	8,553	115,368	152,147
Accrued revenue	-	240,280	447,022	687,302
TOTAL CURRENT ASSETS	<u>2,109,225</u>	<u>7,083,502</u>	<u>12,816,100</u>	<u>22,008,827</u>
RESTRICTED ASSETS				
Cash and cash equivalents	1,656,425	-	860,731	2,517,156
Investments	32,012	-	-	32,012
TOTAL RESTRICTED ASSETS	<u>1,688,437</u>	<u>-</u>	<u>860,731</u>	<u>2,549,168</u>
UTILITY PLANT				
Utility plant in service - at cost	53,170,825	16,276,656	22,341,860	91,789,341
Less accumulated depreciation	<u>22,984,247</u>	<u>6,253,952</u>	<u>8,553,358</u>	<u>37,791,557</u>
Construction in progress	30,186,578	10,022,704	13,788,502	53,997,784
	<u>907,298</u>	<u>100,877</u>	<u>44,628</u>	<u>1,052,803</u>
UTILITY PLANT - NET	<u>31,093,876</u>	<u>10,123,581</u>	<u>13,833,130</u>	<u>55,050,587</u>
OTHER ASSETS				
Cash and cash equivalents designated by the Board	798,465	-	-	798,465
Conservation loans	-	-	162,092	162,092
Other	500,448	16,056	-	516,504
TOTAL OTHER ASSETS	<u>1,298,913</u>	<u>16,056</u>	<u>162,092</u>	<u>1,477,061</u>
TOTAL ASSETS	<u>36,190,451</u>	<u>17,223,139</u>	<u>27,672,053</u>	<u>81,085,643</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS (CONTINUED)

JUNE 30, 2010

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATER AND WASTEWATER DEPARTMENT</u>	<u>GAS DEPARTMENT</u>	<u>ELECTRIC SYSTEM</u>	<u>TOTAL</u>
CURRENT LIABILITIES (Payable from current assets)				
Current portion of long-term obligations	\$ 185,000	\$ 140,309	\$ 3,694	\$ 329,003
Accrued interest on bonds and notes	24,856	-	-	24,856
Accounts payable and accrued expenses	215,450	371,595	2,434,693	3,021,738
Due to other funds	-	-	31,315	31,315
Other	-	43,308	-	43,308
	<u>425,306</u>	<u>555,212</u>	<u>2,469,702</u>	<u>3,450,220</u>
TOTAL CURRENT LIABILITIES (Payable from current assets)				
CURRENT LIABILITIES (Payable from restricted assets)				
Current portion of long-term debt	32,464	-	-	32,464
Customer deposits	378,706	243,282	860,731	1,482,719
	<u>411,170</u>	<u>243,282</u>	<u>860,731</u>	<u>1,515,183</u>
TOTAL CURRENT LIABILITIES (Payable from restricted assets)				
LONG-TERM OBLIGATIONS				
Bonds payable	10,654,184	-	-	10,654,184
Notes payable	-	1,404,746	6,710	1,411,456
Other post-employment benefits	-	454,358	-	454,358
Liability for compensated absences	-	67,484	118,642	186,126
	<u>10,654,184</u>	<u>1,926,588</u>	<u>125,352</u>	<u>12,706,124</u>
Less current portion of long-term debt	217,464	140,309	3,694	361,467
	<u>10,436,720</u>	<u>1,786,279</u>	<u>121,658</u>	<u>12,344,657</u>
TOTAL LONG-TERM DEBT				
OTHER LIABILITIES				
Conservation loan advances - Tennessee Valley Authority	-	-	164,522	164,522
TOTAL OTHER LIABILITIES	<u>-</u>	<u>-</u>	<u>164,522</u>	<u>164,522</u>
TOTAL LIABILITIES	<u>11,273,196</u>	<u>2,584,773</u>	<u>3,616,613</u>	<u>17,474,582</u>
NET ASSETS				
Investment in capital assets, net of related debt	22,200,544	8,718,835	13,826,420	44,745,799
Retained earnings:				
Restricted	49,327	-	-	49,327
Unrestricted	2,667,384	5,919,531	10,229,020	18,815,935
	<u>24,917,255</u>	<u>14,638,366</u>	<u>24,055,440</u>	<u>63,611,061</u>
TOTAL NET ASSETS				

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATER AND WASTEWATER DEPARTMENT</u>	<u>GAS DEPARTMENT</u>	<u>ELECTRIC SYSTEM</u>	<u>TOTAL</u>
OPERATING REVENUES				
Charges for services	\$ 4,915,590	\$ 6,287,171	\$ 25,439,547	\$ 36,642,308
Other revenue	196,459	-	-	196,459
<b>TOTAL OPERATING REVENUES</b>	<u>5,112,049</u>	<u>6,287,171</u>	<u>25,439,547</u>	<u>36,838,767</u>
OPERATING EXPENSES				
Purchases	-	3,873,175	21,033,371	24,906,546
Other direct costs and expenses	2,557,409	594,419	1,721,698	4,873,526
Administrative and general	523,141	655,117	688,856	1,867,114
Depreciation and amortization	1,121,762	435,157	673,631	2,230,550
<b>TOTAL OPERATING EXPENSES</b>	<u>4,202,312</u>	<u>5,557,868</u>	<u>24,117,556</u>	<u>33,877,736</u>
<b>OPERATING INCOME</b>	<u>909,737</u>	<u>729,303</u>	<u>1,321,991</u>	<u>2,961,031</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	9,338	33,938	74,848	118,124
Interest expense	(517,903)	(6,180)	(775)	(524,858)
Other	-	2,521	(3,647)	(1,126)
Gain (Loss) on disposal of assets	-	(4,638)	-	(4,638)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(508,565)</u>	<u>25,641</u>	<u>70,426</u>	<u>(412,498)</u>
<b>INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>401,172</u>	<u>754,944</u>	<u>1,392,417</u>	<u>2,548,533</u>
Capital contributions	8,600	559	-	9,159
Transfers out - payments in lieu of taxes	-	(148,735)	(375,784)	(524,519)
<b>INCREASE IN NET ASSETS</b>	<u>409,772</u>	<u>606,768</u>	<u>1,016,633</u>	<u>2,033,173</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>24,507,483</u>	<u>14,031,598</u>	<u>23,038,807</u>	<u>61,577,888</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 24,917,255</u>	<u>\$ 14,638,366</u>	<u>\$ 24,055,440</u>	<u>\$ 63,611,061</u>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATER AND WASTEWATER DEPARTMENT</u>	<u>GAS DEPARTMENT</u>	<u>ELECTRIC SYSTEM</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 4,897,835	\$ 6,133,503	\$ 24,641,591	\$ 35,672,929
Payments to suppliers and other	(1,213,927)	(4,573,195)	(21,670,630)	(27,457,752)
Payments to employees	(1,957,614)	(541,828)	(1,517,897)	(4,017,339)
Other receipts	196,459	126,062	930,249	1,252,770
Other payments	-	(64,434)	-	(64,434)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,922,753</u>	<u>1,080,108</u>	<u>2,383,313</u>	<u>5,386,174</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payments in-lieu of taxes	-	(148,735)	(375,784)	(524,519)
Advances from TVA, net of repayments	-	-	9,152	9,152
Energy conservation loans made, net of repayments	-	-	(12,579)	(12,579)
Interest paid on consumers' deposits	-	-	(775)	(775)
Non-operating expenses	-	-	(3,647)	(3,647)
<b>NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>(148,735)</u>	<u>(383,633)</u>	<u>(532,368)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(729,843)	(666,940)	(833,373)	(2,230,156)
Principal paid on bonds and notes payable	(1,000,335)	(80,000)	-	(1,080,335)
Proceeds from sale of assets	-	2,005	46,365	48,370
Interest paid on bonds and notes payable, less capitalized interest	(430,055)	(7,391)	-	(437,446)
Removal costs of retired assets, net of salvage	-	(34,652)	(27,276)	(61,928)
Contributions in aid of construction	-	559	-	559
Purchase of plant - installment payments	-	-	(3,694)	(3,694)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(2,160,233)</u>	<u>(786,419)</u>	<u>(817,978)</u>	<u>(3,764,630)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from investment securities	16,163	42,481	-	58,644
Other	-	-	(6,287)	(6,287)
Interest, dividends and rental income	9,338	33,937	74,849	118,124
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>25,501</u>	<u>76,418</u>	<u>68,562</u>	<u>170,481</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(211,979)</u>	<u>221,372</u>	<u>1,250,264</u>	<u>1,259,657</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>4,424,692</u>	<u>6,105,641</u>	<u>8,829,170</u>	<u>19,359,503</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,212,713</u>	<u>\$ 6,327,013</u>	<u>\$ 10,079,434</u>	<u>\$ 20,619,160</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATER AND WASTEWATER DEPARTMENT</u>	<u>GAS DEPARTMENT</u>	<u>ELECTRIC SYSTEM</u>	<u>TOTAL</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 909,737	\$ 729,303	\$ 1,321,991	\$ 2,961,031
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,033,914	445,045	673,631	2,152,590
Provision for uncollectible accounts	-	(16,293)	-	(16,293)
(Increase) decrease in:				
Accounts receivable	(17,755)	14,249	(775,051)	(778,557)
Inventory	(2,276)	(134,195)	(2,186)	(138,657)
Prepaid expense	1,751	119	(1,357)	513
Accrued revenue	-	(176)	822,287	822,111
Increase (decrease) in:				
Accounts payable and accrued expenses	(19,718)	(8,111)	259,970	232,141
Accrued liabilities	-	1,137	-	1,137
Customer deposits	17,100	(32,500)	85,057	69,657
Other	-	81,530	(1,029)	80,501
 TOTAL ADJUSTMENTS	 <u>1,013,016</u>	 <u>350,805</u>	 <u>1,061,322</u>	 <u>2,425,143</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 1,922,753</u>	 <u>\$ 1,080,108</u>	 <u>\$ 2,383,313</u>	 <u>\$ 5,386,174</u>
 NONCASH INVESTING, CAPITAL AND FINANCING TRANSACTIONS				
Utility plant contributed by real estate developers	\$ 8,600	\$ -	\$ -	\$ 8,600
Capitalized costs and interest	\$ 81,414	\$ 10,809	\$ 62,855	\$ 155,078

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	<u>LONE OAK TRUST</u>	<u>CITY OF LEWISBURG DEFINED BENEFIT PENSION TRUST</u>	<u>LEWISBURG WATER AND WASTEWATER DEFINED BENEFIT PENSION TRUST</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 100,000	\$ 489,291	\$ 151,402	\$ 740,693
Investments held in trust, at fair value				
Equities and options	-	106,708	44,123	150,831
Mutual funds - balanced funds	-	2,744,692	662,388	3,407,080
Real estate investment trusts	-	478,271	150,690	628,961
<b>TOTAL ASSETS</b>	<u>100,000</u>	<u>3,818,962</u>	<u>1,008,603</u>	<u>4,927,565</u>
<b>NET ASSETS</b>				
Net assets reserved for cemetery maintenance	100,000	-	-	100,000
Net assets held in trust for defined benefit plan	-	3,818,962	1,008,603	4,827,565
<b>TOTAL NET ASSETS</b>	<u>\$ 100,000</u>	<u>\$ 3,818,962</u>	<u>\$ 1,008,603</u>	<u>\$ 4,927,565</u>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

FIDUCIARY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>LONE OAK TRUST</u>	<u>CITY OF LEWISBURG DEFINED BENEFIT PENSION TRUST</u>	<u>LEWISBURG WATER AND WASTEWATER DEFINED BENEFIT PENSION TRUST</u>	<u>TOTAL</u>
<b>ADDITIONS</b>				
Prior service credit	\$ -	\$ -	\$ 932,114	\$ 932,114
Contributions:				
Employer	-	138,606	41,577	180,183
Employee	-	227,915	30,753	258,668
Investment income:				
Interest and dividends	188	105,346	4,716	110,250
Net appreciation (depreciation) in value of investments	<u>-</u>	<u>359,364</u>	<u>1,809</u>	<u>361,173</u>
<b>Total Additions</b>	<u>188</u>	<u>831,231</u>	<u>1,010,969</u>	<u>1,842,388</u>
<b>DEDUCTIONS</b>				
Benefits paid	-	174,895	-	174,895
Plan expenses		28,842	2,366	31,208
Transfers out	<u>188</u>	<u>-</u>	<u>-</u>	<u>188</u>
<b>Total Deductions</b>	<u>188</u>	<u>203,737</u>	<u>2,366</u>	<u>206,291</u>
<b>NET INCREASE</b>	-	627,494	1,008,603	1,636,097
<b>NET ASSETS</b>				
Beginning of year	<u>100,000</u>	<u>3,191,468</u>	<u>-</u>	<u>3,291,468</u>
End of year	<u>\$ 100,000</u>	<u>\$ 3,818,962</u>	<u>\$ 1,008,603</u>	<u>\$ 4,927,565</u>

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE - OVER (UNDER)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>TAXES</b>				
Real and personal property	\$ 3,140,000	\$ 3,140,000	\$ 3,226,348	\$ 86,348
Business tax	140,000	140,000	164,945	24,945
Interest and penalties on business and property taxes	20,000	20,000	30,140	10,140
Wholesale beer	385,000	385,000	371,423	(13,577)
Local sales tax	1,250,000	1,350,000	1,383,673	33,673
Alcoholic beverage tax	105,000	105,000	77,052	(27,948)
Received in lieu of taxes	<u>132,000</u>	<u>132,000</u>	<u>131,669</u>	<u>(331)</u>
<b>TOTAL TAXES</b>	<u>5,172,000</u>	<u>5,272,000</u>	<u>5,385,250</u>	<u>113,250</u>
<b>GRANT REVENUE</b>				
Federal Homeland Security - Fire Grant	-	53,500	12,758	(40,742)
State of Tennessee - Police Block Grant	-	-	17,676	17,676
State of Tennessee - Agriculture Grant	328,000	249,800	18,566	(231,234)
State of Tennessee - Airport	170,000	170,000	70,878	(99,122)
State of Tennessee - Energy Grant	-	100,000	7,725	(92,275)
State of Tennessee - Governor's Safety Grant	-	-	9,042	9,042
Tennessee Valley Authority - technology grant	-	-	<u>1,627</u>	<u>1,627</u>
<b>TOTAL GRANT REVENUE</b>	<u>498,000</u>	<u>573,300</u>	<u>138,272</u>	<u>(435,028)</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
State of Tennessee - income tax	134,000	59,000	53,145	(5,855)
State of Tennessee - mixed drink tax	6,000	6,000	15,120	9,120
State of Tennessee - sales tax	665,000	685,000	700,716	15,716
State of Tennessee - excise tax	26,500	26,500	1,506	(24,994)
State of Tennessee - state street aid - street lighting	280,000	280,000	284,365	4,365
State of Tennessee - streets and transportation	<u>22,000</u>	<u>22,000</u>	<u>22,386</u>	<u>386</u>
<b>TOTAL INTERGOVERNMENTAL REVENUE</b>	<u>1,133,500</u>	<u>1,078,500</u>	<u>1,077,238</u>	<u>(1,262)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER</u>
				<u>(UNDER)</u>
CHARGES FOR SERVICES				
Recreation charges	\$ 414,500	\$ 353,000	\$ 237,127	\$ (115,873)
Airport revenue	64,000	52,000	57,607	5,607
Cemetery revenue	20,000	20,000	23,097	3,097
	<u>498,500</u>	<u>425,000</u>	<u>317,831</u>	<u>(107,169)</u>
TOTAL CHARGES FOR SERVICES				
INTEREST INCOME				
Interest on investments	60,000	25,000	23,725	(1,275)
OTHER REVENUES				
Cable TV franchise fees	45,000	45,000	49,580	4,580
City court fines	230,000	230,000	201,913	(28,087)
City court vehicle fees	12,000	12,000	10,463	(1,537)
Police accident report revenue	500	500	456	(44)
DEA task force revenue	100,000	100,000	83,554	(16,446)
Sex offender fees	1,500	1,500	1,925	425
Rabies control	3,000	3,000	21,654	18,654
Sales of fixed assets	229,000	229,000	134,632	(94,368)
Police other revenue	1,000	1,000	82	(918)
Street department scrap sales	1,500	1,500	4,713	3,213
Miscellaneous	58,500	58,500	64,776	6,276
	<u>682,000</u>	<u>682,000</u>	<u>573,748</u>	<u>(108,252)</u>
TOTAL OTHER REVENUES				
TOTAL REVENUES	<u>8,044,000</u>	<u>8,055,800</u>	<u>7,516,064</u>	<u>(539,736)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER</u>
				<u>(UNDER)</u>
GENERAL GOVERNMENT				
Salaries - City	\$ 464,000	\$ 485,000	\$ 484,223	\$ (777)
Employee group insurance	58,000	68,000	69,388	1,388
Employee retirement program	28,000	28,000	28,000	-
Payroll taxes	40,000	40,000	36,061	(3,939)
Office supplies and expense	33,000	33,000	26,216	(6,784)
Ladies restroom	-	-	7,739	7,739
Insurance - general	200,000	160,000	148,361	(11,639)
Professional services	135,000	114,000	112,505	(1,495)
Utilities	18,000	18,000	16,641	(1,359)
Vehicle expenses - outside	500	500	153	(347)
Gas and oil - outside	1,200	1,200	728	(472)
Vehicle expenses - shop	500	500	133	(367)
Travel	4,000	4,000	2,751	(1,249)
Dues and subscriptions	12,500	12,500	13,093	593
Advertising	4,000	6,000	4,905	(1,095)
Industrial Development Board	-	-	695	695
Traffic fees to State	42,000	42,000	35,234	(6,766)
Miscellaneous	500	500	1,287	787
Building expense	10,000	10,000	6,418	(3,582)
Court supplies and expense	7,500	7,500	7,569	69
Election	13,000	13,000	9,926	(3,074)
Capital expenditures	-	100,000	4,705	(95,295)
	<u>1,071,700</u>	<u>1,143,700</u>	<u>1,016,731</u>	<u>(126,969)</u>
TOTAL GENERAL GOVERNMENT				

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER</u>
				<u>(UNDER)</u>
<b>PUBLIC WORKS</b>				
Maintenance:				
Salaries	\$ 64,000	\$ 64,000	\$ 64,433	\$ 433
Employee group insurance	26,000	26,000	26,595	595
Employee retirement	5,000	5,000	5,000	-
Payroll taxes	5,500	5,500	4,861	(639)
Supplies	55,000	55,000	53,983	(1,017)
Utilities	17,500	17,500	15,457	(2,043)
Vehicle expenses - shop	350	350	-	(350)
Vehicle expense gas/oil - outside	1,000	1,000	817	(183)
Miscellaneous	200	200	-	(200)
Less: Departmental allocations	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,613)</u>	<u>(613)</u>
 Total Maintenance	 <u>114,550</u>	 <u>114,550</u>	 <u>110,533</u>	 <u>(4,017)</u>
 Highways and streets:				
Salaries	385,000	385,000	328,542	(56,458)
Employee group insurance	68,000	91,000	89,374	(1,626)
Employee retirement	17,000	17,000	17,000	-
Payroll taxes	29,000	29,000	23,580	(5,420)
Vehicle expenses - outside	5,000	5,000	11,577	6,577
Vehicle expenses - gas/oil - outside	35,000	35,000	29,741	(5,259)
Vehicle expenses - shop	25,000	25,000	29,874	4,874
Contracts/paving	200,000	-	-	-
Streets and transportation supplies	150,000	150,000	112,289	(37,711)
Equipment repair	6,000	6,000	482	(5,518)
Scrap	3,000	3,000	1,344	(1,656)
Storm Water Program Expenses	20,000	20,000	27,625	7,625
Miscellaneous	100	100	-	(100)
Capital expenditures	44,000	62,500	60,707	(1,793)
State street aid expenditures - street lighting	<u>388,000</u>	<u>481,000</u>	<u>462,187</u>	<u>(18,813)</u>
 Total Highways and streets	 <u>1,375,100</u>	 <u>1,309,600</u>	 <u>1,194,322</u>	 <u>(115,278)</u>
 TOTAL PUBLIC WORKS	 <u>1,489,650</u>	 <u>1,424,150</u>	 <u>1,304,855</u>	 <u>(119,295)</u>

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER</u>
				<u>(UNDER)</u>
<b>PUBLIC SAFETY</b>				
Police Department:				
Salaries	\$1,530,000	\$ 1,530,000	\$1,560,903	\$ 30,903
Employee group insurance	265,000	320,000	322,674	2,674
Employee retirement	80,000	80,000	80,000	-
Payroll taxes	120,500	120,500	123,196	2,696
Sex offender expenditures	1,500	1,500	-	(1,500)
Police school	16,000	16,000	8,541	(7,459)
Vehicle expense - outside	14,000	14,000	16,497	2,497
Vehicle expense - shop	14,500	14,500	11,806	(2,694)
Vehicle expense gas/oil - outside	60,000	68,000	63,754	(4,246)
Uniforms	17,500	17,500	22,822	5,322
Supplies	25,000	25,000	22,441	(2,559)
Prisoner care	27,500	27,500	22,420	(5,080)
Utilities	32,000	32,000	30,488	(1,512)
Radio maintenance	9,000	9,000	3,469	(5,531)
Repairs and maintenance - building	10,000	10,000	6,332	(3,668)
TIES rentals	7,200	7,200	7,320	120
Miscellaneous	2,000	2,000	150	(1,850)
Capital expenditures	<u>23,500</u>	<u>23,500</u>	<u>42,713</u>	<u>19,213</u>
Total Police Department	<u>2,255,200</u>	<u>2,318,200</u>	<u>2,345,526</u>	<u>27,326</u>

(Continued on next page)

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>OVER</u>
				<u>(UNDER)</u>
Fire Department:				
Salaries	\$ 875,000	\$ 945,000	\$ 922,037	\$ (22,963)
Employee group insurance	185,000	205,000	208,576	3,576
Employee retirement	49,500	49,500	49,500	-
Payroll taxes	67,500	73,100	68,088	(5,012)
Vehicle expense - outside	5,000	11,000	7,273	(3,727)
Vehicle expense - shop	4,000	4,000	7,896	3,896
Vehicle expense gas/oil - outside	5,000	8,000	7,556	(444)
Supplies	20,000	20,000	18,250	(1,750)
School	3,000	3,000	2,097	(903)
Utilities	25,000	30,000	25,950	(4,050)
Uniforms	5,500	5,500	3,141	(2,359)
Radio maintenance	3,500	3,500	2,012	(1,488)
Miscellaneous	500	500	-	(500)
Repairs and maintenance	8,000	8,000	8,019	19
Capital expenditures	-	53,500	12,758	(40,742)
	<u>1,256,500</u>	<u>1,419,600</u>	<u>1,343,153</u>	<u>(76,447)</u>
Total Fire Department				
Building Inspection:				
Salaries	45,000	30,000	24,154	(5,846)
Employee group insurance	10,500	7,500	5,087	(2,413)
Employee retirement	2,800	2,800	2,800	-
Payroll taxes	3,000	3,000	1,842	(1,158)
Vehicle expense - shop	200	200	41	(159)
Vehicle expense - outside	50	50	-	(50)
Vehicle expense gas/oil - outside	200	200	326	126
Utilities	500	500	42	(458)
Supplies	500	5,500	6,581	1,081
Miscellaneous	50	50	-	(50)
	<u>62,800</u>	<u>49,800</u>	<u>40,873</u>	<u>(8,927)</u>
Total Building Inspection				

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER</u>
				<u>(UNDER)</u>
Animal Control:				
Salaries	\$ 35,000	\$ 35,000	\$ 39,163	\$ 4,163
Employee group insurance	8,000	8,000	8,780	780
Employee retirement	2,100	2,100	2,100	-
Payroll taxes	2,900	2,900	3,626	726
Supplies	3,000	3,000	634	(2,366)
Repairs	5,000	5,000	-	(5,000)
Veterinary expenses	7,000	7,000	13,096	6,096
Vehicle expense - outside	-	-	159	159
Vehicle expense gas/oil - outside	2,000	2,000	1,804	(196)
Vehicle expense - shop	500	500	153	(347)
Utilities	4,000	4,000	4,056	56
	<u>69,500</u>	<u>69,500</u>	<u>73,571</u>	<u>4,071</u>
Total Animal Control				
	<u>3,644,000</u>	<u>3,857,100</u>	<u>3,803,123</u>	<u>(53,977)</u>
TOTAL PUBLIC SAFETY				
RECREATION				
Salaries	505,000	555,000	530,607	(24,393)
Employee group insurance	55,000	67,000	67,414	414
Employee retirement	19,000	19,000	19,000	-
Payroll taxes	36,000	36,400	41,964	5,564
Supplies	11,000	11,000	8,408	(2,592)
Facility maintenance	51,000	51,000	54,597	3,597
Building expenses	30,000	40,000	28,357	(11,643)
Equipment maintenance	15,000	15,000	10,351	(4,649)
Vehicle expense gas/oil - outside	9,000	9,000	10,355	1,355
Vehicle expense - shop	-	-	670	670
Inventory purchases	24,000	24,000	8,917	(15,083)
Sales tax	3,000	3,000	1,394	(1,606)
Activity expense	10,000	10,000	5,675	(4,325)
Dues and travel expense	2,000	2,000	839	(1,161)
Utilities	167,950	182,850	171,644	(11,206)
Miscellaneous	1,000	1,000	1,205	205
Capital expenditures	328,000	340,000	61,747	(278,253)
	<u>1,266,950</u>	<u>1,366,250</u>	<u>1,023,144</u>	<u>(343,106)</u>
TOTAL RECREATION				

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER</u>
				<u>(UNDER)</u>
<b>INDUSTRIAL RECRUITING</b>				
Salary	\$ 83,000	\$ 83,000	\$ 56,256	\$ (26,744)
Employee group insurance	4,000	7,000	6,482	(518)
Employee retirement	1,200	1,200	1,200	-
Payroll taxes	5,100	5,100	4,431	(669)
Supplies	2,000	2,000	5,852	3,852
Advertising	5,000	5,000	4,981	(19)
Vehicle expense - shop	500	500	-	(500)
Vehicle expense - outside	500	500	75	(425)
Vehicle expense gas/oil - outside	1,000	1,000	511	(489)
Telephone	1,700	1,700	1,342	(358)
Travel and lodging	<u>10,000</u>	<u>10,000</u>	<u>7,237</u>	<u>(2,763)</u>
<b>TOTAL INDUSTRIAL RECRUITING</b>	<u>114,000</u>	<u>117,000</u>	<u>88,367</u>	<u>(28,633)</u>
<b>AIRPORT</b>				
Salaries	35,700	35,700	34,024	(1,676)
Employee group insurance	9,000	9,000	8,627	(373)
Employee retirement	2,100	2,100	2,100	-
Payroll taxes	2,600	2,600	2,567	(33)
Supplies	1,500	1,500	871	(629)
Runway maintenance	2,000	2,000	4,994	2,994
Radio maintenance	1,500	1,500	2,160	660
Ground maintenance	5,000	5,000	2,574	(2,426)
Building maintenance	6,500	6,500	5,635	(865)
Vehicle expense gas/oil - outside	200	200	831	631
Shop expense	-	-	104	104
Utilities	15,000	22,500	19,623	(2,877)
Miscellaneous	50	50	-	(50)
Capital expenditures	<u>178,000</u>	<u>183,000</u>	<u>56,658</u>	<u>(126,342)</u>
<b>TOTAL AIRPORT</b>	<u>259,150</u>	<u>271,650</u>	<u>140,768</u>	<u>(130,882)</u>

(Continued on next page)

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER</u>
				<u>(UNDER)</u>
CEMETERY				
Lone Oak Cemetery utilities	\$ 4,100	\$ 4,100	\$ 3,517	\$ (583)
Cook Cemetery utilities	260	260	276	16
Supplies	6,000	10,000	11,983	1,983
Repairs and maintenance	1,000	6,000	5,491	(509)
Shop expense	3,500	3,500	2,319	(1,181)
Vehicle expense gas/oil - outside	6,000	6,000	6,392	392
	<u>20,860</u>	<u>29,860</u>	<u>29,978</u>	<u>118</u>
TOTAL CEMETERY				
COMMUNITY SUPPORT				
Wee Care, Inc.	600	600	555	(45)
Marshall County Historical Society	3,500	3,500	3,500	-
Marshall County Community Theater	10,000	10,000	10,000	-
Marshall County Chamber	1,500	1,500	-	(1,500)
Babe Ruth League	1,500	1,500	-	(1,500)
Little League	1,500	1,500	-	(1,500)
Pee Wee football	1,500	1,500	1,500	-
CSCC maintenance	11,200	11,200	32,868	21,668
Junior Economic Community Development Board	22,000	22,000	21,730	(270)
Goat Festival	80,000	80,000	68,652	(11,348)
Discretionary funds	10,000	10,000	9,124	(876)
Contingencies	27,890	27,890	-	(27,890)
Christmas lighting	1,000	1,000	1,271	271
	<u>172,190</u>	<u>172,190</u>	<u>149,200</u>	<u>(22,990)</u>
TOTAL COMMUNITY SUPPORT				

(Continued on next page)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE -</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>OVER</u>
				<u>(UNDER)</u>
DEBT SERVICE				
Principal	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Interest	96,000	96,000	95,367	(633)
TOTAL DEBT SERVICE	271,000	271,000	270,367	(633)
TOTAL EXPENDITURES	8,309,500	8,652,900	7,826,533	(826,367)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(265,500)	(597,100)	(310,469)	286,631
OTHER FINANCING SOURCES AND USES				
Received in lieu of taxes	526,500	544,500	524,519	(19,981)
Net transfers (to) from other funds	-	-	(672)	(672)
Payments received on loans to industries	25,600	125,600	18,800	(106,800)
Loans to industries	(44,000)	(144,000)	(100,000)	44,000
Transfers to assigned activities	(354,100)	(378,800)	(378,800)	-
TOTAL OTHER FINANCING SOURCES AND USES	154,000	147,300	63,847	(83,453)
ASSIGNED ACTIVITY BUDGETED SEPARATELY				
Sanitation:				
Charges for services	540,000	660,000	665,282	5,282
Transfers in from other departments	354,100	378,800	378,800	-
Interest income	-	-	128	128
Salaries and benefits	(357,400)	(357,400)	(342,961)	14,439
Contract disposal and tipping fees	(507,600)	(652,300)	(703,039)	(50,739)
Other expenses	(29,100)	(29,100)	(42,704)	(13,604)
Net change - sanitation	-	-	(44,494)	(44,494)
NET CHANGE IN FUND BALANCES	\$ (111,500)	\$ (449,800)	(291,116)	\$ 158,684
FUND BALANCES - BEGINNING, AS RESTATED			4,917,949	
FUND BALANCES - ENDING			\$4,626,833	

See accompanying notes to financial statements.

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### NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements contain a summary of significant accounting policies and other disclosures considered necessary to provide a clearer understanding of the financial statements.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 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, 2011 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.

Lewisburg Water and Wastewater Department

One City Council member sits on the three-member Water and Sewer Board. The City is contingently liable for the outstanding bond indebtedness of the Department in the event user charges are inadequate to meet the Department's debt service requirements.

Lewisburg Electric System

One City Council member sits on the three-member Board of Public Utilities. The City is contingently liable for the outstanding bond indebtedness of the System in the event user charges are inadequate to meet the System's debt service requirements.

Lewisburg Gas Department

One City Council member sits on the three-member Natural Gas Board. The City is contingently liable for the outstanding bond indebtedness of the Department in the event user charges are inadequate to meet the Department's debt service requirements.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Reporting entity (continued)**

Complete financial statements of the Lewisburg Gas Department, Lewisburg Electric 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.

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 assets and the statement of changes in net assets, 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.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 eligible requirements imposed by the provider have been met.

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.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 System* – established to account for power service charges and related expenditures
- *Lewisburg 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 for current and former employees of the City and the current and former employees of the Water and Wastewater Department, and assets held by the City to provide income for maintenance of the Lone Oak Cemetery.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for services between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the various functions concerned.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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: (1) U. S. government securities and obligations guaranteed by the U. S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions. During the current fiscal year, the City invested funds that were not immediately needed in savings accounts and short-term certificates of deposit. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

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

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The State of Tennessee Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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 Fund 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 Gas Department and the Electric System accrue the unbilled revenue from the dates of the most recent meter reading to the balance sheet date.

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

Restricted assets

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

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Capital assets, which include property, plant, equipment and infrastructures 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 is 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. In the Special Revenue Funds, vacation and sick leave do not accumulate beyond the current year in significant amounts and are therefore recognized as expenditures when paid.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 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 assets.

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 deferred charges and amortized over the term of the related debt.

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

Fund equity and classifications

In the fund financial statements, the City maintains reservations of Fund Balance in accordance with Governmental Accounting and Financial Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB-54). The main objectives of this standard are to improve, including the understandability, the usefulness of fund balance information by providing clear fund balance classifications, and clarify the definition of existing governmental fund types. This policy shall only apply to the City's governmental funds. Fund balance shall be composed of the following fund types:

- 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 self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined by a formal action of the City Council, which is the highest level of decision-making authority, and that require the same level of formal action to remove the constraint.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 or by their designed body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. Formal action is not necessary to impose, remove, or modify a constraint in assigned fund balance. Additionally, this category is used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year’s budget.
- 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.

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.

The fund balances of the City’s governmental funds include but are not limited to:

Restricted Fund Balance

The General Fund has fund balances restricted for airport capital improvements; street and highway improvements; and public safety. The restricted fund balances result from State or Federally funded grants.

The Drug Fund is restricted under State law for the enforcement of the drug laws, drug education programs, drug treatment and non-recurring general law enforcement expenditures.

Assigned Fund Balance

The City Council hereby established the following assigned fund balances:

- Lone Oak Cemetery* – The Lone Oak Cemetery reserve is established for improvements to Lone Oak Cemetery and maintenance of the Cemetery property.
- Equipment* – The Equipment reserve is established for future purchases of equipment.
- Economic Development* – The Economic Development reserve is established to assist the community with economic development projects. One of the means of accomplishing this goal has been to provide low cost loans to expanding or relocating businesses to Lewisburg.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

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:

A. Public Utility Property	55% (Railroads 40%)
B. Industrial and Commercial Property	
1. Real	40%
2. Personal	30%
C. Residential Property	25%

Of the \$3,350,539 property taxes receivable, \$2,953,000 represents the estimated 2011 property taxes to be billed October 2011. This receivable is reported in the Balance Sheet – Governmental Funds with offsetting deferred revenue for the amounts not available at June 30, 2011. Amounts available at June 30, 2011 have been recorded as revenue in the governmental fund statements.

In accordance with GASB No. 33, property taxes receivable includes the estimated 2011 net realizable tax levy in the amount of \$2,953,000. In accordance with modified accrual basis of accounting, these revenues are reported as deferred revenues until susceptible to accrual. Under GASB 34 and based on interpretations by the State of TN, the levy will not be accrued until billed.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In order to facilitate property tax abatement agreements with the Scott Bowden, LLC, Arby's Restaurant, Will and Baumer, Creed Jewelry, Autom, Hawk Converting, Ace Bayou-Daval, Nicherin Tennessee, Inc., Heil Avenue Properties, Inc., CKNA, Lewisburg Printing, U. S. Tank and Cryogenics, and Southern Carton, the Industrial Development Board holds legal title to the properties occupied by those entities. The industries are subject to tax on the value of assets leased. The properties are leased to the respective industries under long-term leases at the end of which the property is expected to be legally transferred to the industry and, accordingly, the property is not recorded as an asset of the Industrial Development Board.

Employee Retirement Plans

Prior to January 1, 2011, employees were covered under three separate defined contribution pensions plans: one plan for Water and Wastewater Department employees, and separate plans for Electric System and Gas Department employees. Certain insurance companies operate the plans on a contractual basis. The City is liable for certain pension costs as described in Notes 10 and 12. 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.

On January 1, 2010, all full time employees of the City became eligible for a single-employer defined benefit pension plan, which is accounted for as a pension trust fund of the City.

On January 1, 2011, all full time employees of the Water and Wastewater Department became eligible for a single-employer defined benefit pension plan, which is accounted for as a pension trust fund of the City.

No commitment debt

The City of Lewisburg created the Lewisburg Industrial Development Board for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. The bonds of the Board represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The City has no obligation for this debt. Accordingly, these bonds and the related receivables are not reflected in the accompanying financial statements.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 2010-11 budget was amended throughout the year. During the fiscal year, amendments to the General Fund expenditures totaling \$588,100 were approved, decreasing the budgets of several departments in response to decreases in revenues. Budgeted expenditures were also increased \$144,700 because of unexpected increases in solid waste disposal charges during the year. Furthermore, the City budgeted \$361,800 as a utilization of fund balance due to the current economic conditions and the shortfall of tax collections.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents and investments at June 30, 2011 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. Participating banks determine the aggregate balance of their public fund accounts for the City. 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.

A reconciliation of cash, cash equivalents, and investments follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Carrying amount of deposits in banks and the Local Government Investment Pool <sup>(1)</sup>	\$25,069,805	\$ 740,693
Deposits in Local Government Investment Pool: <sup>(1)</sup>		
CDs included in investments:		
Unrestricted	500,000	-
Other investments:		
Restricted	<u>32,012</u>	<u>4,186,872</u>
Total	<u>\$25,601,817</u>	<u>\$ 4,927,565</u>
Cash and cash equivalents - unrestricted	\$20,559,760	\$ 100,000
Cash and cash equivalents - board designated	1,822,140	-
Cash and cash equivalents - restricted	2,687,905	640,693
Investments - unrestricted	500,000	-
Investments - restricted	<u>32,012</u>	<u>4,186,872</u>
Total	<u>\$25,601,817</u>	<u>\$ 4,927,565</u>

<sup>(1)</sup>Interest rate fluctuates monthly (1.28% as of June 30, 2011).

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

In 2011, the Water and Wastewater Department prefunded a trust account, administered by LPL Financial Services, in the amount of \$932,114, which included an annual contribution amount of \$72,330. The investments in the trust account are administered according to the Investment Policy of the Water and Wastewater Department.

As of June 30, 2011, the City had the following investments under the defined benefit pension trust account:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Cost Basis</u>
Cash and cash equivalents	\$ 489,291	\$ 489,291
Mutual funds, equities, and options	2,851,400	2,834,035
Real estate investment trusts	<u>478,271</u>	<u>450,000</u>
Total City of Lewisburg Defined Benefit Pension Trust:	<u>\$ 3,818,962</u>	<u>\$ 3,773,326</u>
Cash and cash equivalents	\$ 151,402	\$ 151,402
Mutual funds, equities, and options	706,511	703,915
Real estate investment trusts	<u>150,690</u>	<u>150,000</u>
Total Water and Wastewater Department Defined Benefit Pension Trust:	<u>\$ 1,008,603</u>	<u>\$ 1,005,317</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as disclosed in the Summary of Significant Accounting Policies. 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 to the highest category by at least two nationally recognized rating services. The City has no investment policy that would further limit its investment choices.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

The Gas Department and the Electric System are municipal utility systems operating to distribute natural gas and electric power to consumers in the Lewisburg area, respectively. The Gas Department grants credit to its approximately 2,773 consumers, which at June 30, 2011, totaled \$51,079. The Electric System grants credit to its approximately 5,849 consumers, which at June 30, 2011, totaled \$2,126,723, of which \$860,731 are held as security for these accounts receivable.

NOTE 4 - NOTES RECEIVABLE

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 as of June 30, 2011 is \$212,382.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS

Operating transfers among individual funds of the City for the year ended June 30, 2011, were as follows:

	Transfers in		
Transfers out:	General Fund	Drug Fund	Totals
General Fund	\$ -	\$ 860	\$ 860
Enterprise Funds:			
Gas Department - in lieu of tax	148,735	-	148,735
Electric System - in lieu of tax	375,784	-	375,784
Fiduciary Fund	188	-	188
	\$ 524,707	\$ 860	\$ 525,567

Interfund receivables and payables at June 30, 2011, consisted of the following:

Fund	Interfund Receivable	Interfund Payable
General fund	\$ 31,315	\$ 159
Drug fund	159	-
Enterprise Funds:		
Electric Department	-	31,315
	\$ 31,474	\$ 31,474

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,177,180	\$ -	\$ (108,853)	\$ 3,068,327
Investment in industrial park - held for sale	1,670,385		-	1,670,385
Construction in progress	<u>1,018,200</u>	<u>(924,288)</u>	-	<u>93,912</u>
Total capital assets, not being depreciated:	<u>5,865,765</u>	<u>(924,288)</u>	<u>(108,853)</u>	<u>4,832,624</u>
<u>Capital assets, being depreciated:</u>				
Buildings and improvements	11,123,710	1,034,835	-	12,158,545
Machinery and equipment	3,984,513	36,744	(130,864)	3,890,393
Infrastructure	<u>4,063,722</u>	<u>7,300</u>	-	<u>4,071,022</u>
Total capital assets, being depreciated:	<u>19,171,945</u>	<u>1,078,879</u>	<u>(130,864)</u>	<u>20,119,960</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	3,115,374	296,495	-	3,411,869
Machinery and equipment	3,211,422	227,483	(130,864)	3,308,041
Infrastructure	<u>2,725,194</u>	<u>104,244</u>	-	<u>2,829,438</u>
Total accumulated depreciation	<u>9,051,990</u>	<u>628,222</u>	<u>(130,864)</u>	<u>9,549,348</u>
Total capital assets, being depreciated, net	<u>10,119,955</u>	<u>450,657</u>	-	<u>10,570,612</u>
Governmental activities capital assets, net	<u>\$ 15,985,720</u>	<u>\$ (473,631)</u>	<u>\$ (108,853)</u>	<u>\$ 15,403,236</u>

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
<u>Capital assets, not being depreciated:</u>				
Land	\$ 316,081	\$ 110,000	\$ -	\$ 426,081
Construction in process	<u>2,302,902</u>	<u>(1,144,716)</u>	<u>(105,383)</u>	<u>1,052,803</u>
Total capital assets, not being depreciated	<u>2,618,983</u>	<u>(1,034,716)</u>	<u>(105,383)</u>	<u>1,478,884</u>
 <u>Capital assets being depreciated:</u>				
Plant systems in service	81,053,518	3,259,465	(331,125)	83,981,858
Buildings and improvements	5,090,020	181,659	(72,108)	5,199,571
Machinery and equipment	<u>2,180,036</u>	<u>1,795</u>	<u>-</u>	<u>2,181,831</u>
Total capital assets, being depreciated	<u>88,323,574</u>	<u>3,442,919</u>	<u>(403,233)</u>	<u>91,363,260</u>
 <u>Less accumulated depreciation for:</u>				
Plant systems in service	30,736,428	1,907,269	(350,188)	32,293,509
Buildings and improvements	3,383,174	232,795	(61,965)	3,554,004
Machinery and equipment	<u>1,868,956</u>	<u>75,088</u>	<u>-</u>	<u>1,944,044</u>
Total accumulated depreciation	<u>35,988,558</u>	<u>2,215,152</u>	<u>(412,153)</u>	<u>37,791,557</u>
 Total capital assets, being depreciated, net	 <u>52,335,016</u>	 <u>1,227,767</u>	 <u>8,920</u>	 <u>53,571,703</u>
 Business-type capital assets, net	 <u>\$54,953,999</u>	 <u>\$ 193,051</u>	 <u>\$ (96,463)</u>	 <u>\$55,050,587</u>

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense charged to functions/programs as of June 30, 2011 follows:

Governmental activities:	
General government	\$ 73,007
Public works, including depreciation of general infrastructure assets	133,289
Sanitation	80,134
Public safety	150,847
Airport	60,849
Cemetery	3,362
Recreation	<u>126,734</u>
Total depreciation expense - governmental activities	<u>\$ 628,222</u>
Business-type activities:	
Water	\$ 1,033,914
Gas	444,754
Electric	<u>736,484</u>
Total depreciation expense - business-type activities	<u>\$ 2,215,152</u>

Interest, depreciation and other costs totaling \$155,078 related to the construction of property and equipment by the business activities was capitalized in 2011.

The City's governmental activities had contractual commitments of approximately \$168,000 as of June 30, 2011.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 7 - LONG-TERM LIABILITIES

Changes in General Long-Term Liabilities

During the year ended June 30, 2011, the changes in long-term liabilities reported were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Accrued vacation and sick pay	\$ 275,869	\$ -	\$ 61,420	\$ 214,449	\$ 214,449
Other post-employment benefits	1,070,174	561,288	52,136	1,579,326	52,136
Net pension obligation	-	265,688	210,899	54,789	-
Series 2008 General Obligation Refunding Bonds, due in installments beginning June 1, 2009, at varying rates of interest ranging from 3.00% to 3.50%	<u>2,540,000</u>	<u>-</u>	<u>175,000</u>	<u>2,365,000</u>	<u>180,000</u>
	3,886,043	826,976	499,455	4,213,564	
Plus: premium	7,506	-	682	6,824	
Less: deferred loss on refunding	<u>(15,543)</u>	<u>-</u>	<u>(1,413)</u>	<u>(14,130)</u>	
Governmental activity long-term liabilities	<u>\$ 3,878,006</u>	<u>\$ 826,976</u>	<u>\$ 498,724</u>	<u>\$ 4,206,258</u>	<u>\$ 446,585</u>
<b>Business-like activities:</b>					
<u>Water and Wastewater Department</u>					
<b>Bonds and notes payable</b>					
2009 Water and Sewer Revenue and Tax Refunding Bonds, due in annual installments through July 1, 2027, at varying rates of interest ranging from 2.00% to 4.60%	\$ 6,145,000	\$ -	\$ 270,000	\$ 5,875,000	\$ -
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%	5,000,000	-	180,000	4,820,000	185,000
2002 Water and Sewer Revenue and Tax Bonds, due in annual installments through May 11, 2011, at varying rates of interest ranging from 3.00% to 4.25%	505,000	-	505,000	-	-
Tennessee Local Development Authority Project 81-3, due in monthly installments through February, 2012, interest rate of 4.64%	<u>77,799</u>	<u>-</u>	<u>45,335</u>	<u>32,464</u>	<u>32,464</u>
	11,727,799	-	1,000,335	10,727,464	
Less: Deferred loss on refunding	<u>(128,972)</u>	<u>-</u>	<u>(55,692)</u>	<u>(73,280)</u>	
	<u>11,598,827</u>	<u>-</u>	<u>944,643</u>	<u>10,654,184</u>	<u>217,464</u>

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CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Changes in General Long-Term Liabilities (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Electric System</u>					
<b>Bonds and notes payable</b>					
Payable to Duck River Electric Membership Corporation	\$ 10,404	\$ -	\$ 3,694	\$ 6,710	\$ 3,694
<b>Other long term liabilities</b>					
Compensated absences	<u>148,448</u>	<u>-</u>	<u>29,806</u>	<u>118,642</u>	<u>-</u>
	<u>158,852</u>	<u>-</u>	<u>33,500</u>	<u>125,352</u>	<u>3,694</u>
<u>Gas Department</u>					
<b>Bonds and notes payable</b>					
Capital Outlay Notes, Series 2007 - due in annual installments through June 2024, variable interest rate, 0.23% as of June 30, 2011	1,484,746	-	80,000	1,404,746	84,000
<b>Other long term liabilities</b>					
Compensated absences	88,969	-	21,485	67,484	43,566
Other post-employment benefits	<u>351,343</u>	<u>115,711</u>	<u>12,696</u>	<u>454,358</u>	<u>12,743</u>
	<u>1,925,058</u>	<u>115,711</u>	<u>114,181</u>	<u>1,926,588</u>	<u>140,309</u>
Total long-term liabilities	<u>\$ 13,682,737</u>	<u>\$ 115,711</u>	<u>\$ 1,092,324</u>	<u>\$ 12,706,124</u>	<u>\$ 361,467</u>

(Continued on next page)

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 7 - LONG-TERM LIABILITIES

**Debt Service Requirements**

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2011, are as follows:

<u>FISCAL YEAR</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012	\$ 180,000	\$ 89,680	\$ 308,174	\$ 278,501
2013	180,000	83,605	548,000	390,952
2014	185,000	77,305	567,000	378,598
2015	190,000	70,830	586,000	365,835
2016	195,000	63,990	605,000	351,401
2017 - 2021	1,070,000	205,625	3,393,000	1,472,481
2022 - 2026	365,000	20,295	3,821,746	868,975
2027 - 2030	-	-	2,310,000	160,192
Totals	<u>\$ 2,365,000</u>	<u>\$ 611,330</u>	<u>\$ 12,138,920</u>	<u>\$ 4,266,935</u>

The Tennessee Valley Conservation Program loan payable with a balance of \$164,522 will be repaid according to collections on related program loans receivable and are not included in the schedule of maturities above.

On June 1, 2008, the City issued \$2,855,000 General Obligation Refunding Bonds, Series 2008, with interest rates ranging from 3.00% to 3.50%, to refund certain bonds with variable interest rates. The reacquisition price exceeded the net carrying amount of the old debt by \$17,663. This amount is being amortized over the life of the new bonds. Amortization of the refunding debt valuation account was \$1,413 in 2011.

Industrial Development Revenue Bonds have been issued to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed and are payable solely from payments received on the underlying mortgages or capital leases. Upon repayment of the bonds, ownership of the related facility transfers to the respective private business. The City is not obligated for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

In fiscal year 2004, the Industrial Development Board issued Solid Waste Disposal Revenue Bonds amounting to \$25 million. The bonds are due in full on July 1, 2033. As of June 30, 2011, there have been no principal payments made.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

On February 14, 2011, the Water and Wastewater Department entered into a loan agreement with the Tennessee Department of Environment and Conservation under the State Revolving Fund Loan Program in the amount of \$12,000,000 at a fixed interest rate of 2.43% due over twenty years. The agreement includes a provision that \$2,000,000 of the loan will be forgiven. The purpose of the loan is for the construction of a ten million gallon water tank and rehabilitation of existing sewer systems. The Department did not request any draws under this loan program during the fiscal year ended June 30, 2011. Subsequent to year end, the Department has received approximately \$2,000,000 of loan proceeds.

NOTE 8 - LEASES AND RENTALS

The Gas Department paid the City \$28,700 for leasehold rights to certain land in 1965. Such cost is being amortized on a straight-line basis over the lease term of 99 years.

NOTE 9 - DEFERRED REVENUES

A schedule of deferred revenues as of June 30, 2011, follows:

	<u>General Fund</u>
Property taxes:	
Delinquent taxes	\$ 397,539
2011 estimated levy	2,953,000
Other	<u>64,019</u>
	<u>\$ 3,414,558</u>

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 10 - RECONCILIATION OF BUDGETARY EXPENDITURES PER GENERAL FUND TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS

For the budgetary ordinance, the City budgets separately for the Sanitation Fund which was previously reported as a special revenue fund, but no longer meets the definition of special revenue funds for financial reporting under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following schedule presents a summary of the differences in the Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Funds and Statement of Revenues, Expenditures and Change in Fund Balance – Budget to Actual General Fund, to show how the two statements agree in total change in fund balance.

	Governmental Funds	General Fund	
	<u>(p. 18)</u>	<u>Budget to Actual</u>	
		<u>(p. 27-36)</u>	<u>Difference</u>
REVENUES			
Charges for services	\$ 983,113	\$ 317,831	\$ (665,282)
Interest income	\$ 23,853	\$ 23,725	(128)
EXPENDITURES			
Sanitation	\$ (1,088,704)	\$ -	1,088,704
OTHER FINANCING USES			
Transfers to assigned activities	\$ -	\$ (378,800)	(378,800)
ASSIGNED ACTIVITY BUDGETED			
SEPARATELY - SANITATION			
Charges for services	\$ -	\$ 665,282	665,282
Transfers in from other departmer	\$ -	\$ 378,800	378,800
Interest income	\$ -	\$ 128	128
Total sanitation expenditures	\$ -	\$ (1,088,704)	<u>(1,088,704)</u>
NET CHANGE IN FUND BALANCE	\$ (291,116)	\$ (291,116)	<u>\$ -</u>

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 11 - 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 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.

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.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 11 - RETIREMENT PLANS (CONTINUED)

City of Lewisburg Plan Description and Contributions Information (Continued)

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

Annual required contribution (ARC)	\$ 265,688
Interest on net pension obligation	-
Adjustment to ARC	-
	<hr/>
Annual pension cost	265,688
Contributions made	<u>(210,899)</u>
	<hr/>
Increase (decrease) in net pension obligation	54,789
Net pension obligation beginning of year	-
	<hr/>
Net pension obligation end of year	<u>\$ 54,789</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11	\$ 265,688	79.4%	\$ 54,789

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 60.6% funded. The actuarial accrued liability for benefits was \$6.3 million, and the actuarial value of assets was \$3.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.0 million, and the ratio of the UAAL to the covered payroll was 84.1 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.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 11 - RETIREMENT PLANS (CONTINUED)

Actuarial Methods and Assumptions

In the July 1, 2011, 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, 2011 was 29 years.

Membership in the plan consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	14
Terminated employees entitled to benefits	<u>1</u>
Total	<u>15</u>
Active plan participants:	
Vested	61
Nonvested	<u>28</u>
Total	<u>89</u>

Lewisburg Water and Wastewater Department Description and Contributions Information

The Lewisburg Water and Wastewater Department employees were covered by a defined contribution pension plan (the "Plan") until the Plan was frozen on December 31, 2010. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at a minimum age of 21 years following one year of service. The Plan required employee and employer contributions equal to 4% and 6%, respectively, of base annual pay, as defined in the Plan. Contributions for each employee (together with interest earned on such contributions and allocated to the employee's account) are fully vested at 5 years of service. The non-vested portion of contributions for, and interest forfeited by, employees who leave employment are allocated to the accounts of remaining participants in the same manner as employer contributions.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 11 - RETIREMENT PLANS (CONTINUED)

Following is a summary of total payroll, total base annual pay (as defined in the plan) for covered employees, and contributions for the year ended June 30, 2011:

Total payroll*	<u>\$ 729,014</u>
Total base annual pay for covered employees*	<u>\$ 695,381</u>
Employee contribution (4%)	\$ 27,816
Employer contribution (6%)	<u>41,724</u>
Total contributions	<u>\$ 69,540</u>

\*The Plan was frozen on December 31, 2010. Total payroll and total annual pay have been adjusted to show only the portion of the year the Plan was effective.

Plan Description and Contributions Information (Continued)

Effective January 1, 2011, 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.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 11 - RETIREMENT PLANS (CONTINUED)

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

Annual Pension Cost and Net Pension Obligation

Because the DB Plan was originated on January 1, 2011, the Department has elected to report results for the period from the date of inception to June 30, 2011, its fiscal year end.

An actuarial valuation was done as of July 1, 2011, which assumed that the contributions of the Department during the six months ending June 30, 2011 were not materially different from the amount that would have been estimated to be the annual required contribution and thus that the net pension obligation as of June 30, 2011 is \$0. During the fiscal year ending June 30, 2011, the Department contributed \$41,577 to the DB Plan.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 51.5 percent funded. The actuarial accrued liability for benefits was \$2 million, and the actuarial value of assets was \$1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.4 million and the ratio of the UAAL to the covered payroll was 68.1 percent.

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

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 11 - RETIREMENT PLANS (CONTINUED)

Actuarial Methods and Assumptions

In the July 1, 2011 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, 2011, which established contribution rates effective July 1, 2011.

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 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 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 Department before becoming fully vested forfeit the Department's contributions, which are then used to reduce the Department's contribution requirement.

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

The Department's total payroll for the fiscal year ended June 30, 2011 was \$611,992. The employees' required contributions of \$22,352 were calculated at 4% of total "base salary" for the year. Total payroll for covered employees was \$558,809. The Department's contribution amounted to \$33,529 (6% of total covered payroll.)

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 11 - RETIREMENT PLANS (CONTINUED)

Lewisburg Electric System

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

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

The System's total payroll for the fiscal year ended June 30, 2011 was \$1,538,778. The employees' contributions of \$45,833 were calculated at 3.70% of their total "base salary" for the year. Total payroll for covered employees was \$1,239,451. The System's contribution amounted to \$147,923 (approximately 11.93% of covered payroll).

The System also offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all 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.

NOTE 12 - 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.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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.

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

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

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

Annual required contribution	\$ 569,434
Interest on net OPEB obligation	20,882
Adjustment to annual required contribution	<u>(29,029)</u>
Annual OPEB cost (expense)	561,287
Contributions made	<u>52,135</u>
Increase in net OPEB obligation	509,152
Net OPEB obligation (asset) - beginning of year	<u>1,070,174</u>
Net OPEB obligation (asset) - ending of year	<u>\$ 1,579,326</u>

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2011 were as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
\$ 509,152	10.24%	\$ 1,579,326

As of December 31, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$5,256,114, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,256,114. The covered payroll (annual payroll of active employees covered by the plan) was \$3,605,000 and the ratio of the UAAL to the covered payroll was 146%.

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, 2009
- Actuarial cost method: Projected unit credit method
- Amortization method: Level percentage amortization
- Remaining amortization period: 30 years, close

The actuarial assumptions included a 4.0% 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 3-4, 7.0% in years 6-8, 6.0% in years 9-10, and 5.0% in years 11 and thereafter.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

Lewisburg Gas Department

The Natural Gas Board provides continued health insurance premiums for all employees and their spouses after retirement, provided the employee has reached certain age and length of service requirements with the Gas Department. The Plan also provides a Medicare supplement starting at age 65. New employees or new spouses of current employees will not be eligible to receive this benefit after June 11, 2007. Employees will be vested after twenty-five years continuous service and having reached the age of 62 or older before retiring from the Gas Department. The benefit is being provided one year at a time, if approved by an annual vote of the Natural Gas Board.

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

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	\$ 96,928
Interest on net OPEB obligation	18,783
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	115,711
Contributions made	<u>12,696</u>
Increase in net OPEB obligation	103,015
Net OPEB obligation (asset) - beginning of year	<u>351,344</u>
Net OPEB obligation (asset) - ending of year	<u>\$ 454,359</u>

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The Gas Department's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2011 were as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
\$ 115,711	10.97%	\$ 454,359

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$685,427 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$685,427. The covered payroll (annual payroll of active employees covered by the plan) was \$545,539 and the ratio of the UAAL to the covered payroll was 126%.

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

Projections of benefits are based on the substantive plan (the plan as understood by the Gas Department and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Gas Department and the plan members to that point. 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: July 1, 2011
- Actuarial cost method: Projected unit credit method
- Amortization method: Level percentage amortization
- Remaining amortization period: 10 years, closed for active employees;  
1 year, closed for retirees

The actuarial assumptions included a 3.0% long-term investment rate of return. The assumptions include a health care cost trend rate increase equal to 6.0 percent in the first year of valuation and reduced by 0.25 percent in annually thereafter until 3 percent is reached.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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.

NOTE 13 - MAJOR CUSTOMERS

The Water and Wastewater Department's sales to the Marshall County Board of Public Utilities in 2011 were approximately 11.9% of total revenue.

NOTE 14 - 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 System, along with approximately 500 other entities, 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. The City pays an annual premium for its general insurance coverage and worker's compensation coverage and can make a claim against that coverage. The City meets the TML Pool's guidelines and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. 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 Department and the Gas Department have each purchased commercial insurance against the risk of losses on property, general liability and workers' compensation to which it is exposed. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 14 - RISK MANAGEMENT (CONTINUED)

The Electric System obtains insurance coverage against the risk of losses on property, general liability and workers' compensation to which it is exposed through a public risk entity pool (the "Pool") established by the Tennessee Municipal League. The Pool limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risks with various reinsurance companies. In general, such reinsurance contracts limit the Pool's retention on individual occurrence as follows: workers' compensation - \$750,000; general liability, personal injury liability, errors and omissions liability and auto liability - \$700,000; property and crime coverage - \$300,000. Failure to perform on the part of the commercial insurance companies could result in additional assessments to the members of the pool. No estimate of any potential future assessments has been made, and the amount of settled claims has not exceeded insurance coverage for the past three years.

NOTE 15 - 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.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

NOTE 16 - NEW PRONOUNCEMENTS

The GASB has issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement is intended to amend Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* by allowing agent employers that have an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method. The requirements of this statement are effective for financial periods beginning after June 15, 2011.

The GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is intended to provide reporting guidance for deferred outflows and inflows of resources, and introduce and define those elements as a consumption and acquisition of net assets by the government that is applicable to a future reporting period. The requirements of this statement are effective for financial periods beginning after December 15, 2011.

CITY OF LEWISBURG, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 17 - PRIOR PERIOD ADJUSTMENTS

During 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which required the Sanitation Fund to be reported within the General Fund as it does not meet the definition of special revenue fund. As such, the opening fund balances have been reclassified as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Net assets/fund balance, beginning of year, as previously presented	\$ 4,910,782	\$ 26,003
Reclassification of funds not meeting the definition of special revenue funds to the General Fund	<u>7,167</u>	<u>(7,167)</u>
Net assets/fund balance, beginning of year, as restated	<u>\$ 4,917,949</u>	<u>\$ 18,836</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF FUNDING PROGRESS

AND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

OTHER POST-EMPLOYMENT BENEFITS  
SUPPLEMENTAL INFORMATION (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE OF FUNDING PROGRESS

City of Lewisburg:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/09	\$ -	\$ 5,256,114	\$ 5,256,114	0%	\$ 3,605,000	146%

Lewisburg Gas Department:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
07/01/08	\$ -	\$ 739,851	\$ 739,851	0%	\$ 517,175	143%
07/01/11	\$ -	\$ 685,427	\$ 685,427	0%	\$ 545,539	126%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

City of Lewisburg

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed*</u>
2010	\$ 569,434	9.2%
2011	\$ 569,434	9.2%

Gas Department

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed*</u>
2010	\$ 96,928	13.1%
2011	\$ 96,928	13.1%

\*Includes projected employer payment for retiree benefits in total contribution.

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF FUNDING PROGRESS

AND

SCHEDULE OF EMPLOYER CONTRIBUTIONS

DEFINED BENEFIT PENSION PLAN  
SUPPLEMENTAL INFORMATION (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2011

SCHEDULE OF FUNDING PROGRESS

City of Lewisburg:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
07/01/10	\$3,204,791	\$ 5,421,778	\$ 2,216,987	59%	\$ 3,459,728	64%
07/01/11	\$3,818,962	\$ 6,300,422	\$ 2,481,460	61%	\$ 2,950,498	84%

Lewisburg Water and Wastewater Department

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
07/01/11	\$1,032,540	\$ 2,005,035	\$ 972,495	51%	\$ 1,428,563	68%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

City of Lewisburg

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed*</u>
2010	N/A	N/A
2011	\$ 265,688	79.4%

Lewisburg Water and Wastewater Department

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed*</u>
2011	N/A	N/A

\*Includes projected employer payment for retiree benefits in total contribution.

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NONMAJOR FUND FINANCIAL SCHEDULE

NONMAJOR GOVERNMENTAL FUND

**Special Revenue Fund**

Drug Fund – established in accordance with State law to account for funds received directly from the enforcement of laws associated with illegal drug activity. Funds are used for the enforcement of drug laws, for local drug education programs and for nonrecurring general law enforcement expenditures.

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

DRUG FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>DRUG FUND</u>		
	<u>BUDGETED</u> <u>AMOUNTS</u> <u>ORIGINAL</u> <u>AND FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE -</u> <u>OVER</u> <u>(UNDER)</u>
REVENUES			
Drug Fund other	\$ 4,000	\$ 11,333	\$ 7,333
TOTAL REVENUES	<u>4,000</u>	<u>11,333</u>	<u>7,333</u>
EXPENDITURES			
Materials and supplies	5,000	-	(5,000)
Miscellaneous	5,500	-	(5,500)
Capital expenditures	-	16,526	16,526
Contingencies	<u>11,500</u>	<u>-</u>	<u>(11,500)</u>
TOTAL EXPENDITURES	<u>22,000</u>	<u>16,526</u>	<u>(5,474)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,000)</u>	<u>(5,193)</u>	<u>12,807</u>
OTHER FINANCING SOURCES			
Interest income	-	-	-
Operating transfers in	<u>18,000</u>	<u>860</u>	<u>(17,140)</u>
TOTAL OTHER FINANCING SOURCES	<u>18,000</u>	<u>860</u>	<u>(17,140)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (4,333)</u>	<u>\$ (4,333)</u>

FINANCIAL SCHEDULE SECTION

CITY OF LEWISBURG, TENNESSEE

GENERAL FIXED ASSETS ACCOUNT GROUP

SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

JUNE 30, 2011

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Investment in Industrial Park Held for Sale</u>	<u>Construction in Progress</u>	<u>Totals</u>
General government	\$ 1,541,568	\$ 2,487,618	\$ 34,232	\$ 200,208	\$ -	\$ -	\$ 4,263,626
Public Works:							
Streets and Maintenance	263,001	91,348	805,391	3,863,514	-	19,072	5,042,326
Sanitation	1,600	-	938,227	-	-	-	939,827
Total Public Works	264,601	91,348	1,743,618	3,863,514	-	19,072	5,982,153
Public Safety:							
Police Department	-	1,573,675	488,810	-	-	-	2,062,485
Fire Department	180,020	237,378	1,241,231	-	-	-	1,658,629
Total Public Safety	180,020	1,811,053	1,730,041	-	-	-	3,721,114
Other:							
Parks and Recreation	549,683	5,194,801	158,614	7,300	-	74,840	5,985,238
Industrial Recruiting	-	-	-	-	1,670,385	-	1,670,385
Airport	421,827	2,520,773	151,056	-	-	-	3,093,656
Garage/Shop	-	-	21,264	-	-	-	21,264
Cemetery	110,628	52,952	51,568	-	-	-	215,148
Total other	1,082,138	7,768,526	382,502	7,300	1,670,385	74,840	10,985,691
<b>TOTALS</b>	<b>\$ 3,068,327</b>	<b>\$ 12,158,545</b>	<b>\$ 3,890,393</b>	<b>\$ 4,071,022</b>	<b>\$ 1,670,385</b>	<b>\$ 93,912</b>	<b>\$ 24,952,584</b>

CITY OF LEWISBURG , TENNESSEE

GENERAL FIXED ASSETS ACCOUNT GROUP

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2011

<u>Function and Activity</u>	<u>Balance - Beginning of Year</u>	<u>Additions/ Transfers</u>	<u>Adjustments/ Retirements</u>	<u>Balance - End of Year</u>
General government	\$ 4,372,480	\$ -	\$ (108,854)	\$ 4,263,626
Public Works:				
Streets and Maintenance	5,009,255	13,999	-	5,023,254
Sanitation	939,827	-	-	939,827
Total Public Works	5,949,082	13,999	-	5,963,081
Public Safety:				
Police Department	2,128,420	22,747	(88,682)	2,062,485
Fire Department	1,700,809	-	(42,180)	1,658,629
Total Public Safety	3,829,229	22,747	(130,862)	3,721,114
Other:				
Parks and Recreation	5,903,099	7,300	-	5,910,399
Industrial Recruiting	1,670,385	-	-	1,670,385
Airport	2,058,823	1,034,833	-	3,093,656
Cemetery	215,148	-	-	215,148
Garage Shop	21,264	-	-	21,264
Total Other	9,868,719	1,042,133	-	10,910,852
Construction in Progress	1,018,200	(924,288)	-	93,912
<b>TOTALS</b>	<u>\$ 25,037,710</u>	<u>\$ 154,591</u>	<u>\$ (239,716)</u>	<u>\$ 24,952,585</u>

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 2011

INVESTMENT DESCRIPTION	<u>RESTRICTED</u>	<u>UNRESTRICTED</u>
Proprietary Fund Types		
<u>Enterprise Funds</u>		
Certificates of Deposit	\$ -	\$ 500,000
State of Tennessee Bond Reserve Fund	<u>32,012</u>	<u>-</u>
	<u>32,012</u>	<u>500,000</u>
Fiduciary Fund Types		
<u>City of Lewisburg Defined Benefit Pension Trust Fund</u>		
Certificates of Deposit	489,291	-
Equities and Options	106,708	-
Mutual Funds	2,744,692	-
Real estate investment trusts	<u>478,271</u>	<u>-</u>
	<u>3,818,962</u>	<u>-</u>
<u>Lewisburg Water and Wastewater Defined Benefit Pension Trust Fund</u>		
Certificates of Deposit	151,402	-
Equities and Options	44,123	-
Mutual Funds	662,388	-
Real estate investment trusts	<u>150,690</u>	<u>-</u>
	<u>1,008,603</u>	<u>-</u>
Total	<u>\$ 4,859,577</u>	<u>\$ 500,000</u>

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS

GOVERNMENTAL ACTIVITIES

JUNE 30, 2011

<u>Year</u>	<u>3.00% - 3.50%</u>	
	<u>2008 General Obligation Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 180,000	\$ 89,680
2013	180,000	83,605
2014	185,000	77,305
2015	190,000	70,830
2016	195,000	63,990
2017-2021	1,070,000	205,625
2022-2023	<u>365,000</u>	<u>20,295</u>
	<u>\$ 2,365,000</u>	<u>\$ 611,330</u>

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS

BUSINESS TYPE ACTIVITIES

JUNE 30, 2011

FISCAL YEAR	WATER AND WASTEWATER DEPARTMENT						GAS DEPARTMENT			
	TENNESSEE LOCAL DEVELOPMENT AUTHORITY 4.64% PROJECT 81-3		2.00% - 4.60% SERIES WATER AND SEWER SYSTEM REVENUE AND TAX REFUNDING BONDS		2.00% - 4.20% 2009A WATER & SEWER REVENUE AND TAX BONDS		TENNESSEE MUNICIPAL BOND FUND CAPITAL OUTLAY NOTE 2007 *			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2012	\$ 32,464	\$ 1,282	\$ -	\$ 113,502	\$ 185,000	\$ 160,505	\$ 84,000	\$ 3,212		
2013	-	-	275,000	231,129	185,000	156,805	88,000	3,018		
2014	-	-	285,000	222,729	190,000	153,055	92,000	2,814		
2015	-	-	295,000	214,028	195,000	149,205	96,000	2,602		
2016	-	-	305,000	204,266	200,000	144,755	100,000	2,380		
2017 - 2021	-	-	1,690,000	837,732	1,130,000	626,533	573,000	8,216		
2022 - 2026	-	-	2,065,000	456,285	1,385,000	411,120	371,746	1,570		
2027 - 2030	-	-	960,000	44,620	1,350,000	115,572	-	-		
	<u>\$ 32,464</u>	<u>\$ 1,282</u>	<u>\$ 5,875,000</u>	<u>\$ 2,324,291</u>	<u>\$ 4,820,000</u>	<u>\$ 1,917,550</u>	<u>\$ 1,404,746</u>	<u>\$ 23,812</u>		

\*variable interest rate note - 0.23% as of June 30, 2011

(Continued on next page)

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS - (CONTINUED)

BUSINESS TYPE ACTIVITIES

JUNE 30, 2011

<u>FISCAL YEAR</u>	<u>ELECTRIC SYSTEM</u>		<u>TOTAL BUSINESS-TYPE ACTIVITIES</u>	
	<u>DUCK RIVER ELECTRIC MEMBERSHIP CORPORATION</u>		<u>PRINCIPAL</u>	<u>INTEREST</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>		
2012	\$ 3,694	\$ -	\$ 308,174	\$ 278,501
2013	3,016	-	548,000	390,952
2014	-	-	567,000	378,598
2015	-	-	586,000	365,835
2016	-	-	605,000	351,401
2017 - 2021	-	-	3,393,000	1,472,481
2022 - 2026	-	-	3,821,746	868,975
2027 - 2030	-	-	2,310,000	160,192
	<u>\$ 6,710</u>	<u>\$ -</u>	<u>\$ 12,138,920</u>	<u>\$ 4,266,935</u>

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Tax Year</u>	<u>Balance June 30, 2010</u>	<u>Property Tax Levied</u>	<u>Anticipated Current Year Levy</u>	<u>Abatements and Adjustments</u>	<u>Collections</u>	<u>Allowance for Uncollectibles</u>	<u>Balance June 30, 2011</u>
2011	\$ -	\$ -	\$ 2,953,000	\$ -	\$ -	\$ -	\$ 2,953,000
2010	-	3,123,833	-	7	(2,952,509)	(3,000)	168,331
2009	271,082	-	-	(15,447)	(162,889)	(550)	92,196
2008	142,619	-	-	(2,337)	(95,606)	(525)	44,151
2007	40,265	-	-	(4,374)	(10,398)	(550)	24,943
2006	24,644	-	-	(6,039)	(4,946)	(650)	13,009
2005	27,554	-	-	(4,294)	-	(525)	22,735
2004	30,426	-	-	(4,332)	-	-	26,094
2003	4,094	-	-	270	-	-	4,364
2002	744	-	-	(4)	-	-	740
2001	976	-	-	-	-	-	976
2000	2,096	-	-	(2,096)	-	-	-
	<u>\$ 544,500</u>	<u>\$ 3,123,833</u>	<u>\$ 2,953,000</u>	<u>\$ (38,646)</u>	<u>\$ (3,226,348)</u>	<u>\$ (5,800)</u>	<u>\$ 3,350,539</u>

All uncollectible delinquent taxes have been filed, as required, with Marshall County's Clerk and Master.

CITY OF LEWISBURG, TENNESSEE

GENERAL FUND

SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>CONTRACT NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>ACCRUED/ (DEFERRED) REVENUE JULY 1, 2010</u>	<u>ADJUSTMENTS</u>	<u>RECEIPTS</u>	<u>EXPENDITURES</u>	<u>ACCRUED/ (DEFERRED) REVENUE JUNE 30, 2011</u>
<b>FEDERAL:</b>								
Federal Emergency Management Agency, Department of Homeland Security: Firefighter Program	97.044	EMW-2010-FO-05679	\$ 53,055	\$ -	\$ -	\$ 53,055	\$ 12,758	\$ (40,297)
U.S. Department of Justice, Bureau of Justice Assistance:								
Police Dept of Justice Grant	16.738	2009-SB-B9-2333	47,978	(337)	-	5,000	4,337	(1,000)
Police Safety Vest Grant - 2009	16.607	N/A	1,780	-	-	-	1,780	1,780
Police Safety Vest Grant - 2010	16.607	N/A	1,560	-	-	-	1,560	1,560
State of Tennessee Department of Economic and Community Development:								
ARRA - Energy Efficiency & Conservation Block Grant Program	81.128	DE-EE0000958/001	100,000	-	-	7,725	7,725	-
State of Tennessee Department of Transportation, Aeronautics Division:								
Ellington Airport - Hangars	20.106	Z-08-20-0705-00	666,667	109,948	-	109,948	-	-
Ellington Airport-Apron and taxi lane	20.106	Z-08-20-0820-00	491,000	173,041	-	236,405	63,364	-
Ellington Airport - Runway survey	20.106	Z-07-03-7694-00	53,200	-	-	-	-	-
State of Tennessee, Department of Environment and Conservation:								
New Lake Nature Trail Phase II	20.219	GG-09-27396-00	48,000	-	-	-	-	-
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<b>282,652</b>	<b>-</b>	<b>412,133</b>	<b>91,524</b>	<b>(37,957)</b>
<b>STATE:</b>								
State of Tennessee Department of Transportation, Aeronautics Division:								
Ellington Airport - Airport maintenance 09-10	N/A	Z-07-03-5602-00	10,000	8,406	360	8,046	-	-
Ellington Airport - Airport maintenance 10-11	N/A	AERO-M11-136	13,000	-	-	2,003	7,514	5,511
State of Tennessee, Department of Environment and Conservation:								
Southside Park Improvements	N/A	GG-09-27394-00	30,000	2,546	-	2,546	18,566	18,566
Recycling 08-09	N/A	Z-05-020942-00	25,000	-	-	-	-	-
State of Tennessee, Department of Agriculture:								
Tennessee Agriculture Enhancement Program - Farmer's Market	N/A	14097	2,500	-	-	1,627	1,627	-
State of Tennessee Department of Transportation, Governor's Highway Safety Office:								
Police Governor's Highway Safety Grant-2010	N/A	Z-10-220024-00	20,000	2,799	119	10,120	7,440	-
Police Governor's Highway Safety Grant-2011	N/A	Z-11-GHS262	15,000	-	-	1,721	11,601	9,880
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				<b>13,751</b>	<b>479</b>	<b>26,063</b>	<b>46,748</b>	<b>33,957</b>
<b>TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE</b>				<b>\$ 296,403</b>	<b>\$ 479</b>	<b>\$ 438,196</b>	<b>\$ 138,272</b>	<b>\$ (4,000)</b>

BASIS OF PRESENTATION

Note 1: The accompanying Schedule of Federal Financial Assistance summarizes the expenditures of the Department under programs of the federal government for the year ended June 30, 2011. The schedule is presented using the modified accrual basis of accounting.

Note 2: As allowed by the Office of Management and Budget Circular A-133, the City has elected to have separate audits performed for departments providing utilities under separate Boards of Directors. Full details related to the Water and Wastewater Department are included in their separately issued financial statements.

ADDITIONAL INFORMATION  
(Not covered by report of Independent Certified Public Accountants)

CITY OF LEWISBURG, TENNESSEE  
SCHEDULE OF PROPERTY TAX RATES (Unaudited)  
FOR THE YEARS ENDED JUNE 30, 2002 THROUGH 2011

<u>YEAR</u>	<u>% ASSESSED VALUE</u>	<u>RATE PER \$100.00</u>	
2002	- Residential	25	1.45
	- Commercial	40	1.45
	- Personalty	30	1.45
	- Public Utilities	55	1.45
2003	- Residential	25	1.45
	- Commercial	40	1.45
	- Personalty	30	1.45
	- Public Utilities	55	1.45
2004	- Residential	25	1.45
	- Commercial	40	1.45
	- Personalty	30	1.45
	- Public Utilities	55	1.45
2005	- Residential	25	1.45
	- Commercial	40	1.45
	- Personalty	30	1.45
	- Public Utilities	55	1.45
2006	- Residential	25	1.45
	- Commercial	40	1.45
	- Personalty	30	1.45
	- Public Utilities	55	1.45
2007	- Residential	25	1.45
	- Commercial	40	1.45
	- Personalty	30	1.45
	- Public Utilities	55	1.45
2008	- Residential	25	1.36
	- Commercial	40	1.36
	- Personalty	30	1.36
	- Public Utilities	55	1.36
2009	- Residential	25	1.36
	- Commercial	40	1.36
	- Personalty	30	1.36
	- Public Utilities	55	1.36
2010	- Residential	25	1.36
	- Commercial	40	1.36
	- Personalty	30	1.36
	- Public Utilities	55	1.36
2011	- Residential	25	1.36
	- Commercial	40	1.36
	- Personalty	30	1.36
	- Public Utilities	55	1.36

CITY OF LEWISBURG

SCHEDULE OF UTILITY RATES IN EFFECT (Unaudited)

JUNE 30, 2011

	Lewisburg Gas Department			Lewisburg Electric System		Lewisburg Water and Wastewater Department		Sanitation	
	Residential	Small Commercial	Large Commercial & Industrial	Residential	Commercial	Inside City	Outside City	Residential	Commercial
Rates per month:									
Minimum monthly billing/ customer charge	\$8.00	\$10.00	\$135.00	\$9.61	\$17.31 - \$121.52 <sup>(1)</sup>	<u>Water</u> \$10.59	\$14.38	\$12.50	\$20.00 minimum <sup>(3)</sup>
						<u>Sewer</u> \$15.47	\$19.79		
Demand charge	n/a	n/a	First 10,000 CCF...\$1.270 10,001 to 40,000 CCF...\$1.240 All over 40,000...\$1.210	n/a	0-50 KW...\$0.09833 51-1,000 KW...\$11.98/\$11.22 1,000-5,000 KW...\$11.15 Additional...\$18.22	n/a	n/a	n/a	n/a
Usage charge/per unit above minimum	\$1.320/CCF	\$1.320/CCF	\$0.945 CCF - \$0.850 CCF	\$.08832/KWH	\$.004170 - \$.05822/KWH <sup>(2)</sup>	<u>Water</u> \$3.69 - 3.39/ 1000 gal.	\$5.50 - 4.98/ 1000 gal.	n/a	n/a
						<u>Sewer</u> \$6.49/1000 gal.	\$8.44/1000 gal.		
Number of customers at year end	Total 2773			Total 5849		<u>Water</u> 4,500	1,648	3,568	297
						<u>Sewer</u> 4,309	393		

<sup>(1)</sup> Charge increases to \$1,500 for demand over 5,000 KWH per month

<sup>(2)</sup> Rate decreases to \$.03722 - \$.03545/KWH for usage of 5,000 KWH per month

<sup>(3)</sup> \$25/cu yd.

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF UNACCOUNTED FOR WATER (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2011

*(all amounts in gallons)*

<b>A</b>	<b>WATER TREATED AND PURCHASED:</b>		
<b>B</b>	Water pumped (potable)	1,073,653,000	
<b>C</b>	Water purchased	0	
<b>D</b>	TOTAL WATER TREATED AND PURCHASED (Sum lines B and C)		1,073,653,000
<b>E</b>	<b>ACCOUNTED FOR WATER:</b>		
<b>F</b>	Water sold	710,003,000	
<b>G</b>	Metered for consumption (in house usage)	0	
<b>H</b>	Fire Department(s) usage	2,567,000	
<b>I</b>	Flushing	24,097,000	
<b>J</b>	Tank cleaning/filling	0	
<b>K</b>	Street cleaning	0	
<b>L</b>	Bulk sales**	0	
<b>M</b>	Water bill adjustments / plus or (minus)	5,130,000	
<b>N</b>	TOTAL ACCOUNTED FOR WATER (Sum lines F thru M)		741,797,000
<b>O</b>	UNACCOUNTED FOR WATER (Line D minus Line N)		331,856,000
<b>P</b>	PERCENT UNACCOUNTED FOR WATER (Line O divided by Line D time 100)		30.91%
<b>Q</b>	Other (explain)	0	

Explain Other: N/A

\*\*Included in water sold

All amounts included in this schedule are supported by documentation on file at the Water and Wastewater Department. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

OTHER REPORTS



INDEPENDENT AUDITORS' 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*

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

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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 11, 2012. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Lewisburg Electric System and the Lewisburg Gas Department, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

INDEPENDENT AUDITORS' 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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency in internal control over financial reporting, 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Lewisburg's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management, the City Council, federal and state awarding agencies and pass-through entities, and the Comptroller of the Treasury, Department of Audit of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

*Kraft CPAs PLLC*

Columbia, Tennessee  
April 11, 2012

CITY OF LEWISBURG, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011

BUDGETARY POLICY – 2011-1

Condition:

Subsequent to year end, questions were raised by a councilman regarding whether certain salary adjustments and promotions of certain individuals had been in accordance with direction from the City Council. Salary adjustments and promotions were approved by the City Manager. Three departments – maintenance, police, and animal control exceeded the amended budget for salary for the departments, and three departments – police, animal control, and cemetery exceeded the total amended departmental budget which the City Council had approved for the fiscal year ended June 30, 2011. The budget approved for 2011 did not include a detailed budget of salaries for individuals. The Council relied on this budget in drafting and adopting the property tax ordinance for the year.

Recommendation:

In order to provide management with appropriate guidance to carry out City Council intent, detail should be included in the budget and the property tax rate should be adopted in an ordinance that addresses potential salary adjustments and promotions for the upcoming fiscal year.

Management Response:

Management will provide necessary detail of expected expenditures and projected salaries in the budget submitted to the City Council and will assist the City Council in drafting a more detailed budget ordinance.