OFFICIAL STATEMENT

NEW ISSUE Rating: Standard & Poor's: "AA-"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

$8,245,000

CITY OF LEWISBURG, TENNESSEE

General Obligation Refunding Bonds, Series 2016

Dated: November 10, 2016 Due: June 1 (as indicated below)

The $8,245,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") of the City of Lewisburg, Tennessee (the "City") shall be issued as book-entry-only Bonds in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2017 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged. That portion of the principal amount of the Bonds that refinance bonds of the City that financed or refinanced improvements to the City's water and sewer system (the "System") are additionally payable from, but not secured by, the income and revenues derived from the operation of the System, subject only to payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to any prior pledge of such revenues in favor of obligations secured by such revenues.

The Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021.

Maturity (June 1)	Amount*	Interest Rate	Yield		CUSIPS **	Maturity (June 1)	Amount*	Interest Rate	Yield		CUSIPS **
2017	$ 115,000	2.00%	0.80%		528215 JJ6	2024	$ 755,000	2.00%	1.40%	c	528215 JR8
2018	325,000	2.00	0.85		528215 JK3	2025	775,000	2.00	1.45	c	528215 JS6
2019	330,000	2.00	1.00		528215 JL1	2026	790,000	2.00	1.50	c	528215 JT4
2020	340,000	2.00	1.05		528215 JM9	2027	725,000	2.00	1.60	c	528215 JU1
2021	940,000	2.00	1.15		528215 JN7	2028	725,000	2.00	1.70	c	528215 JV9
2022	960,000	2.00	1.25	c	528215 JP2	2029	300,000	2.00	1.80	c	528215 JW7
2023	865,000	2.00	1.35	c	528215 JQ0	2030	300,000	2.00	1.90	c	528215 JX5

c = Yield to call on June 1, 2021.

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

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims, PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Steve Broadway, counsel to the City. It is expected that the Bonds, will be available for delivery through the facilities of DTC, New York, New York, on or about November 10, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

October 12, 2016

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by Standard & Poor’s CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF LEWISBURG, TENNESSEE

CITY COUNCIL

Jim Bingham, *Mayor*

Charles Allen
Jerry Gordon
Roy Haislip
Steve Thomas
Nicholas Tipper

CITY OFFICIALS

Randall Dunn	*City Manager*
Donna Park	*Treasurer*
Pam Davis	*City Recorder*
Steve Broadway	*City Attorney*

UNDERWRITER

FTN Financial Capital Markets
Memphis, Tennessee

BOND COUNSEL

Bass, Berry & Sims, PLC
Knoxville, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Preliminary Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Preliminary Official Statement*.

Issuer	City of Lewisburg, Tennessee (the "City", "Municipality" or "Issuer"). See APPENDIX B contained herein.
The Bonds	The $8,245,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") of the City, dated November 10, 2016. The Bonds will mature each June 1 beginning June 1, 2017 through June 1, 2030, inclusive, See the section entitled "SECURITIES OFFERED – Authority and Purpose".
Security	The Bonds are payable from taxes to be levied on all taxable property in said Issuer without limitation as to rate and amount. For the prompt payment of such principal and interest, the full faith, credit and resources of the City of Lewisburg, Tennessee are irrevocably pledged. That portion of the principal amount of the Bonds that refinance bonds of the City that financed or refinanced improvements to the City's water and sewer system (the "System") are additionally payable from, but not secured by, the income and revenues derived from the operation of the System, subject only to payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to any prior pledge of such revenues in favor of obligations secured by such revenues.
Purpose	The Bonds are being issued for the purpose of (i) refinancing certain Outstanding Bonds (as defined herein), and (ii) paying of the costs related to the issuance and sale of the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2021, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled "LEGAL MATTERS-Tax Matters" and APPENDIX A (form of opinion) included herein.
Bank Qualification	The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.
Rating	Standard & Poor's: "AA-". See the section entitled "MISCELLANEOUS - Rating" for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims, PLC, Knoxville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor, Related Parties; Other" herein.
Underwriter	FTN Financial Capital Markets, Memphis, Tennessee.

Book-Entry-Only	The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION – Book-Entry System".
General	The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID") established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled "MISCELLANEOUS - Continuing Disclosure" for additional information
Other Information	The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City, or the PRELIMINARY OFFICIAL STATEMENT, contact Jim Bingham, Mayor, 131 East Church Street, Lewisburg, Tennessee 37091, Telephone: (931) 359-1544; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND BALANCES

Summary of Changes In Fund Balances
(In Thousands)
For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Beginning Fund Balance	$ 4,910,782	$ 4,626,833	$ 4,415,019	$ 5,483,231	$ 5,066,158
Revenues	8,181,474	8,481,667	9,255,590	9,403,021	11,001,545
Expenditures	8,915,237	9,283,934	9,993,332	10,297,194	13,081,572
Excess of Revenues Over (under) Expenditures	(733,763)	(802,267)	(737,742)	(894,173)	(2,080,027)
Other Financing Sources:					
Transfers In	523,847	567,857	581,663	591,620	567,231
Transfers Out	(100,000)	-	-	-	-
Bond Proceeds	18,800	22,596	-	-	-
Special Item	-	-	996,046	-	-
Net Changes in Fund Balances	1,283,970	(188,373)	292,546	1,331,951	(344,830)
Ending Fund Balance	**$4,626,833**	**$4,415,019**	**$5,483,231**	**$5,066,158**	**$3,553,362**

Source: Comprehensive Annual Financial Reports of the City of Lewisburg, Tennessee.

$8,245,000
CITY OF LEWISBURG, TENNESSEE
General Obligation Refunding Bonds, Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Lewisburg, Tennessee (the “City”, “Municipality” or “Issuer”) of its $8,245,000 General Obligation Refunding Bonds, Series 2016 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated,* as amended, and other applicable provisions of the law and pursuant to resolutions adopted by the Board of Mayor and Council of the City (the “Board”). The detailed bond resolution (the “Resolution”) was adopted by the Board on September 12, 2016.

The Bonds are being issued for the purpose of (i) refinancing the Outstanding Bonds (as defined herein) and (ii) paying of the costs related to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance November 10, 2016. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2017. The Bonds are issuable in registered book-entry form only and in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Recorder. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

REFUNDING PLAN

The City will refinance all or a portion of the City’s General Obligation Refunding Bonds, Series 2008, dated April 16, 2008, maturing June 1, 2018, June 1, 2020 and June 1, 2023 (the "Series 2008 Bonds"), its Water and Sewer System Revenue and Tax Refunding Bonds, Series 2009, dated July 21, 2009, maturing July 1, 2020 through July 1, 2024, inclusive, and a term bond maturing on July 1, 2027 (the "Series 2009 Bonds"), and its Water and Sewer System Revenue and Tax Bonds, Series 2009A, dated December 3, 2009, maturing December 1, 2020 through December 1, 2025, inclusive, and term bonds maturing December 1, 2027 and December 1, 2029 (the "Series 2009A Bonds," and together with the Series 2008 Bonds and the Series 2009 Bonds, the "Outstanding Bonds").

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the "Plan") for the Outstanding Bonds was submitted to the Director of the Office of State and Local Finance for review and a report thereon.

SECURITY

The Bonds are payable from taxes to be levied on all taxable property in said Issuer without limitation as to rate and amount. For the prompt payment of such principal and interest, the full faith, credit and resources of the City are irrevocably pledged. The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are hereby irrevocably pledged. That portion of the principal amount of the Bonds that refinance Outstanding Bonds, that financed or refinanced improvements to the City's water and sewer system (the "System) are additionally payable from, but not secured by, the income and revenues derived from the operation of the System, subject only to payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to any prior pledge of such revenues in favor of the obligations secured by such revenue.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected.

The Bonds will not be obligations of the State of Tennessee.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2022, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2021 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Mayor Alderman of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

NOTICE OF REDEMPTION

Notice of call for redemption shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. The Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the Issuer to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar.

(The remainder of this page left blank intentionally.)

BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

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

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

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

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

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Issuer determines to discontinue the

Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the Issuer will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

(a) all accrued interest shall be deposited into the Bond Fund of the City and used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds;

(b) the City shall pay, or cause to be paid, all costs of issuance of the Bonds, including, but not limited to, necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, bond insurance premiums, bond rating fees, Bond Registrar fees, administrative and clerical costs, and other necessary miscellaneous expenses incurred in connection with the authorization, issuance and sale and delivery of the Bonds;

(c) an amount, which, together with other legally available funds of the Issuer and earnings on said proceeds and funds, will be sufficient to pay principal, accrued interest and redemption premium, as appropriate, on the Outstanding Bonds on the first date after the date of issuance that the same may be redeemed at the option of the Issuer (the "Call Date") and at the applicable redemption prices, shall be immediately paid over to the Escrow Agent to be held and applied, together with any investment proceeds thereof, on the Call Date for the payment and retirement of the Outstanding Bonds; and shall be immediately applied for such purpose; and

(d) any remaining proceeds (including any returned proceeds) shall be deposited in the Bond Fund and applied to the payment of the next due interest and/or principal on the Bonds, or used to buy Bonds in the open market, as directed by bond counsel.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); or

3. By delivering such Bonds to the Registration Agent for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the governing body of the City instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void; and if the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds. See also the section entitled CLOSING CERTICATES for additional information.

TAX MATTERS

Federal

General. Bass, Berry & Sims, PLC, Knoxville, Tennessee, is Bond Counsel to the City for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code),
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also the section "CHANGES IN FEDERAL AND STATE LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with a bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with a bond premium, it should consult its tax advisor regarding the tax accounting treatment of a bond premium.

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement,* in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Recorder acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims, PLC, Knoxville, Tennessee, Bond Counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled "LEGAL MATTERS - Tax Matters." The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled MISCELLANEOUS – "Competitive Public Sale", "Additional Information" and "Continuing Disclosure."

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") has given the Bonds the rating of "AA-".

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on October 12, 2016. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated October 5, 2016.

The successful bidder for the Bonds was an account led by FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $8,388,900.96 (consisting of the par amount of the Bonds, plus a premium of $200,137.15 and less an underwriter's discount of $56,236.19) or 101.745312% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Finaincial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the "Bank") is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the PRELIMINARY OFFICIAL STATEMENT, in final form and the OFFICIAL STATEMENT, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the PRELIMINARY OFFICIAL STATEMENT, in final form, and the OFFIICAL STATEMENT, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims, PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's role as serving as the City's Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City has not authorized the issuance of any additional debt but has various public improvement needs, including but not limited to equipment and road construction and paving.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a continuing disclosure certificate (the "Disclosure Certificate") under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2016 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12, as it may be amended from time to time (the "Rule 15c2-12").

Five-Year Filing History. The City has filed its audited financial statements (the "Financial Statements") which are part of the Annual Report, only on time once in the last five years in connection with the City's Outstanding Bonds, and all other Financial Statements have been filed beyond the filing deadline required under its existing Continuing Disclosure Agreements that were entered into in connection with the issuance of the Outstanding Bonds. The City has filed late the required supplemental information to the Financial Statements (the "Supplemental Information") since the Outstanding Bonds were issued. See the chart below for dates of filings:

Bonds	FY 2015 Financial Statement	FY 2014 Financial Statement	FY 2013 Financial Statement	FY 2012 Financial Statement	FY 2011 Financial Statement
Series 2009A	9-8-2016	3-11-2015*	11-24-2014	11-24-2014	11-24-2014
Series 2009	9-8-2016	9-29-2016	9-29-2016	9-29-2016	9-29-2016
Series 2008	9-8-2016	9-29-2016	9-29-2016	9-29-2016	9-29-2016

* Filed on time, before the April 30 deadline for that fiscal year

Bonds	FY 2015 Supplemental Info	FY 2014 Supplemental Info	FY 2013 Supplemental Info	FY 2012 Supplemental Info	FY 2011 Supplemental Info
Series 2009A	9-13-2016	7-16-2015	10-3-2016	10-3-2016	10-3-2016
Series 2009	9-13-2016	7-16-2015	10-3-2016	10-3-2016	10-3-2016
Series 2008	9-13-2016	7-16-2015	10-3-2016	10-3-2016	10-3-2016

The City’s fiscal year ending June 30, 2015 Financial Statements was filed late on September 8, 2016 due to the audit not be completed by the required deadline. The required Supplemental Information for fiscal year ending June 30, 2015 was also filed late on September 13, 2016. A failure to file notice was filed on all of the City’s Outstanding Bonds on May 2, 2016 and again on June 30, 2016.

On November 24, 2014, the City filed late the Financial Statements for fiscal years ending June 30, 2011, 2012 and 2013, but only filed under the CUSIPs for the Series 2009A Bonds. The City filed on time the Financial Statements for fiscal year ending June 30, 2014 on March 11, 2015, but again only under the CUSIPs for the Series 2009A Bonds. The City had also failed to file the required Supplemental Information that is not included in the Financial Statements on all the above Bonds as is described above.

Failure to File notices have been filed on July 13, 2015, May 2, 2016, June 29, 2016 and October 5, 2016.

The City filed no notices with regards to any rating changes that occurred after the Outstanding Bonds herein described. On July 13, 2015, material event notices were filed on all Outstanding Bonds to bring the current ratings up to date.

In the past five years, the City has failed to comply with its requirements with respect to its existing Continuing Disclosure Agreements in accordance with Rule 15c2-12 as described above. The current City staff is now more informed of its responsibilities and has taken steps to remedy the oversights of the past five years. Additionally, the City has retained Cumberland Securities Company, Inc. as its Dissemination Agent to file its required information going forward on an annual basis.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled “SUPPLEMENTAL INFORMATION STATEMENT.”

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-6;

2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-7 and B-8;

3. Information about the Bonded Debt Service Requirements - General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-9;

4. Information about the Bonded Debt Service Requirements - Water and Sewer Debt Service Fund as of the end of such fiscal year as shown on page B-10;

5. Information about the Bonded Debt Service Requirements - Gas Debt Service Fund as of the end of such fiscal year as shown on page B-11;

6. The fund balances and retained earnings for the fiscal year as shown on page B-12;

7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-13;

8. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-19;

9. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-19; and

10. The ten largest taxpayers as shown on page B-20.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to each of the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults, if material;

c. Unscheduled draws on debt service reserves reflecting financial difficulties;

d. Unscheduled draws on credit enhancements reflecting financial difficulties;

e. Substitution of credit or liquidity providers, or their failure to perform;

f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

g. Modifications to rights of Bondholders, if material;

h. Bond calls, if material, and tender offers;

i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the securities, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

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

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission.

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CERTIFICATION OF ISSUER

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Jim Bingham
City Mayor

ATTEST:

/s/ Pam Davis
City Recorder

APPENDIX A

FORM OF LEGAL OPINION

LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Lewisburg, Tennessee (the "Issuer") of the $8,245,000 General Obligation Bonds, Series 2016 (the "Bonds") dated November 10, 2016. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the City Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with their terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. As to that portion of the Bonds that refinance bonds of the Issuer that financed or refinanced improvements to the Issuer's water and sewer system (the "System"), the Bonds shall be additionally payable from, but not secured by, the revenues to be derived from the operation of the System, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System and to any pledges of such revenues in favor of certain prior lien obligations that are secured by revenues of the System.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, it should be noted that for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt" obligations within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT
OF

CITY OF LEWISBURG, TENNESSEE

GENERAL INFORMATION

LOCATION

The City of Lewisburg (the "City") is located in the region of Middle Tennessee in Marshall County (the "County"). To the north, the County is bordered by Williamson County and, to the east, by Bedford County. Giles and Lincoln Counties make up the County's southern border, and to the west, the County is bordered by Maury County. Lewisburg serves as the county seat and is located approximately 48 miles south of Nashville. Other incorporated municipalities within the County are Chapel Hill, Cornersville and Petersburg.

GENERAL

The land area of Marshall County is approximately 376 square miles. Among many of the agricultural products the County produces are hay, corn, soybeans, wheat, and tobacco.

Lewisburg was designated a Micropolitan Statistical Area (the "mSA") in 2004. A Micropolitan Statistical Area is defined by the U.S. Census Bureau as a non-urban community that is anchored by a town of no more than 50,000 residents. Per the 2010 Census, the population of the City stood at 11,100 persons. Marshall County has a total population of 30,617.

TRANSPORTATION

Interstate Highway 65 is within 6 miles of the City of Lewisburg. U.S. Highways 31A and 431 and also State Highways 50 and 373 traverse the County. As many as fifty motor freight companies serve the County, and rail service is provided by the CSX Railroad. The City owns Ellington Airport with a 5,002-foot long asphalt runway that offers general aviation and commercial charters. In addition, residents of the County have access to the full commercial services at Nashville International Airport, which is approximately 1 hour away.

EDUCATION

The *Marshall County School System* serves the County with thirteen schools, including five elementary schools, one middle school, and three senior high schools. The fall 2014 student enrollment was approximately 5,387 with 338 teachers.

Columbia State Community College. Columbia State Community College, located in Maury County and founded in 1966, is Tennessee's first two-year college. As of the fall 2014 semester, there were 5,231 students enrolled. Columbia State offers more than 50 programs of study both online and in-class courses, in both credit and non-credit formats. In addition to the Columbia campus, the college has four campuses: Franklin (Williamson County); Lawrenceburg (Lawrence County); Lewisburg (Marshall County); Clifton (Wayne County). Hickman, Lewis, Giles and Perry are the other four counties served.

Source: Columbia State Community College and Tennessee Higher Education Commission.

Tennessee Technology Center at Shelbyville. The Tennessee Technology Center at Shelbyville is one of 46 institutions in the Tennessee Board of Regents System, the seventh largest system of higher education in the nation. This system is comprised of six universities, fourteen community colleges, and twenty-six technology centers. More than 80 percent of all Tennessee students attending public institutions are enrolled in a Tennessee Board of Regents institution. Located on a twenty-acre tract of land at 1405 Madison Street (U.S. Highway 41-A) approximately two miles east of downtown Shelbyville, the center serves individuals from a broad geographical area comprised of but not limited to, Bedford, Coffee, Franklin, Lincoln, Marshall, Moore, and Rutherford counties. Fall 2013 enrollment was 1,070 students.

Source: Tennessee Technology Center at Pulaski and Tennessee Higher Education Commission.

There are many opportunities for higher education within easy distance to the County. Vanderbilt University is 50 miles away in Nashville, Middle Tennessee State University is 45 miles away in Murfreesboro and Tennessee State University is about 55 miles away in Cookeville.

MEDICAL FACILITIES

Marshall Medical Center in Lewisburg is the County's only major medical hospital facility. Marshall Medical Center offers 24-hour Emergency Department services, inpatient care, advanced diagnostic imaging, rehabilitation services, sleep center and more. The medical center is designated as a critical access hospital with 25 beds (including swing beds for inpatient rehabilitation). Marshall Medical Center is accredited by The Joint Commission and has more than 150 employees. The facility is affiliated with Maury Regional Medical Center in nearby Maury County.

MANUFACTURING AND COMMERCE

Strategically located in the middle of the Nashville to Huntsville I-65 corridor, Lewisburg has one of the best locations in Tennessee for industrial development. The City is conveniently served by I-65 Exits 37 and 32, providing eight-minute access to I-65 from the north and west sides of town. Proximity to this major artery provides industry with reliable supply and distribution. There are two industrial parks in the area: Lewisburg Business Park and Ellington By-pass East.

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The following is a list of the major industrial employers in the County:

Major Employers in Marshall County

Company	Product	Employment
Calsonic Kansei	Plastic Injection molding	1,200
Walker Die Casting	Aluminum/Zinc Die Casting	850
Teledyne Lewisburg	Computer Equipment	340
ICP	HVAC Distribution	220
Nichirin, Inc.	Automotive Brake & Steering	170
Lewisburg Printing, Inc.	Printing Services	122
WestRock	Corrugated Cardboard	120
Berry Plastics	Polyethylene Wrap	115
Christian Brands	Religious Supplies	80
Ace Bayou / ABC Pets	Pet Products	70

Source: Middle Tennessee Industrial Development Association - 2016.

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EMPLOYMENT INFORMATION

As of July 2016, the unemployment rate for the County was 4.8% with 14,230 persons employed out of a labor force of 14,950.

As of July 2016, the unemployment rate in the Nashville-Murfreesboro CSA stood at 3.9%, representing 998,060 persons employed out of a workforce of 1,039,000. The following chart shows unemployment trends from 2011 through 2015.

Unemployment

	Annual Average 2011	Annual Average 2012	Annual Average 2013	Annual Average 2014	Annual Average 2015
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	7.8%	6.7%	5.8%
Lewisburg mSA & Marshall County	**13.7%**	**11.2%**	**8.2%**	**6.4%**	**5.7%**
Index vs. National	154	138	111	103	108
Index vs. State	149	140	105	96	98
Nashville-Murfreesboro-CSA	**8.2%**	**6.7%**	**6.1%**	**5.4%**	**5.9%**
Index vs. National	92	83	82	87	111
Index vs. State	89	84	78	81	102

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

ECONOMIC DATA

Per Capita Personal Income

	2010	2011	2012	2013	2014
National	$40,277	$42,453	$44,266	$44,438	$46,049
Tennessee	$35,601	$37,323	$39,137	$39,312	$40,457
Lewisburg mSA & Marshall County	**$27,593**	**$28,216**	**$30,094**	**$30,996**	**$32,369**
Index vs. National	69	66	68	70	70
Index vs. State	78	76	77	79	80
Nashville-Murfreesboro-CSA	**$40,302**	**$42,090**	**$44,777**	**$44,880**	**$46,409**
Index vs. National	100	99	101	101	101
Index vs. State	113	113	114	114	115

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	National	Tennessee	Marshall County	Lewisburg
Median Value Owner Occupied Housing	$175,700	$139,900	$111,000	$93,800
% High School Graduates or Higher Persons 25 Years Old and Older	86.30%	84.90%	81.7%	77.7%
% Persons with Income Below Poverty Level	14.80%	18.30%	15.5%	20.7%
Median Household Income	$53,482	$44,621	$41,822	$17,961

Source: U.S. Census Bureau State & County QuickFacts - 2014.

RECREATION

Henry Horton State Park. Henry Horton State Park is well known for their championship 18-hole golf course, inn and cabins, campgrounds and trap and skeet range. The 1,140-acre park located in Marshall County has a conference/meeting lodge, a restaurant, rental cabins, hiking trails, a swimming pool, fishing and boating on the Duck River, and many campsites and picnic facilities.

Source: Tennessee State Parks.

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CITY OF LEWISBURG, TENNESSEE

SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)		OUTSTANDING AS OF 6/30/16
$ 2,855,000		General Obligation Refunding Bonds, Series 2008	June 2023	Fixed		$ 1,435,000
6,425,000	(2)	Water and Sewer Revenue and Tax Refunding Bonds, Series 2009	July 2027	Fixed	(4)	4,715,000
5,000,000	(2)	Water and Sewer Revenue and Tax Refunding Bonds, Series 2009A	Dec. 2029	Fixed		3,865,000
7,712,262	(2)	Clean Water State Revolving Loan Fund	Aug. 2032	Fixed		6,709,576
1,960,922	(2)	Clean Water State Revolving Loan Fund	Aug. 2032	Fixed		1,716,182
732,746	(2)	General Obligation Loan, Series 1997	2020	Variable	(3)	344,746
$ 24,685,930		**TOTAL BONDED DEBT**				$ 18,785,504
$ 8,245,000		Plus: General Obligation Refunding Bonds, Series 2016				$ 8,245,000
$ (14,280,000)		Less: Refunding Candidates				$ (7,605,000)
15,405,930		Less: Self Supporting Debt				17,350,504
$ 9,280,000		**NET BONDED DEBT**				$ 1,435,000

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) Self supporting debt

(3) The City budgets to account for interest rate and/or basis risk.

(4) The City's Water and Sewer System made a $305,000 prinicpal payment on July 1, 2016 on the Water and Sewer 2009 Bonds.

CITY OF LEWISBURG, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the GENERAL PURPOSE FINANCIAL STATEMENTS which are included herein and the table should be read in conjunction with those statements.

	For Fiscal Years Ended June 30					Unaudited	Post Issuance
INDEBTEDNESS	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**
TAX SUPPORTED							
General Obligation Bonds & Notes	$2,365,000	$ 2,185,000	$ 2,005,000	$ 1,820,000	$ 1,630,000	$ 1,435,000	$ 1,465,000
TOTAL TAX SUPPORTED	$2,365,000	$ 2,185,000	$ 2,005,000	$ 1,820,000	$ 1,630,000	$ 1,435,000	$ 1,465,000
REVENUE SUPPORTED							
Revenue Supported Bonds & Notes	$12,138,920	$ 18,967,272	$ 20,170,930	$ 19,077,372	$ 18,375,972	$ 17,350,504	$ 17,960,504
TOTAL REVENUE SUPPORTED	$12,138,920	$ 18,967,272	$ 20,170,930	$ 19,077,372	$ 18,375,972	$ 17,350,504	$ 17,960,504
TOTAL DEBT	$14,503,920	$ 21,152,272	$ 22,175,930	$ 20,897,372	$ 20,005,972	$ 18,785,504	$ 19,425,504
Less: Revenue Supported Debt	($12,138,920)	$ (18,967,272)	$ (20,170,930)	$ (19,077,372)	$ (18,375,972)	$ (17,350,504)	$ (17,960,504)
Less: Debt Service Fund	0	$ -	$ -	$ -	$ -	$ -	$ -
NET DIRECT DEBT	$2,365,000	$ 2,185,000	$ 2,005,000	$ 1,820,000	$ 1,630,000	$ 1,435,000	$ 1,465,000

PROPERTY TAX BASE (2)							
Estimated Actual Value	$ 778,268,913	$ 741,574,291	$ 716,834,465	$ 747,209,508	$ 753,695,098	$ 775,275,237	$ 775,275,237
Appraised Value	728,070,568	741,574,291	716,834,465	747,209,508	735,380,307	756,436,049	756,436,049
Assessed Value	229,687,293	233,497,813	226,085,742	235,122,476	231,227,641	237,389,545	237,389,545

Source: General Purpose Financial Statements and City Officials.

	For Fiscal Years Ended June 30					Unaudited	Post Issuance
DEBT RATIOS	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**
TOTAL DEBT to Estimated Actual Value	1.86%	2.85%	3.09%	2.80%	2.65%	2.42%	2.51%
TOTAL DEBT to Appraised Value	1.99%	2.85%	3.09%	2.80%	2.72%	2.48%	2.57%
TOTAL DEBT to Assessed Value	6.31%	9.06%	9.81%	8.89%	8.65%	7.91%	8.18%
NET DIRECT DEBT to Estimated Actual Value	0.30%	0.29%	0.28%	0.24%	0.70%	0.60%	0.62%
NET DIRECT DEBT to Appraised Value	0.32%	0.29%	0.28%	0.24%	0.22%	0.19%	0.19%
NET DIRECT DEBT to Assessed Value	1.03%	0.94%	0.89%	0.24%	0.70%	0.60%	0.62%
PER CAPITA RATIOS							
POPULATION (1)	11,230	11,265	11,339	11,371	11,480	11,480	11,480
PER CAPITA PERSONAL INCOME (2)	$28,216	$30,094	$30,996	$32,369	$32,369	$32,369	$32,369
Estimated Actual Value to POPULATION	$69,303	$65,830	$63,218	$65,712	$65,653	$67,533	$67,533
Assessed Value to POPULATION	$20,453	$20,728	$19,939	$20,677	$20,142	$20,679	$20,679
Total Debt to POPULATION	$1,292	$1,878	$1,956	$1,838	$1,743	$1,636	$1,692
Net Direct Debt to POPULATION	$211	$194	$177	$160	$142	$125	$128
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.58%	6.24%	6.31%	5.68%	5.38%	5.06%	5.23%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.75%	0.64%	0.57%	0.49%	0.44%	0.39%	0.39%

(1) Per Capita computations are based upon POPULATION data according to the 2000 Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF LEWISBURG, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation

As of November 10, 2016

F.Y. Ended 6/30	Existing Debt - General Obligation (1)			Plus: General Obligation Refunding Bonds, Series 2016			Less: Refunded Debt			Total Bonded Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	**Principal**	**Interest**	**TOTAL**	
2017	200,000	56,970	256,970	20,000	14,126	34,126	-	(49,470)	(49,470)	$ 220,000	$ 21,626	$ 241,626	15.02%
2018	210,000	49,470	259,470	220,000	24,900	244,900	(210,000)	(49,470)	(259,470)	220,000	24,900	244,900	30.03%
2019	210,000	41,595	251,595	220,000	20,500	240,500	(210,000)	(41,595)	(251,595)	220,000	20,500	240,500	45.05%
2020	220,000	33,195	253,195	225,000	16,100	241,100	(220,000)	(33,195)	(253,195)	225,000	16,100	241,100	60.41%
2021	230,000	24,395	254,395	230,000	11,600	241,600	(230,000)	(24,395)	(254,395)	230,000	11,600	241,600	76.11%
2022	235,000	14,965	249,965	230,000	7,000	237,000	(235,000)	(14,965)	(249,965)	230,000	7,000	237,000	91.81%
2023	130,000	5,330	135,330	120,000	2,400	122,400	(130,000)	(5,330)	(135,330)	120,000	2,400	122,400	100.00%
	$ 1,435,000	$ 225,920	$ 1,660,920	$ 1,265,000	$ 96,626	$ 1,361,626	$ (1,235,000)	$ (218,420)	$ (1,453,420)	$ 1,465,000	$ 104,126	$ 1,569,126	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) Average coupon of 2.00%.

CITY OF LEWISBURG, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer

As of November 10, 2016

F.Y.	Existing Water and Sewer			Plus: General Obligation						Total Bonded			%
Ended	Debt Revenue & Tax (1)			Refunding Bonds, Series 2016			Less: Refunded Debt			Debt Service Requirements (1)			Principal
6/30	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Repaid
2017	$ 955,812	$ 533,772	$ 1,489,584	$ 95,000	$ 77,943	$ 172,943	$ -	$ (188,064)	$ (188,064)	$ 1,050,812	$ 423,651	$ 1,474,463	5.97%
2018	981,396	504,794	1,486,190	105,000	137,700	242,700	-	(261,816)	(261,816)	1,086,396	380,678	1,467,074	
2019	1,012,244	473,540	1,485,784	110,000	135,600	245,600	-	(261,816)	(261,816)	1,122,244	347,324	1,469,568	
2020	1,048,356	441,138	1,489,494	115,000	133,400	248,400	-	(261,816)	(261,816)	1,163,356	312,722	1,476,078	
2021	1,084,732	407,481	1,492,213	710,000	131,100	841,100	(610,000)	(250,413)	(860,413)	1,184,732	288,168	1,472,900	31.83%
2022	1,121,396	372,413	1,493,809	730,000	116,900	846,900	(635,000)	(227,010)	(862,010)	1,216,396	262,303	1,478,699	
2023	1,158,348	335,613	1,493,961	745,000	102,300	847,300	(660,000)	(202,161)	(862,161)	1,243,348	235,752	1,479,100	
2024	1,195,600	296,676	1,492,276	755,000	87,400	842,400	(685,000)	(175,476)	(860,476)	1,265,600	208,600	1,474,200	
2025	1,243,152	255,465	1,498,617	775,000	72,300	847,300	(720,000)	(146,818)	(866,818)	1,298,152	180,948	1,479,100	
2026	1,286,004	211,738	1,497,742	790,000	56,800	846,800	(750,000)	(115,943)	(865,943)	1,326,004	152,596	1,478,600	67.88%
2027	1,334,180	165,324	1,499,504	725,000	41,000	766,000	(785,000)	(82,704)	(867,704)	1,274,180	123,620	1,397,800	
2028	1,382,668	116,324	1,498,992	725,000	26,500	751,500	(820,000)	(47,563)	(867,563)	1,287,668	95,262	1,382,930	
2029	921,492	77,673	999,165	300,000	12,000	312,000	(345,000)	(22,365)	(367,365)	876,492	67,308	943,800	
2030	950,664	48,696	999,360	300,000	6,000	306,000	(360,000)	(7,560)	(367,560)	890,664	47,136	937,800	
2031	605,172	26,628	631,800	-	-	-	-	-	-	605,172	26,628	631,800	95.89%
2032	620,040	10,326	630,366	-	-	-	-	-	-	620,040	10,326	630,366	
2033	104,502	738	105,240	-	-	-	-	-	-	104,502	738	105,240	100.00%
	$ 17,005,758	$ 4,278,339	$ 21,284,097	$ 6,980,000	$ 1,136,943	$ 8,116,943	$ (6,370,000)	$ (2,251,524)	$ (8,621,524)	$ 17,615,758	$ 3,163,759	$ 20,779,517	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

(2) Average Coupon of 2.00%.

CITY OF LEWISBURG, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Gas System

As of June 30, 2016

F.Y. Ended 6/30	**Total Bonded Debt Service Requirements (1)**			% Principal Repaid
	Principal	Interest	TOTAL	
2017	$ 105,000	$ 3,344	$ 108,344	30.46%
2018	109,000	2,290	111,290	62.07%
2019	114,000	1,195	115,195	95.14%
2020	16,746	151	16,897	100.00%
	$ 344,746	$ 6,980	$ 351,726	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the GENERAL PURPOSE FINANCIAL STATEMENTS included herein.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time, of payment.

FUND BALANCES AND RETAINED EARNINGS

The following table depicts audited fund balances and retained earnings for the last several fiscal years ending June 30:

	For the Fiscal Year Ended June 30,				
Fund Type	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental Funds:					
General	$4,626,833	$4,415,019	$5,368,711	$5,066,158	$3,553,362
Other Funds	14,503	22,504	81,908	84,774	27,911
TOTAL	**$4,641,336**	**$4,437,523**	**$5,450,619**	**$5,150,932**	**$3,581,273**
Proprietary Funds:					
Water and Wastewater	$24,917,255	$25,307,657	$27,345,246	$27,632,075	$26,795,227
Natural Gas	14,638,366	15,093,026	15,721,236	16,041,609	16,667,729
Electric	23,827,749	24,751,997	25,138,842	25,460,091	25,606,360
TOTAL	**$63,383,370**	**$65,152,680**	**$68,205,324**	**$69,133,775**	**$69,069,316**

Source: Comprehensive Financial Audit Reports of the City.

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CITY OF LEWISBURG, TENNESSEE

Five Year Summary of Revenues, Expenditures and Changes In Fund Balances - General Fund

For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Revenues:					
Local Taxes	$ 5,385,250	$ 5,426,036	$ 5,725,025	$ 5,824,741	$ 6,027,289
Intergovernmental	1,077,238	1,155,882	1,517,223	1,752,219	3,371,103
Licenses and Permits	-	-	64,497	68,343	97,285
Fines and Costs	-	-	261,423	248,167	221,136
Charges for Services	983,113	1,052,815	1,102,558	1,089,345	1,102,523
Grant Revenue	138,272	379,849	-	-	-
Interest	23,853	11,751	-	-	-
Other Revenues	573,748	455,334	584,864	420,206	182,209
Total Revenues	$ 8,181,474	$ 8,481,667	$ 9,255,590	$ 9,403,021	$ 11,001,545
Expenditures:					
General Government	$ 1,016,731	$ 1,093,799	$ 1,078,053	$ 1,225,767	$ 1,271,301
Industrial Recruiter	88,367	125,331	128,765	121,585	144,492
Airport	140,768	155,193	87,422	91,811	93,208
Public Safety	3,803,123	4,061,418	3,804,479	4,065,608	4,097,741
Public Works	1,304,855	1,283,061	1,384,376	1,730,860	2,457,433
Recreation	1,023,144	960,562	933,697	919,758	927,755
Cemetery	29,978	35,812	36,836	35,801	33,347
Sanitation	1,088,704	1,140,407	1,113,447	697,829	716,253
Community Support	149,200	158,671	303,619	309,257	324,981
Capital Outlay	-	-	859,033	836,613	2,754,230
Debt Service	270,367	269,680	263,605	262,305	260,831
Total Expenditures	$ 8,915,237	$ 9,283,934	$ 9,993,332	$ 10,297,194	$ 13,081,572
Excess of Revenues & Over (under) Expenditures	$ (733,763)	$ (802,267)	$ (737,742)	$ (894,173)	$ (2,080,027)
Other Financing Sources (Uses):					
Operating Transfers	$ 523,847	$ 567,857	$ 581,663	$ 591,620	$ 567,231
Loans to Industries	(100,000)	-	-	-	-
Payments received on loans to industries	18,800	22,596	-	-	-
Special item	-	-	996,046	-	-
Total Other Financing Sources (Uses)	$ 442,647	$ 590,453	$ 1,577,709	$ 591,620	$ 567,231
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	$ (291,116)	$ (211,814)	$ 839,967	$ (302,553)	$ (1,512,796)
Fund Balance July 1	$ 4,910,782	$ 4,626,833	$ 4,415,019	$ 5,483,231	$ 5,066,158
Prior Period Adjustment	7,167	-	228,245	(114,520)	-
Fund Balance June 30	**$ 4,626,833**	**$ 4,415,019**	**$ 5,483,231**	**$ 5,066,158**	**$ 3,553,362**

Source: Comprehensive Annual Financial Report for Lewisburg, Tennessee

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Recorder. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost, which approximates market value. The City Recorder is responsible for all City investments.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
(d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

(a) Public Utility Property, to be assessed at 55% of its value;
(b) Industrial and Commercial Property, to be assessed at 30% of its value; and
(c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of $7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated,* the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January I for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole *(i.e.,* the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the *"Certified Tax Rate")* which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is $500 for the year in which he becomes eligible, his property taxes will remain at $500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the City reflected a ratio of appraised value to true market value of 0.9757. The following table shows pertinent data for tax year 2015[1].

Class	Estimated Assessed Valuation	Assessment Rate	Estimated Appraised Value
Public Utilities	$ 5,988,973	55%	$ 13,720,442
Commercial and Industrial	93,548,680	40%	239,696,336
Personal Tangible Property	63,077,417	30%	215,311,453
Residential and Farm	74,774,475	25%	306,547,006
TOTAL	**$237,389,545**		**$775,275,237**

Source: 2015 Tax Aggregate Report of Tennessee and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2016 (tax year 2015) is $237,389,545 compared to $231,227,641 for the fiscal year ending June 30, 2015 (tax year 2014). The estimated actual value of all taxable property for tax year 2015 is $775,275,237 compared to $753,695,098 for tax year 2014.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				**Fiscal Yr Collections**		**Aggregate Uncollected Balance**	
Tax Year[1]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**As of June 30, 2015 Amount**	**Pct**
2011	$233,497,813	$1.36	$3,175,667	$3,041,900	95.8%	$ 17,528	0.6%
2012	226,085,742	1.45	3,283,732	3,172,289	96.6%	19,497	0.6%
2013	235,122,476	1.45	3,409,358	3,282,817	96.3%	37,555	1.1%
2014	231,227,641	1.45	3,491,279	3,373,473	96.6%	117,536	3.4%
2015	237,389,545	1.45	3,491,000	**IN PROCESS**			

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[1] The tax year coincides with the calendar year; therefore tax year 2015 is actually fiscal year 2015-2016.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the City are as follows:

	Taxpayer	**Business Type**	**Assessment**	**Taxes Paid**
1.	Calsonic North America	Manufacturing	$22,705,281	$329,227
4.	Walker Die Casting Inc	Manufacturing	8,624,321	125,053
2.	ICP/Carrier World HQ	Warehouse	5,065,520	73,450
3.	Teledyne	Manufacturing	4,868,302	70,590
5.	Cosmolab	Manufacturing	4,806,058	69,688
6.	Nichirin Tennesssee, Inc	Manufacturing	4,369,784	63,181
7.	Wal Mart	Retail	4,075,074	58,436
8.	Lewisburg Printing	Manufacturing	3,054,043	44,284
9.	Pliant	Manufacturing	2,938,759	42,612
10.	Allison Transmissions	Manufacturing (PP)	2,278,805	33,043
	TOTAL		**$62,787,962**	**$911,579**

Source: The City.

Ten Largest Taxpayers. For the fiscal year ending June 30, 2015 (tax year 2014), the ten largest taxpayers in the City are as follows:

	Taxpayer	**Business Type**	**Assessment**	**Taxes Paid**
1.	Calsonic North America	Manufacturing	$23,135,042	$314,757
4.	Walker Die Casting Inc	Manufacturing	7,659,604	111,065
2.	Teledyne	Manufacturing	5,728,620	83,065
3.	ICP/Carrier World HQ	Warehousing/Office	5,065,520	73,450
5.	Cosmolab	Manufacturing	4,122,980	59,784
6.	Wal Mart	Retail	4,091,023	59,319
7.	Nichirin	Manufacturing	3,428,436	49,712
8.	Pliant	Manufacturing	3,245,345	47,058
9.	Allison Transmissions Inc	Manufacturing (PP)	2,481,681	35,983
10.	General Motors LLC	Manufacturing (PP)	2,461,366	35,690
	TOTAL		**$23,135,042**	**$871,897**

Source: The City.

PENSION PLANS

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.

For additional information of the funding status, trend information and actuarial status of the City's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City located in herein.

OTHER POST-EMPLOYMENT BENEFITS

For additional information please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City herein.

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GENERAL PURPOSE FINANCIAL STATEMENTS
OF

CITY OF LEWISBURG, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

CITY OF LEWISBURG, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2015

CITY OF LEWISBURG, TENNESSEE

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CITY OF LEWISBURG, TENNESSEE

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CITY OF LEWISBURG, TENNESSEE

List of Principal Officials

ELECTED OFFICIALS

Mayor	Jim Bingham
City Judge	Roger Brandon
Councilmen:	
Ward 1	Steve Thomas
Ward 2	Artie Allen
Ward 3	Bam Haislip
Ward 4	Trigg Cathey
Ward 5	Nicholas Tipper

APPOINTED OFFICIALS

Interim City Manager	Randall Dunn
City Treasurer	Donna J. Park
City Recorder	Pam Davis
City Attorney	Stephen Broadway

YEARY, HOWELL & ASSOCIATES
Certified Public Accountants
501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lewisburg, Tennessee, (the City) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lewisburg, Tennessee, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, in 2015, the City adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement 68 *Accounting and Financial Reporting for Pensions—an amendment of **GASB** Statement No. 27.* The Statement is effective for fiscal years beginning after June 15, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and schedules of funding progress, employer contributions and actuarial methods and significant assumptions on pages 64 -67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Individual Nonmajor Fund Financial Statement, and Financial Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lewisburg's internal control over financial reporting and compliance.

August 11, 2016

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, 2015. This analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds. Please consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

1. The assets of the City of Lewisburg exceeded its liabilities at the close of the most recent fiscal year by $84,408,564 (net position). Of this amount, $18,365,701 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

2. The government's total net position increased by $647,541. Increases totaling $985,569 within the utility systems and a decrease of $338,028 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 $3,581,273. Approximately 76% of this total amount is available for spending at the government's discretion (unassigned fund balance), although 14% or $883,823 is designated for specific purposes.

4. At the end of the current fiscal year, unassigned fund balance for the general fund was $2,697,450 (21%) of general fund operating expenditures.

5. The City of Lewisburg’s total bonds and notes payable decreased by $1,350,400 during the current fiscal year. Long-term liabilities related to compensated absences, net pension obligation and other post-employment benefits increased $540,298 (net).

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

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

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

Overview of the Financial Statements (continued)

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

The City of Lewisburg maintains two governmental funds. With the adoption of Governmental Accounting Standard No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City combined its Sanitation Special Revenue Fund with the General Fund. The General Fund Statement of Revenues, Expenditure and Changes in Fund Balances Budget to Actual are on pages 24-29 and the Drug Fund is reported as an Individual Nonmajor Fund on page 70.

The basic governmental funds financial statements can be found on pages 13-18 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

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

The City of Lewisburg has two fiduciary funds, City of Lewisburg Defined Benefit Pension Trust and Lewisburg Water and Wastewater Defined Benefit Pension Trust Funds which can be found on page 22-23 of this report.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-63 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 64 and 69 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lewisburg, assets exceeded liabilities by $84,408,564 as of June 30, 2015

City of Lewisburg, Tennessee

Net Position - Primary Government

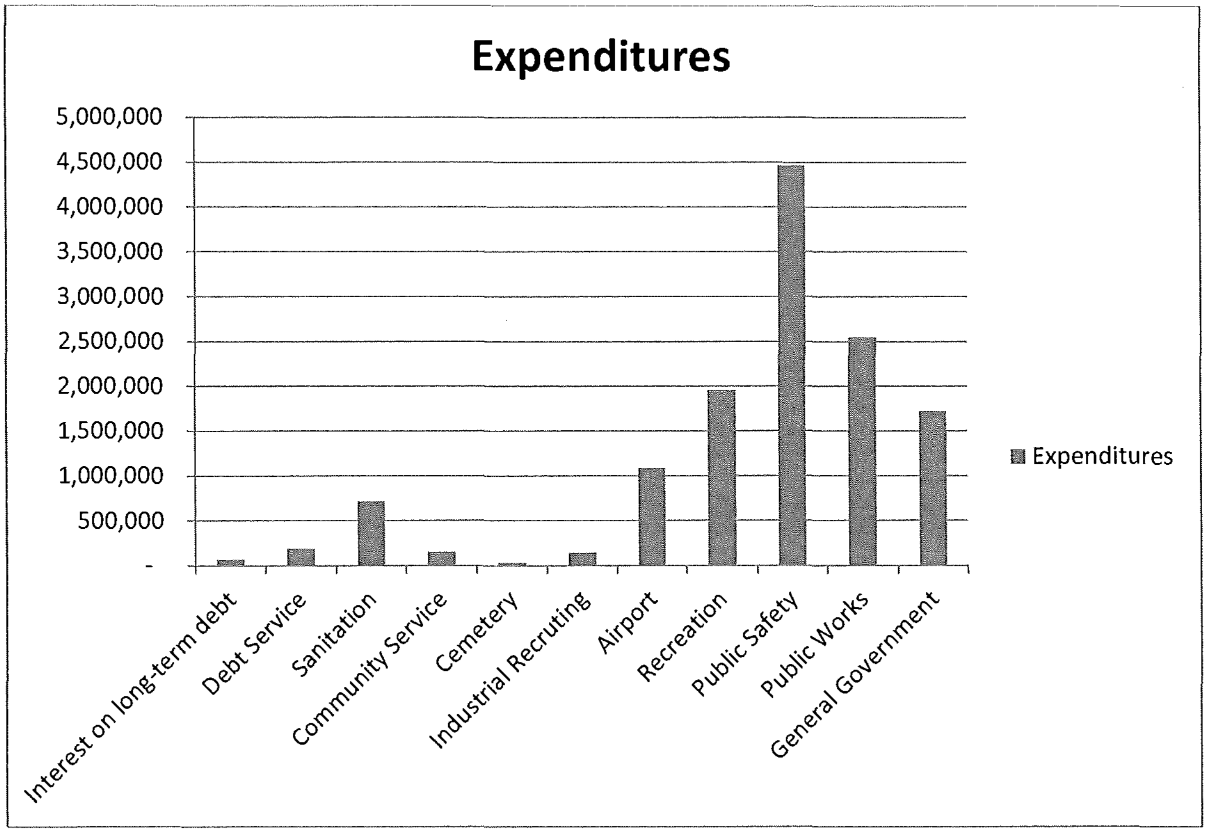
	Governmental Activities		Business-Type Activities		Combined	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	7,803,311	9,590,105	28,561,673	27,172,257	36,364,984	36,762,362
Capital Assets	19,020,630	15,052,505	66,997,311	68,444,009	86,017,941	83,496,514
Deferred Outflows	602,881	-	250,862	-	853,743	-
Total Assets	27,426,822	24,642,610	95,809,846	95,616,266	123,236,668	120,258,876
Long-term Liabilities	4,809,051	4,304,332	17,932,008	19,242,021	22,741,059	23,546,353
Other Liabilities	3,570,147	4,596,006	8,761,322	7,240,470	12,331,469	11,836,476
Deferred Outflows	3,708,376	-	47,200	-	3,755,576	
Total Liabilities	12,087,574	8,900,338	26,740,530	26,482,491	38,828,104	35,382,829
Net Position:						
Net Investment in Capital Assets net of related debt	17,390,630	13,227,725	48,206,401	48,457,410	65,597,031	61,685,135
Restricted	426,521	461,282	19,311	16,618	445,832	477,900
Unrestricted	(2,477,903)	2,053,265	20,843,604	20,659,747	18,365,701	22,713,012
Total Net Position	15,339,248	15,742,272	69,069,316	69,133,775	84,408,564	84,876,047

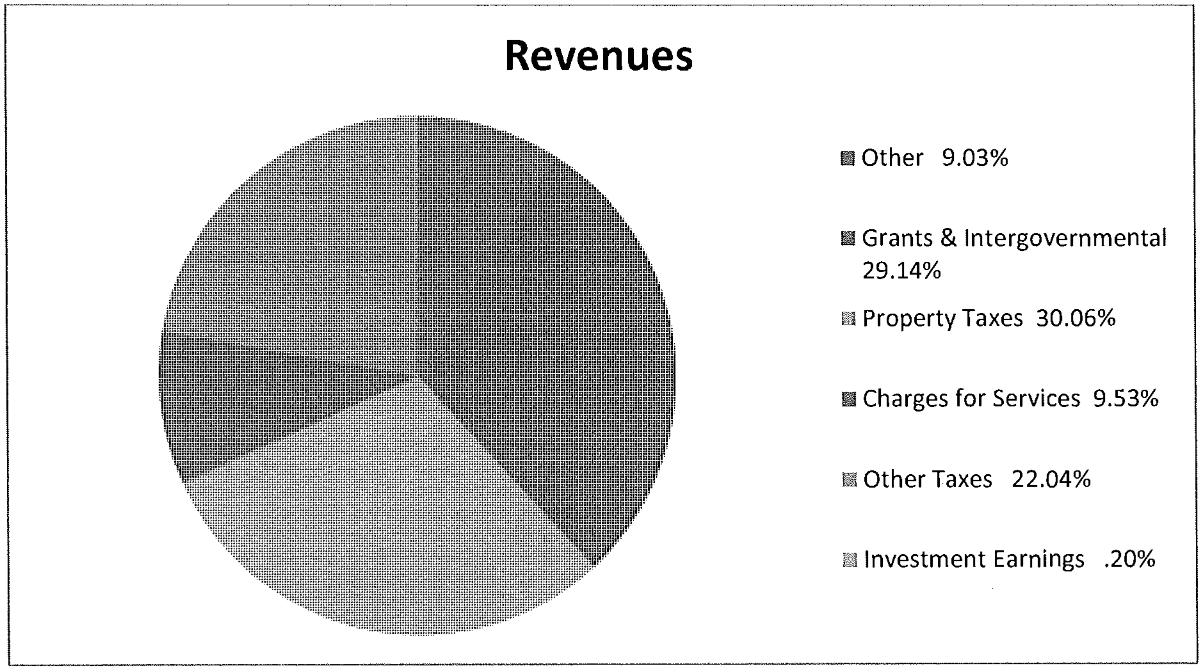
The largest portion of the City of Lewisburg's net position (78%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lewisburg uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lewisburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City of Lewisburg is able to report positive balances in all three categories of net position except for the Governmental Activities Unrestricted Fund Balance which is negative. This situation resulted primarily from the GASB 68 presentation of the net pension liability the Government-wide financial statements for 2015, disclosure of the amount in the footnotes was all that was required in 2014. In 2015 presentation of the net pension liability was not required at the individual Fund level, the separate governmental and business-type funds continued to show positive Fund net positions.

Governmental activities

As the graph below shows, Public Safety is the largest activity, reflecting the City's commitment to a safe community. Public Works was also a substantial activity. Within General Fund, $752,653 of expenses was related to recording of depreciation expense, an item associated with the new financial reporting format. Program revenues include only charges for services and operating grants and contributions directly related to an activity and do not include intergovernmental revenues that may be designated for a specific activity. For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.





Governmental activities (continued)

The chart above shows the relative size of each category of revenue received by the governmental funds, with the largest being property tax, followed by other taxes.

Business-type activities

Business-type activities increased the City of Lewisburg's net position by $985,569. Key elements of this increase are as follows:

1. The Lewisburg Water and Wastewater Fund accounts for 22% of the increase in business-type net position. This fund had a net income of $213,180 for the year.
2. The Lewisburg Electric System accounts for 15% of the increase in business-type assets and reflected a net income of $146,269.
3. The Lewisburg Gas System accounts for the remaining 63% of the total increase in business-type assets, reflecting a net income of $626,120.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $3,581,273. Approximately 76% of this total amount is unassigned fund balance, which is available for spending at the government's discretion. 12% is assigned for future subsequent years budget expenditures and the remaining 12% is restricted.

Asset, Liabilities, and Fund Balances
Total Governmental Funds

	2015	2014
Total Assets	$ 7,755,323	$ 9,509,129
Total Liabilities	$ 4,174,050	$ 4,358,197
Fund Balances:		
Restricted	203,823	509,255
Assigned	680,000	1,387,900
Unassigned	2,697,450	3,253,777
	3,581,273	5,150,932
Total Liabilities and Fund Balance	$ 7,755,323	$ 9,509,129

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 $2,697,450 a decrease of $556,327 in comparison with the prior year. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 21% percent of total general fund operating expenditures.

Budgetary Highlights

General Funds

Differences between the originally budgeted expenditures and final amended budgeted expenditures for all activities amounted to an increase of $2,138,253.

Original Budget Compared to Final Budget by Department

Department	Original	Final	Variance
General Government	1,134,019	1,719,879	(585,860)
Industrial Recruiting	134,831	146,355	(11,524)
Airport	815,886	1,144,414	(328,528)
Public Safety	4,442,901	4,468,980	(26,079)
Public Works	2,600,670	2,802,169	(201,499)
Recreation	1,002,285	1,973,722	(971,437)
Sanitation	700,000	700,000	-
Community Service	143,900	157,200	(13,300)
Cemetery	39,300	40,800	(1,500)
Debt Service	262,305	260,831	1,474
Totals	11,276,097	13,414,350	(2,138,253)

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

Capital Asset and Debt Administration

Capital assets. The City of Lewisburg's investment in capital assets for its governmental and business type activities as of June 30, 2015 amounts to $86,017,941 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park

City of Lewisburg Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital asset, not being depreciated:						
Land	3,215,587	3,163,327	426,080	426,080	3,641,667	3,589,407
Investment in Industrial Park - held for resale	2,727,078	227,322	-	-	2,727,078	227,322
Construction in progress	245,187	790,157	243,979	299,609	489,166	1,089,766
Total capital assets, not being depreciated:	6,187,852	4,180,806	670,059	725,689	6,857,911	4,906,495
Capital assets, being depreciated:						
Buildings and improvements	14,325,628	12,489,895	6,253,219	6,184,045	20,578,847	18,673,940
Plants in service	-	-	104,949,399	103,912,607	104,949,399	103,912,607
Machinery and equipment	4,203,465	3,918,948	1,922,987	1,836,363	6,126,452	5,755,311
Infrastructure	5,774,282	5,180,800	-	-	5,774,282	5,180,800
Total capital assets, being depreciated:	24,303,375	21,589,643	113,125,605	111,933,015	137,428,980	133,522,658
Less accumulated depreciation for:						
Buildings and improvements	4,748,942	4,361,523	3,436,170	3,338,232	8,185,112	7,699,755
Plants in service	-	-	40,452,527	38,062,689	40,452,527	38,062,689
Machinery and equipment	3,420,402	3,188,253	2,909,656	2,813,774	6,330,058	6,002,027
Infrastructure	3,301,253	3,168,168	-	-	3,301,253	3,168,168
Total accumulated depreciation	11,470,597	10,717,944	46,798,353	44,214,695	58,268,950	54,932,639
Total capital assets, being depreciated, net	12,832,778	10,871,699	66,327,252	67,718,320	79,160,030	78,590,019
Captial assets, net	19,020,630	15,052,505	66,997,311	68,444,009	86,017,941	83,496,514

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

Long-term debt. At the end of the current fiscal year, the City of Lewisburg had total bonds and notes payable outstanding of $19,256,226. Of this amount, $1,630,000 comprises governmental activities debt and $17,626,226 is business activities debt.

The City of Lewisburg maintains an "A1" 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 $19,256,226 translates to approximately $1,735 per capita using the 2010 Census population of 11,100.

The City also had post employment $4,295,207 as of June 30, 2015. Of this amount, $3,534,205 comprises governmental activities debt and $761,002 is business activities debt.

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

Requests for Information

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

City of Lewisburg
Attn: Donna J. Park
131 E Church St
Lewisburg, TN 37091
931-359-1544
donna.park@lewisburgtn.gov

CITY OF LEWISBURG, TENNESSEE

Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
Unrestricted	$ 3,200,073	20,648,534	23,848,607
Restricted - construction	-	1,864,622	1,864,622
Total cash	3,200,073	22,513,156	25,713,229
Investments:			
Certificates of deposit	-	71,646	71,646
Total investments	-	71,646	71,646
Accounts receivable:			
Property taxes	3,737,563	-	3,737,563
Other governments	724,241	-	724,241
Customers	-	3,482,324	3,482,324
Others	93,445	46,358	139,803
Less allowance for doubtful accounts	(27,924)	(955,032)	(982,956)
Total accounts receivable	4,527,325	2,573,650	7,100,975
Inventory of supplies	-	679,170	679,170
Prepaid expenses	-	158,193	158,193
Other assets:			
Net investment in direct financing capital lease	-	773,535	773,535
Notes receivable	75,912	150,075	225,987
Debt issuance costs	-	68,958	68,958
Other	-	1,573,290	1,573,290
Depreciable capital assets, net of accumulated depreciation	12,832,778	66,327,252	79,160,030
Non depreciable capital assets	6,187,852	670,059	6,857,911
Total Assets	26,823,941	95,558,984	122,382,925
Deferred Outflows of Resources			
Deferred loss on advance refunding	4,382	14,845	19,227
Pensions	598,499	236,017	834,516
Total Deferred Outflows of Resources	602,881	250,862	853,743
Total Assets and Deferred Outflow of Resources	27,426,822	95,809,846	123,236,668
Liabilities			
Accounts payable	188,461	3,345,045	3,533,506
Accrued liabilities	180,277	238,591	418,868
Customer deposits	-	1,845,311	1,845,311
Other liabilities	-	1,046,358	1,046,358
Accrued interest	-	21,536	21,536
Noncurrent liabilities:			
Net pension liability	2,723,005	1,275,652	3,998,657
Due within one year	478,405	988,829	1,467,234
Due in more than one year	4,809,051	17,932,008	22,741,059
Total Liabilities	8,379,198	26,693,330	35,072,528
Deferred Inflow of Resources			
Unavailable revenues-property taxes	3,564,083	-	3,564,083
Pensions	144,293	47,200	191,493
Total Deferred Inflow of Resources	3,708,376	47,200	3,755,576
Net Position			
Net investment in capital assets	17,390,630	48,206,401	65,597,031
Restricted for:			
Public safety	27,911	-	27,911
Other	12,854	19,311	32,165
UDAG program activities	285,756	-	285,756
Cemetery maintenance	100,000	-	100,000
Unrestricted	(2,477,903)	20,843,604	18,365,701
Total Net Position	15,339,248	69,069,316	84,408,564
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 27,426,822	95,809,846	123,236,668

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2015

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary Government:							
Governmental activities:							
General government	$ 686,517	-	-	82,943	(603,574)	-	(603,574)
Industrial recruiting	145,462	-	-	-	(145,462)	-	(145,462)
Airport	208,427	-	1,005,196	-	796,769	-	796,769
Public safety	4,842,662	405,533	46,741	-	(4,390,388)	-	(4,390,388)
Public works	2,736,039	-	22,644	449,492	(2,263,903)	-	(2,263,903)
Parks & Recreation	2,244,983	292,541	-	-	(1,952,442)	-	(1,952,442)
Cemetery	33,347	-	-	-	(33,347)	-	(33,347)
Sanitation	934,635	705,324	-	-	(229,311)	-	(229,311)
Interest on long-term debt	70,992	-	-	-	(70,992)	-	(70,992)
Total government activities	11,903,063	1,403,398	1,074,581	532,435	(8,892,649)	-	(8,892,649)
Business-type activities:							
Water and Sewer	5,854,612	6,064,802	-	-	-	210,190	210,190
Natural Gas	6,900,153	7,669,112	-	20,509	-	789,468	789,468
Electric	26,190,907	26,694,050	-	-	-	503,143	503,143
Total business-type activities	38,945,672	40,427,964	-	20,509	-	1,502,801	1,502,801
Total primary government	$ 50,848,735	41,831,362	1,074,581	552,944	(8,892,649)	1,502,801	(7,389,848)
General Revenues:							
Property taxes					$ 5,136,811	-	5,136,811
Sales taxes					840,677	-	840,677
Business tax					215,150	-	215,150
Wholesale beer tax					371,871	-	371,871
Wholesale liquor tax					144,526	-	144,526
State income and excise					153,336	-	153,336
Other taxes					454,656	-	454,656
Other governmental appropriations					478,926		478,926
Unrestricted investment earnings					2,689	49,999	52,688
Gain (loss) on sale of capital assets		-			966	-	966
Other					187,782	-	187,782
Transfers					567,231	(567,231)	-
Total general revenues and transfers					8,554,621	(517,232)	8,037,389
Change in net position					(338,028)	985,569	647,541
Net position - beginning of year, as restated					15,677,276	68,083,747	83,761,023
Net position - end of year					$ 15,339,248	69,069,316	84,408,564

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2015

		General Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents-unrestricted	$	3,170,795	29,278	3,200,073
Total cash and cash equivalents		3,170,795	29,278	3,200,073
Accounts and notes receivable				
Property taxes		3,737,563	-	3,737,563
Other governments		724,241	-	724,241
Others		93,446	-	93,446
Total accounts and notes receivable		4,555,250	-	4,555,250
Total Assets	$	7,726,045	29,278	7,755,323
Liabilities, Deferred Inflow of Resources and Fund Balance				
Liabilities:				
Accounts payable	$	187,094	1,367	188,461
Accrued liabilities		174,944	-	174,944
Total Liabilities		362,038	1,367	363,405
Deferred Inflow of Resources				
Unavailable revenues-property taxes		3,810,645	-	3,810,645
Total Liabilities and Deferred Inflows of Resources		4,172,683	1,367	4,174,050
Fund Balances:				
Restricted for:				
Public safety		-	27,911	27,911
Cemetery maintenance		100,000	-	100,000
UDAG program activities		75,912	-	75,912
Assigned for:				
Subsequent year's budget		445,500	-	445,500
Rock Creek Park improvements		198,000	-	198,000
Other projects		36,500	-	36,500
Unassigned		2,697,450	-	2,697,450
Total Fund Balances		3,553,362	27,911	3,581,273
Total Liabilities and Fund Balances	$	7,726,045	29,278	7,755,323

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

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

June 30, 2015

Total Governmental Funds Fund Balances		$ 3,581,273
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and , therefore, are not reported in the funds as follows:		
Capital assets	$ 30,491,228	
Accumulated Depreciation	(11,470,598)	19,020,630
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds for:		
Property tax		218,638
Loan receivable-UDAG		75,912
Liabilities not due and payable currently and not recorded in the governmental funds for:		
Accrued interest		(5,333)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds as follows:		
Bonds payable	(1,630,000)	
Bond premium	4,382	
Compensated absences	(123,251)	
Deferred outflows of resources-pension	598,499	
Net pension obligation	(2,723,005)	
Deferred inflows of resources-pension	(144,293)	
OPEB Obligation	(3,534,205)	
		(7,551,873)
Net position of governmental activities		$ 15,339,248

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

For the Year Ended June 30, 2015

		General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$	6,027,289	-	6,027,289
Intergovernmental		3,371,103	-	3,371,103
Licenses and permits		97,285	-	97,285
Fines and costs		221,136	-	221,136
Charges for services		1,102,523	-	1,102,523
Miscellaneous		182,209	12,743	194,952
Total Revenues		11,001,545	12,743	11,014,288
Expenditures:				
Current:				
General government		1,271,301	-	1,271,301
Industrial recruiting		144,492	-	144,492
Airport		93,208	-	93,208
Police Department		2,585,564	-	2,585,564
Fire prevention and control		1,512,177	-	1,512,177
Animal control		80,286	-	80,286
Building inspector		90,261	-	90,261
Pubic works		2,457,433	-	2,457,433
Parks & Recreation		927,755	-	927,755
Appropriations and other		154,434	-	154,434
Cemetery		33,347	-	33,347
Sanitation		716,253	-	716,253
Program costs		-	15,535	15,535
Capital outlay		2,754,230	54,070	2,808,300
Debt service		260,831	-	260,831
Total Expenditures		13,081,572	69,605	13,151,177
Excess (deficiency) of revenues over expenditures		(2,080,027)	(56,862)	(2,136,889)
Other Financing Sources (Uses):				
Transfers in		567,231	-	567,231
Total Other Financing Sources (Uses)		567,231	-	567,231
Net Change in Fund Balance		(1,512,796)	(56,862)	(1,569,658)
Fund Balance, Beginning of Year		5,066,158	84,773	5,150,931
Fund Balance, End of Year	$	3,553,362	27,911	3,581,273

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

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

For the Year Ended June 30, 2015

Amounts reported for net change in fund balance - total governmental funds		$ (1,569,658)
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense for governmental activities. Also, gains and losses from disposals of capital assets are not presented in the fund financial statements. Such amounts are as follows:		
Acquisition of capital assets	$ 2,630,105	
Donated capital assets	18,330	
Depreciation expense	(805,908)	
Book value of assets disposed	(966)	1,841,561
Revenues for governmental activities that do not provide current financial resources are not reported as revenues in the governmental funds as follows:		
Property tax		(13,754)
Repayment of UDAG loan principal		(20,094)
Expenses reported for governmental activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds as follows:		
Net Change in other post employment benefits	(770,218)	
Net Change in net pension obligation	(39,156)	
Reduction of debt	190,000	
Amortization of deferred loss and bond premium	(731)	
Changes in the accrual for compensated absences	43,452	
Changes in the accrual for interest	570	(576,083)
Change in net position of governmental activities		$ (338,028)

See accompanying notes to financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Net Position

Proprietary Funds

June 30, 2015

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Assets				
Current Assets:				
Cash and cash equivalents	$ 2,450,399	6,815,603	11,382,532	20,648,534
Investments	-	-	71,646	71,646
Accounts receivable, net of allowance for doubtful accounts	208,088	48,089	2,271,115	2,527,292
Inventory, materials	170,686	102,696	405,788	679,170
Prepaid expenses	-	12,415	145,778	158,193
Due from other funds	-	-	-	-
Unbilled revenue	-	306,945	466,590	773,535
Other receivables	-	14	46,344	46,358
Total Current Assets	2,829,173	7,285,762	14,789,793	24,904,728
Restricted Assets:				
Cash and cash equivalents	464,167	315,806	1,084,649	1,864,622
Total Restricted Assets	464,167	315,806	1,084,649	1,864,622
Capital Asets:				
Capital assets not being depreciated:				
Land	234,956	63,637	127,487	426,080
Construction in Progress	50,936	134,426	58,617	243,979
Capital assets, net of accumulated depreciation	41,261,172	11,776,193	13,289,887	66,327,252
Total Capital Assets	41,547,064	11,974,256	13,475,991	66,997,311
Other assets:				
Conservation loans receivable	-	-	150,075	150,075
Cash and cash equivalents designated by the Board	1,573,290	-	-	1,573,290
Bond insurance	54,062	14,896	-	68,958
Total Other Assets	1,627,352	14,896	150,075	1,792,323
Deferred Outflows of Resources				
Pension plan	236,017	-	-	236,017
Deferred amount on refunding of debt	14,845	-	-	14,845
Total Deferred Outflows of Resources	250,862	-	-	250,862
Total Assets and Deferred Outflows of Resources	$ 46,718,618	19,590,720	29,500,508	95,809,846
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and accrued expenses	$ 458,655	511,199	2,375,191	3,345,045
Due to other funds	-	-	-	-
Accrued expenses and other current liabilities	-	46,143	192,448	238,591
Accrued interest	21,536	-	-	21,536
Current portion of long-term debt and other obligations payable	620,468	368,361	-	988,829
Payable from restricted assets:				
Customer deposits	444,856	315,806	1,084,649	1,845,311
Total Current Liabilities	1,545,515	1,241,509	3,652,288	6,439,312
Long-term debt and other obligations payable:				
Net pension liability	1,275,652	-		1,275,652
Bonds payable and other long-term debt	17,055,024	787,903	89,081	17,932,008
Total Long-term debt and other obligations payable	18,330,676	787,903	89,081	19,207,660
Other Liabilities:				
TCRS pension plan	47,200	-	-	47,200
Conservation advances-TVA	-	-	152,779	152,779
Deferred regulatory liability	-	893,579		893,579
	47,200	893,579	152,779	1,093,558
Total liabilities	19,923,391	2,922,991	3,894,148	26,740,530
Net Position:				
Net investment in capital assets	23,940,479	10,789,931	13,475,991	48,206,401
Restricted	19,311	-	-	19,311
Unrestricted	2,835,437	5,877,798	12,130,369	20,843,604
Total net position	26,795,227	16,667,729	25,606,360	69,069,316
Total Liabilities and Net Position	$ 46,718,618	19,590,720	29,500,508	95,809,846

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Revenue, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2015

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Operating Revenues:				
Services	$ 5,746,600	7,669,112	26,694,050	40,109,762
Other	318,202	-	-	318,202
Total Operating Revenues	6,064,802	7,669,112	26,694,050	40,427,964
Operating Expenses:				
Cost of sales and service	-	4,989,865	22,471,223	27,461,088
Water supply, pumping and filtration	1,428,341	-	-	1,428,341
Distribution and collection	662,250	439,900	1,051,692	2,153,842
Wastewater treatment and disposal	1,842,943	-	-	1,842,943
Administrative and general	644,929	-	-	644,929
Laboratiory and pretreatment	280,505	-	-	280,505
Customer service	290,576	182,974	-	473,550
Operating and maintenance	123,451	735,686	1,802,684	2,661,821
Depreciation	-	503,504	743,081	1,246,585
Taxes	-	49,019	113,830	162,849
Total Operating Expenses	5,272,995	6,900,948	26,182,510	38,356,453
Operating Income (Loss)	791,807	768,164	511,540	2,071,511
Nonoperating Revenues (Expenses):				
Interest income	2,990	11,803	35,206	49,999
Other income (expense)	-	1,841	(7,552)	(5,711)
Interest and amortization expense	(581,617)	(1,046)	(845)	(583,508)
Total Nonoperating Revenues (Expenses)	(578,627)	12,598	26,809	(539,220)
Net Income (Loss) Before Transfers and Contributions	213,180	780,762	538,349	1,532,291
Transfers and Contributions:				
Transfers out-payments in lieu of taxes-City of Lewisburg	-	(175,151)	(392,080)	(567,231)
Capital grants	-	-	-	-
Capital contributions-utility plant	-	20,509	-	20,509
Total Transfers and Contributions	-	(154,642)	(392,080)	(546,722)
Change in Net Position	213,180	626,120	146,269	985,569
Net Position , Beginning of Year, as previously reported	27,632,075	16,041,609	25,460,091	69,133,775
Restatement	(1,050,028)	-	-	(1,050,028)
Net Position , Beginning of Year, as restated	26,582,047	16,041,609	25,460,091	68,083,747
Net Position, End of Year	$ 26,795,227	16,667,729	25,606,360	69,069,316

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Cash Flows from Operations				
Cash received from customers	$ 5,744,657	7,596,979	26,000,644	39,342,280
Cash paid to employees for services	(1,587,441)	(633,990)	(1,811,288)	(4,032,719)
Cash paid to suppliers of goods and services	(1,942,417)	(5,427,791)	(23,691,318)	(31,061,526)
Other receipts	318,202	62,303	867,719	1,248,224
Net Cash Provided (Used) by Operating Activities	2,533,001	1,597,501	1,365,757	5,496,259
Cash Flows from Capital and Related Financing Activities				
Construction and acquisition of plant	(306,892)	(751,943)	(394,092)	(1,452,927)
Grant revenues and contributions	-	-		-
Net change in retainage payable	-	-		-
Plant removal costs	-	(2,009)	(59,620)	(61,629)
Interest paid on bonds and notes payable	(580,326)	(1,643)		(581,969)
Principal payments on long-term debt	(910,400)	(250,000)	-	(1,160,400)
Proceeds from the issuance of debt	-	-	-	-
Proceeds from sale of assets		8,114	24,722	32,836
Net Cash Used by Capital and Related Financing Activities	(1,797,618)	(997,481)	(428,990)	(3,224,089)
Cash Flows from Non-Capital Financing Activities				
Payments in lieu of taxes	-	(175,151)	(399,632)	(574,783)
Net decrease in TVA advances for conservation loans	-	-	211	211
Other	-	-	(845)	(845)
Net Cash Provided (Used) by Non-Capital Financing Activities	-	(175,151)	(400,266)	(575,417)
Cash Flows from Investing Activities				
Other	-	-	(7,293)	(7,293)
Proceeds from sale and maturities of investments	-	-	-	-
Interest income received	2,990	11,803	35,206	49,999
Net Cash Provided (Used) by Investing Activities	2,990	11,803	27,913	42,706
Net Increase (Decrease) in Cash and Cash Equivalents	738,373	436,672	564,414	1,739,459
Cash and Cash Equivalents, Beginning of Year	3,749,483	6,694,737	11,402,767	21,846,987
Cash and Cash Equivalents, End of Year	$ 4,487,856	7,131,409	11,967,181	23,586,446

Reconciliation of Operating Income to Net Cash Provided (Used) by Operations

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Operating income (loss)	$ 791,807	768,164	511,540	2,071,511
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,672,726	515,050	743,081	2,930,857
Other	-	(21,108)	-	(21,108)
(Increase) decrease in:				
Accounts receivable	(1,943)	25,608	155,946	179,611
Unbilled utility revenue	-	13,614	(50,183)	(36,569)
Inventory	(4,021)	221,642	2,182	219,803
Deferred pension outflows	(236,017)	-	-	(236,017)
Other assets	-	1,376	2,728	4,104
Increase (decrease) in:				
Accounts payable	22,625	(62,097)	(21,176)	(60,648)
Due to other funds and customers		-	-	-
Customer deposits	15,000	21,632	68,550	105,182
Pension liability	225,624	-	-	225,624
Deferred pension inflows	47,200	-	-	47,200
Accrued expenses	-	113,620	(46,911)	66,709
Net Cash Provided (Used) By Operating Activities	$ 2,533,001	1,597,501	1,365,757	5,496,259

Supplemental Schedule of Non-Cash Capital and Related Financing Activities and Other Disclosures

	Water and Wastewater Fund	Natural Gas Fund	Electric Power Fund	Total
Capitalized costs and interest	$ 67,599	-	-	67,599

See accompanying notes to the financial statements.

CITY OF LEWISBURG, TENNESSEE

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2015

		Trust Funds		
		Lewisburg Defined Benefit Pension Trust	Water & Wastewater Defined Benefit Pension Trust	Donations in Trust
Assets				
Cash and cash equivalents	$	81,060	68,568	42,196
Investments, at fair value:				
Equities		159,753	78,938	-
Mutual funds		3,939,551	1,528,072	
Real estate investment trusts		614,543	233,095	-
Total Investments		4,713,847	1,840,105	-
Total Assets	$	4,794,907	1,908,673	42,196
Liabilities				
Accrued liabilities	$	-	-	-
Total Liabilities		-	-	-
Net Position				
Reserved for purpose of donation		-	-	42,196
Reserved for employee's pension benefits		4,794,907	1,908,673	-
Total Net Position	$	4,794,907	1,908,673	42,196

See accompanying notes to financial statements

CITY OF LEWISBURG, TENNESSEE

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2015

	Trust Funds		
	Lewisburg Defined Benefit Pension Trust	Water & Wastewater Defined Benefit Pension Trust	Donations in Trust
Additions:			
Contributions:			
Employer	$ 349,104	113,015	-
Plan members	-	58,605	
Other	-	-	23,231
Total contributions	349,104	171,620	23,231
Investment income:			
Net increase (decrease) in fair value of investments	(43,115)	(18,509)	-
Investment earnings	175,033	76,367	14
Net investment earnings	131,918	57,858	14
Total Additions	481,022	229,478	23,245
Deductions:			
Pension benefits and refunds, net of federal tax withheld	394,239	2,335	-
Administrative expenses	44,846	21,157	
Program costs	-		22,162
Total deductions	439,085	23,492	22,162
Net increase	41,937	205,986	1,083
Net Position, Beginning of Year, as Previously Reported	5,003,009	1,702,687	41,113
Restatement	(250,039)	-	-
Net Position, Beginning of Year, as Restated	4,752,970	1,702,687	41,113
Net Position, End of Year	4,794,907	1,908,673	42,196

See accompanying notes to financial statements

CITY OF LEWISBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2015

Revenues:	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Taxes:				
Real estate tax	$ 3,500,000	3,502,226	3,477,308	(24,918)
Local sales tax	1,600,000	1,600,000	1,599,040	(960)
In lieu of property tax - TVA and Housing Authority	-	-	145,178	145,178
Interest and penalty-real estate tax	50,000	36,800	36,854	54
Business tax	200,000	215,100	215,150	50
Wholesale beer tax	400,000	370,000	371,871	1,871
Wholesale liquor tax	115,000	144,000	144,526	526
Beer privelege tax	139,000	37,000	37,362	362
Total Taxes	6,004,000	5,905,126	6,027,289	122,163
Intergovernmental:				
Streets and transportation	22,000	23,000	22,644	(356)
State sales tax	785,000	840,000	840,677	677
State street aid	285,000	296,000	293,060	(2,940)
State income and excise	70,000	150,000	153,336	3,336
State and Federal grant programs	1,553,307	1,645,242	1,566,042	(79,200)
Other revenue		383,000	478,926	95,926
Mixed drink tax	22,000	16,500	16,418	(82)
Total Intergovernmental	2,737,307	3,353,742	3,371,103	17,361
Franchise Fees				
Cable TV franchise fee	60,000	81,000	97,285	16,285
City Court Fines and Vehicle Fees	230,000	220,000	221,136	1,136
Charges for Services:				
Airport revenue	87,000	77,000	74,369	(2,631)
Recreation revenue and fees	271,600	295,850	292,541	(3,309)
Sanitation revenue	700,000	700,000	705,324	5,324
Cemetery revenue	28,500	25,600	30,289	4,689
Total Charges for Services	1,087,100	1,098,450	1,102,523	4,073
Miscellaneous:				
Proceeds - sale of property	100,000	38,000	38,439	439
Rabies control	25,000	11,000	11,140	140
Interest revenue	32,600	22,500	22,784	284
Miscellaneous revenue	96,300	121,800	109,846	(11,954)
Total Miscellaneous	253,900	193,300	182,209	(11,091)
Total Revenues	10,372,307	10,851,618	11,001,545	149,927
Other Sources				
Transfer from Other Funds	-	685,000	567,231	(117,769)
Total Other Financing Sources	-	685,000	567,231	(117,769)
Total Revenues and Other Financing Sources	10,372,307	11,536,618	11,568,776	32,158

Continued on next page.

CITY OF LEWISBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Expenditures:				
General Government				
Current:				
Salaries	$ 467,831	418,874	418,331	543
Employee benefits and payroll tax	147,138	154,103	154,332	(229)
Insurance	205,000	281,000	280,844	156
Supplies	41,000	45,000	42,639	2,361
Utilities	18,000	23,500	23,296	204
Professional services	140,000	201,852	201,186	666
Traffic fees to State	40,000	73,000	73,595	(595)
Other costs	36,850	73,550	77,078	(3,528)
Total Current	1,095,819	1,270,879	1,271,301	(422)
Capital outlay	38,200	449,000	448,326	674
Total General Government	1,134,019	1,719,879	1,719,627	252
Industrial Recruiting				
Current:				
Salaries	86,685	74,739	73,787	952
Employee benefits and payroll tax	24,896	25,266	25,005	261
Supplies	8,000	6,600	5,693	907
Utilities	2,000	2,000	3,206	(1,206)
Travel and lodging	10,000	10,000	9,897	103
Other costs	3,250	27,750	26,904	846
Total Current	134,831	146,355	144,492	1,863
Capital outlay	-	-	-	-
Total Industrial Recruiting	134,831	146,355	144,492	1,863
Airport				
Current:				
Salaries	36,636	36,349	36,565	(216)
Employee benefits and payroll tax	14,750	16,577	16,384	193
Repairs and maintenance	16,500	15,000	18,271	(3,271)
Utilities	20,000	20,000	19,181	819
Other costs	5,000	5,000	2,807	2,193
Total Current	92,886	92,926	93,208	(282)
Capital outlay	723,000	1,051,488	991,411	60,077
Total Airport	815,886	1,144,414	1,084,619	59,795

Continued on next page.

CITY OF LEWISBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2015

Expenditures, continued	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Public Safety:				
Police Department:				
Current:				
Salaries	$ 1,792,338	1,681,732	1,680,041	1,691
Employee benefits and payroll tax	644,834	692,547	676,678	15,869
Fuel	75,000	50,000	49,588	412
Repair and maintenance	59,500	47,500	50,330	(2,830)
Supplies	28,000	33,200	27,081	6,119
Utilities	40,000	40,000	46,582	(6,582)
Other costs	74,000	70,000	55,264	14,736
Total Current	2,713,672	2,614,979	2,585,564	29,415
Capital outlay	46,000	133,000	161,235	(28,235)
Total Police Department	2,759,672	2,747,979	2,746,799	1,180
Fire Department				
Current:				
Salaries	896,253	947,190	974,927	(27,737)
Employee benefits and payroll tax	445,479	460,019	445,359	14,660
Fuel	9,200	12,000	10,009	1,991
Repairs and maintenance	80,500	30,500	27,324	3,176
Supplies	23,500	25,900	21,507	4,393
Utilities	33,000	27,200	26,301	899
Other costs	10,000	10,000	6,750	3,250
Total Current	1,497,932	1,512,809	1,512,177	632
Capital outlay	22,500	34,000	34,205	(205)
Total Fire Department	1,520,432	1,546,809	1,546,382	427
Animal Control				
Current:				
Salaries	41,160	41,033	40,903	130
Employee benefits and payroll tax	16,605	17,551	20,750	(3,199)
Veterinary expense	18,000	10,000	9,022	978
Supplies	3,000	2,000	1,942	58
Other costs	12,600	10,200	7,669	2,531
Total Current	91,365	80,784	80,286	498
Capital outlay	-	-	-	-
Total Animal Control	91,365	80,784	80,286	498

Continued on next page.

CITY OF LEWISBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2015

Expenditures, continued	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Building Inspector				
Current:				
Salaries	$ 42,613	63,675	63,226	449
Employee benefits and payroll tax	17,669	20,633	19,117	1,516
Other costs	11,150	9,100	7,918	1,182
Total Current	71,432	93,408	90,261	3,147
Capital outlay	-	-	-	-
Total Building Inspector	71,432	93,408	90,261	3,147
Total Public Safety	4,442,901	4,468,980	4,463,728	5,252
Public Works				
Shop:				
Current:				
Salaries	66,734	41,094	41,067	27
Employee benefits and payroll tax	44,411	36,140	33,848	2,292
Supplies	50,000	83,050	82,518	532
Utilities	15,000	12,500	12,180	320
Other costs	4,500	1,000	687	313
Less departmental allocations	(60,000)	(52,000)	(52,181)	181
Total Current	120,645	121,784	118,119	3,665
Capital outlay	-	-	-	-
Total Shop	120,645	121,784	118,119	3,665
Highways and Streets:				
Current:				
Salaries	547,208	564,366	563,485	881
Employee benefits and payroll tax	266,615	252,861	283,136	(30,275)
Repairs and maintenance	40,000	45,000	39,027	5,973
Fuel	42,000	50,000	39,719	10,281
Street maintenance and supplies	182,000	182,000	163,552	18,448
State contract	894,182	189,215	189,148	67
State Street Aid costs	360,000	1,275,843	1,032,227	243,616
Storm water costs	28,000	28,000	25,524	2,476
Other costs	3,100	3,100	3,496	(396)
Total Current	2,363,105	2,590,385	2,339,314	251,071
Capital outlay	116,920	90,000	89,765	235
Total Highways and Streets	2,480,025	2,680,385	2,429,079	251,306
Total Public Works	2,600,670	2,802,169	2,547,198	254,971

Continued on next page.

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

General Fund

For the Year Ended June 30, 2015

Expenditures, continued		Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Recreation:					
Current:					
Salaries	$	464,804	439,083	434,257	4,826
Employee benefits and payroll tax		137,031	136,189	135,317	872
Facility & equipment maintenance		131,700	114,200	106,182	8,018
Fuel		11,000	11,000	8,004	2,996
Supplies		15,500	40,500	11,752	28,748
Utilities		182,750	183,250	212,078	(28,828)
Other costs		26,500	20,000	20,165	(165)
Total Current		969,285	944,222	927,755	16,467
Capital Outlay		33,000	1,029,500	1,029,288	212
Total Recreation		1,002,285	1,973,722	1,957,043	16,679
Sanitation:					
Current:					
Disposal charges		700,000	700,000	716,253	(16,253)
Total Sanitation		700,000	700,000	716,253	(16,253)
Community service:					
Current:					
Goat Festival		80,000	93,000	92,307	693
Junior Economic & Community Development		22,000	22,000	20,451	1,549
Marshall County Community Theater		10,000	10,000	10,000	-
CSCC Maintenance		11,200	5,700	5,227	473
Other appropriations		20,700	26,500	26,449	51
Total Community service		143,900	157,200	154,434	2,766
Cemetary					
Current:					
Supplies		15,000	20,000	22,123	(2,123)
Other costs		17,300	20,800	11,224	9,576
Total Current		32,300	40,800	33,347	7,453
Capital outlay		7,000	-	-	-
Total Cemetary		39,300	40,800	33,347	7,453
Debt Service:					
Retirement of principle and interest		262,305	260,831	260,831	-
Total Debt Service		262,305	260,831	260,831	-
Total Expenditures		11,276,097	13,414,350	13,081,572	332,778
Excess Revenues over Expenditures and Other Sources		(903,790)	(1,877,732)	(1,512,796)	364,936

Continued on next page.

CITY OF LEWISBURG, TENNESSEE

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

General Fund

For the Year Ended June 30, 2015

		Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
Excess Revenues over Expenditures and Other Sources- from preceeding page	$	(903,790)	(1,877,732)	(1,512,796)	364,936
Net Change		(903,790)	(1,877,732)	(1,512,796)	364,936
Fund Balance, Beginning of Year		5,066,158	5,066,158	5,066,158	-
Fund Balance, End of Year	$	4,162,368	3,188,426	3,553,362	364,936

See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity

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

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

Reporting Entity

The accompanying financial statements of the City present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit, if any, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. As of June 30, 2014 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements. Because the following organizations are not legally separate, data from these entities has been presented as part of the primary government.

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

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

Separately Administered Organizations

Lewisburg Industrial Development Corporation

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lewisburg Housing Authority

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Basis of Presentation

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Cash and Cash Equivalents

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

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

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

Receivables

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

Accrued Revenue

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

Interfund Receivables/Payables

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

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

Restricted Assets

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

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

Inventories

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

Compensated Absences

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

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

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

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

Fund Equity and Classifications

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

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

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

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity and Classifications (Continued)

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

Spending Policy

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

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

Net Position

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

Property Taxes

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

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

Of the $3,737,563 property taxes receivable, $3,491,000 represents the estimated 2015 property taxes to be billed October 2015. This receivable is reported in the Balance Sheet – Governmental Funds with offsetting deferred revenue for the amounts not available at June 30, 2015. Amounts receivable at June 30, 2015 have been recorded net of an allowance for uncollectibles of $27,924 in the governmental activities statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Retirement Plans

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

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

Use of Estimates

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

Budgets and Budgetary Accounting

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

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

The 2014-15 budget was amended throughout the year. During the fiscal year, amendments to the General Fund expenditures totaling $2,138,253 were approved, increasing the budgets of several departments in response to decreases in revenues.

(2) DEPOSITS AND INVESTMENTS

Deposits:

The City's cash and cash equivalents and investments at June 30, 2015 were held by the Local Government Investment Pool and by financial institutions which participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. The amount of collateral required to secure these public deposits must be equal to 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments:

As of June 30, 2015, the City had the following investments in its Pension Fund:

Investment Type	Fair Value	Cost Basis
Cash and cash equivalents	$ 81,060	81,060
Mutual funds	4,099,304	4,052,348
Real estate investment trusts	614,543	614,543
Total	$ 4,794,907	4,747,951

As of June 30, 2015, the City Water & Wastewater Fund had the following investments in its Pension Fund:

Investment Type	Fair Value	Cost Basis
Cash and cash equivalents	$ 68,568	68,568
Mutual funds	1,607,010	1,606,176
Real estate investment trusts	233,095	233,095
Total Water and Wastewater Department Defined Benefit Pension Trust:	$1,908,673	1,907,839

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

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

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

(3) NOTES RECEIVABLE

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

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

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

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

The total outstanding balance of the above notes as of June 30, 2015 is $75,912.

(4) INTERFUND TRANSACTIONS

Operating transfers among individual funds of the City for the year ended June 30, 2015, consisted of in lieu of property tax payments from the Natural Gas and Electric Power Fund to the General Fund in the amounts of $175,151 and $392,080, respectively.

(5) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,163,327	52,635	(375)	3,215,587
Investment in industrial park - held for sale	2,353,885*	373,193	-	2,727,078
Construction in progress	790,158	225,462	(770,433)	245,187
Total capital assets, not being depreciated:	6,307,370	651,290	(770,808)	6,187,852
Capital assets, being depreciated:				
Buildings and improvements	12,489,895	1,835,733	-	14,325,628
Machinery and equipment	3,918,948	338,364	(53,847)	4,203,465
Infrastructure	5,180,799	593,483	-	5,774,282
Total capital assets, being depreciated:	21,589,642	2,767,580	(53,847)	24,303,375
Less accumulated depreciation for:				
Buildings and improvements	4,361,523	387,419	-	4,748,942
Machinery and equipment	3,188,253	285,403	(53,254)	3,420,402
Infrastructure	3,168,168	133,085	-	3,301,253
Total accumulated depreciation	10,717,944	805,907	(53,254)	11,470,597
Total capital assets, being depreciated, net	10,871,698			12,832,778
Governmental activities capital assets, net	$17,179,068			19,020,630

***Restated in the amount of $2,126,563.**

	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 426,081	-	-	426,080
Construction in progress	299,609	785,872	(841,502)	243,979
Total capital assets, not being depreciated:	725,689	785,872	(841,502)	670,059
Capital assets, being depreciated:				
Plant systems in service	103,912,607	1,321,100	(284,308)	104,949,399
Buildings and improvements	6,184,045	205,565	(136,391)	6,253,219
Machinery and equipment	1,836,363	86,624	-	1,922,987
Total capital assets, being depreciated:	111,933,015	1,613,289	(420,699)	113,125,605
Less accumulated depreciation for:				
Plant systems in service	38,062,689	2,715,642	(325,804)	40,452,527
Buildings and improvements	3,338,232	109,471	(11,533)	3,436,170
Machinery and equipment	2,813,774	209,880	(113,998)	2,909,656
Total accumulated depreciation	44,214,695	3,034,993	(451,335)	46,798,353
Total capital assets, being depreciated, net	67,718,320			66,327,252
Business-type activities capital assets, net	$68,444,009			66,997,311

(5) CAPITAL ASSETS (CONTINUED)

Depreciation expense changed to functions/programs as of June 30, 2015 follows:

Governmental activities:	
General government	$ 98,142
Public works, including depreciation of general infrastructure assets	177,979
Public safety	220,902
Airport	109,727
Cemetery	14,871
Recreation	184,286
Total depreciation expense – governmental activities	$ 805,907
Business-type activities:	
Water & wastewater	$ 1,672,726
Gas	515,050
Electric	847,217
Total depreciation expense – business-type activities	$ 3,034,993

Depreciation expense for the Electric and Gas Funds in the amount of $104,136 and $11,546 were charged to transportation clearing accounts. Operating costs of $67,599 related to construction in the Water and Wastewater Fund were capitalized.

(6) LONG-TERM LIABILITIES

Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the changes in long-term liabilities reported were as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Accrued vacation and sick pay	$ 166,703	-	(43,452)	123,251	123,251
Other post-employment benefits	2,763,987	930,372	(160,154)	3,534,205	160,154
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%	1,820,000	-	(190,000)	1,630,000	195,000
	$ 4,750,690	930,372	(393,606)	5,287,456	478,405

(6) LONG-TERM LIABILITIES (CONTINUED

During the year ended June 30, 2015, the changes in long-term liabilities reported were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-like activities					
Water and Wastewater Fund					
Bonds and notes payable					
2009 Water and Sewer Revenue and Tax Refunding Bonds, due in annual installments through July 1, 2027, at varying rates of interest from 3.00% to 4.60%.	$ 5,020,000	-	(305,000)	4,715,000	-
2009A Water and Sewer Revenue and Tax Bonds, Due in annual installments through December 1, 2029, at varying rates of interest ranging from 2.00% to 4.20%.	4,260,000	-	(195,000)	4,065,000	200,000
Clean Water State Revolving Loan, due in monthly Installments of interest only through August 20, 2012 and converting to monthly installments of principal and interest through August 20, 2032, at an interest rate of 2.43%	1,881,278	-	(81,552)	1,799,726	83,544
Clean Water State Revolving Fund Loan, due in monthly installments of interest only through August 20,2012 and converting to monthly installments of principal and interest through August 20, 2032, at an interest rate of 2.43%	7,375,348	-	(328,848)	7,046,500	336,924
	18,536,626	-	(910,400)	17,626,226	620,468
Add: unamortized bond premium	52,954			49,266	
	$ 18,589,580			17,675,492	
Electric Power Fund					
Other long term liabilities:					
Compensated absence	$ 115,968	-	(26,887)	89,081	-
	115,968	-	(26,887)	89,081	-
Natural Gas Department					
Bonds and notes payable					
Capital Outlay Notes, Series 2007 – due in annual installments through June 2024, variable interest rate, 0.22% as of June 30, 2014	540,746	-	(250,000)	290,746	290,746
Other long term liabilities:					
Compensated absences	93,810	10,706	-	104,516	63,911
Other post-employment benefits	678,853	96,550	(14,404)	761,002	13,704
	1,313,409	107,256	(264,401)	1,156,264	368,361
Total long-term liabilities	$ 20,018,957			18,920,837	988,829

(6) LONG TERM LIABILITIES (CONTINUED)

Debt Service Requirements

The annual debt service requirements to maturity for all long-term obligations outstanding as of June 30, 2015, are as follows:

	Governmental Activities		Business-Type Activities	
Fiscal Year	Prinicpal	Interest	Principal	Interest
2016	$ 195,000	63,990	911,214	560,353
2017	200,000	56,970	955,812	533,772
2018	210,000	49,470	981,396	504,794
2019	210,000	41,595	1,012,244	473,540
2020	220,000	33,195	1,048,356	441,138
2021-2025	595,000	44,690	5,803,228	1,667,648
2026-2030	-	-	5,875,008	620,126
2031-2033	-	-	1,329,714	39,126
Totals	$ 1,630,000	289,910	17,916,972	4,840,497

Interest costs for the year ended June 30, 2015 amounted to $580,326, and $1,085 for the Water and Wastewater and the Natural Gas Funds, respectively.

The Power System has been advanced $152,779 by the Tennessee Valley Authority to make low-interest loans to consumers. Uncollectible loans are deducted from the advances and are not an expense of the System. Servicing of the loans is provided by Regions Bank.

(7) DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

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

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

(8) RETIREMENT PLANS

City of Lewisburg Defined Benefit Pension Plan

Description of the Plan

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.

At June 30, 2014, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	27
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	10
Active plan members	94
Total	131

The Plan provides that the monthly retirement benefit shall be a pension payable for the member's lifetime and guaranteed for a period of one hundred twenty (120) payments equal to one and one-half percent (1-1/2%) of the member's average monthly wage received for the five (5) consecutive July 1 dates that produce the highest such average; this sum multiplied by the member's years of credited service up to forty (40) years. Members are eligible to retire as of normal retirement for an unreduced benefit upon attainment of age sixty-five (65) or upon attainment of age fifty-five (55) and eighty (80) points (age plus service equals at least eighty (80)).

A reduced early retirement benefit is available to members with at least five (5) years of credited service any time after attainment of age fifty-five (55) with a reduction factor of one-one hundred eightieth (1/180th) for each completed month of the first five (5) years and one-three hundred sixtieth (1/360th) for each completed month of the next five (5) years by which the early retirement date precedes what would have been the normal retirement date.

(8) RETIREMENT PLANS (CONTINUED)

City of Lewisburg Defined Benefit Pension Plan

Description of the Plan

A member who continues employment beyond his normal retirement age shall be eligible for a late retirement benefit upon actual retirement equal to the member's benefit earned in accordance to the normal retirement formula with credit given for subsequent service (provided that the forty (40) year credited service maximum shall not be exceeded in computing the benefit).

The severance benefit payable to a member prior to completion of five (5) years of credited service is a lump sum payment of the net amount of contributions (including interest) plus the amount transferred by the member for the purchase of credited service. After completion of five (5) years of credited service, a member shall be entitled to a monthly benefit equal to the amount earned under the normal retirement benefit formula, using credited service as of his date of severance, with payment commencing on the member's normal retirement date.

If a member separates employment due to disability, he shall be entitled to a monthly benefit equal to the amount earned under the normal retirement benefit formula, using credited service as of his date of disability, with payment commencing on the member's normal retirement date. However, the member may elect the benefit start prior to this normal retirement date at a reduced rate. For commencement less than ten (10) years prior to normal retirement date, a reduction factor of one-one hundred eightieth (1/180th) for each completed month of the first five (5) years and one-three hundred sixtieth (1/360th) for each completed month of the next five (5) years by which the early retirement date shall apply. For commencement more than ten (10) years prior to normal retirement date, such monthly amount shall be the actuarial equivalent.

In the event a married or unmarried member who has not yet completed five (5) years of credited service dies prior to the commencement of any benefit from the Plan, the designated beneficiary shall be entitled to receive a death benefit which shall be a lump sum equal to his net amount of contributions (including interest) plus the amount transferred by the member for the purchase of credited service.

In the event an active member dies or a retired member dies prior to the commencement of any benefit from the Plan, the designated beneficiary shall be entitled to a monthly pension for their remaining lifetime equal to fifty percent (50%) of the actuarial equivalent of the member's accrued retirement benefit. In a member dies after his severance from employment but prior to the commencement of his deferred vested severance benefit, the designated beneficiary shall be entitled to a benefit equal to the commuted value of the mandatory contribution benefit.

In the event a married member who has completed five (5) years of credited service dies prior to the commencement of any benefit from the Plan, the surviving spouse shall be entitled to a lump sum equal to the net amount of contributions (including interest) and a monthly survivor annuity commencing on the date specified by the spouse, but not earlier than the member's early retirement date nor later than the member's normal retirement date, in the amount that would have been payable had the member severed employment and commenced receipt of his retirement benefits in the form of an actuarial equivalent one hundred percent (100%) joint and survivor annuity on the date elected by his surviving spouse.

(8) RETIREMENT PLANS (CONTINUED)

City of Lewisburg Defined Benefit Pension Plan

Description of the Plan

A member or his beneficiary shall be eligible for an automatic annual one percent (1 %) increase in his benefit effective every July 1 after the member and/or beneficiary have been receiving benefits for at least one (1) year.

The Employer intends to contribute to the Plan each year such amounts as may be required to operate the Plan on a sound actuarial basis. The minimum annual contribution by the department must be sufficient, as determined by the actuaries, to prevent deterioration in the actuarial status of the trust fund during the year. For the year ending June 30, 2014, the mandatory member contribution rate (per the Plan's legal document) was 4.00%.of annual pay and the actuarially determined Employer's contribution rate was 8.84% of annual payroll.

Net Pension Liability of the Plan

The components of the net pension liability of the Plan at June 30, 2014 were as follows:

Total pension liability	$ 7,477,528
Plan fiduciary net position	(4,754,523)
Plan's net pension liability	$ 2,723,005
Plan fiduciary net position as a percentage of the total pension liability	63.58%

Pension Expense of the Plan

Pension expense of $271,994 must be recognized for the fiscal year ending June 30, 2015.

Significant Actuarial Assumptions

Measurement Date	June 30, 2014
Valuation Date Assets	June 30, 2014
Liabilities	June 30, 2014 - Actual member census data as of June 30, 2014 was used in the valuation.
Inflation Rate	2.25% per annum
Future Salary Increases	3.00% per annum (2.25% increases due to inflation and .75% due to merit/seniority.)
Investment Rate of Return	7.00% per annum, net of pension plan investment expenses, including inflation

(8) RETIREMENT PLANS (CONTINUED)

City of Lewisburg Defined Benefit Pension Plan

Significant Actuarial Assumptions

Cost of Living Increase	1.00% per annum
Mortality Assumption	Uninsured Pensioner 1994 Tables (UP-94/94 GAM Basic – separate male and female tables)
Discount Rate	The discount rate used to measure the total pension liability was 6.57% as of June 30, 2014, and is equal to a blend of the assumed long-term investment rate of return of 7.00% and a municipal bond rate of 3.75%, which is the Bonds Online 20 Year Municipal AA Bond Index as of June 30, 2014. Based upon the review of recent Employer contribution history compared to the corresponding actuarially determined contributions, the projection of cash flows used to determine the discount rate assumed that employer contributions would not be made at the actuarially calculated rate. Based on this assumption, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2058. Prior to this date, the long-term expected rate of return on pension plan investments was used to discount projected benefit payments and the municipal bond rate was used for the period thereafter. The development of the discount rate is shown in this report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Lewisburg Defined Benefit Pension Plan, calculated using the discount rate of 6.57%, as well as what the City of Lewisburg Defined Benefit Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.57%) or 1-percentage-point higher (7.57%) than the current rate:

	1% Decrease (5.57%)	Current Discount Rate (6.57%)	1% Increase (7.57%)
Total Pension Liability	$ 8,464,081	7,477,528	6,662,167
Plan Fiduciary Net Pension	4,754,523	4,754,523	4,754,523
Net Pension Liability (Asset)	$ 3,709,558	2,723,005	1,907,644

(8) RETIREMENT PLANS (CONTINUED)

City of Lewisburg Defined Benefit Pension Plan

General Information about the Pension Plan

	Changes in the Net Pension Liability (Asset)		
		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balance at 6/30/13	$ 6,788,422	4,327,847	2,460,575
Changes for the year:			
Service cost	161,622	-	161,622
Interest	472,876	-	472,876
Differences between expected and actual experience	44,117	-	44,117
Change of assumptions	369,873	-	369,873
Contributions – employer	-	230,932	(230,932)
Contributions- Employees	-	115,466	(115,466)
Net investment income	-	481,246	(481,246)
Benefit payments, including refunds of employee contributions	(359,382)	(359,382)	-
Administrative expense	-	(41,586)	41,586
Net changes	689,106	426,676	262,430
Balance at 6/30/14	$ 7,477,528	4,754,523	2,723,005

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 38,967	-
Changes in Assumptions	326,694	-
Net difference between projected and actual earning on pension plan investments	-	144,293
Contributions subsequent to the measurement date of June 30, 2014	232,838	-
Total	$ 598,499	144,293

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

(8) RETIREMENT PLANS (CONTINUED)

City of Lewisburg Defined Benefit Pension Plan

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

Year ended June 30:	
2016	12,256
2017	12,256
2018	12,256
2019	12,315
2020	48,329
Thereafter	124,016

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Lewisburg Water and Wastewater Department Description and Contributions Information

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

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

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

At the measurement date of June 30, 2014, the following employees were covered by the DB Plan:

Inactive plan members or beneficiaries currently receiving benefits	2
Active plan members	36
Total	38

8) RETIREMENT PLANS (CONTINUED)

Lewisburg Water and Wastewater Department Description and Contributions Information

Contributions

The Department intends to contribute to the Plan each year such amounts as may be required to operate the Plan on a sound actuarial basis. The minimum annual contribution by the department must be sufficient, as determined by the actuaries, to prevent deterioration in the actuarial status of the trust fund during the year. For the year ending June 30, 2014, the mandatory member contribution rate (per the Plan's legal document) was 4.00% of annual pay and the actuarially determined Department contribution rate was 8.84% of annual payroll.

DB Plan members are required to contribute 4% of their annual covered salary. The Department is required to make contributions at an actuarial determined rate, which is adjusted as necessary. The Department's contribution rate for the current year was 7.8%. The contribution requirements of the DB Plan members and the Department are established under provisions of the DB Plan document and may be amended by the Board of Directors of the Department. Administrative costs of the DB Plan are paid by the DB Plan in addition to Employer contributions to the DB Plan.

Net pension liability

The Department's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.00 percent per annum, (2.25 percent increases due to inflation and .75 percent due to merit/seniority)
Investment rate of return	7.00 percent per annum, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	1.00 percent per annum

Mortality rates were based on the Uninsured Pensioner 1994 Tables (UP-94/94 GAM Based - separate male and female tables).

(8) RETIREMENT PLANS (CONTINUED)

Lewisburg Water and Wastewater Department Description and Contributions Information

The long-term expected rate of return on pension plan investments was assumed to be 7.00% per annum, net of pension plan investment expense, including inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class		
U.S. equity	8.11 %	25.62 %
Developed market international equity	11.51 %	1.60%
Emerging market international equity	10.39 %	1.90%
U.S. fixed income	2.06 %	24.68%
Foreign bonds	0.90 %	0.70%
Real Estate	6.32 %	12.00 %
Hedged Equity	5.85 %	13.20%
Managed Futures	5.50 %	2.70%
Diversified Alternatives	5.25 %	10.60%
Cash	-	7.00%
		100.00%

Discount rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2014, and is equal to the long-term expected return on plan investments. The projection cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate. The future contribution assumption was based upon the review of recent Employer contribution history compared to the corresponding actuarially determined contributions. Based on this assumption, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

(8) RETIREMENT PLANS (CONTINUED)

Lewisburg Water and Wastewater Department Description and Contributions Information

Changes in the net pension liability

	Changes in the Net Pension Liability (Asset) Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balance at 6/30/13	$ 2,545,233	1,403,925	1,141,308
Changes for the year:			
Service cost	87,058	-	87,058
Interest	184,171	-	184,171
Differences between expected and actual experience	(52,706)	-	(52,706)
Change of assumptions	-	-	-
Contributions – employer	-	91,280	(91,280)
Contributions- Employees	-	58,288	(58,288)
Net investment income	-	(50,461)	50,461
Benefit payments, including refunds of employee contributions	(2,335)	(2,335)	-
Administrative expense	-	(14,928)	14,928
Net changes	216,188	81,844	134,344
Balance at 6/30/14	$ 2,761,421	1,485,769	1,275,652

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Lewisburg Defined Benefit Pension Plan, calculated using the discount rate of 7.0%, as well as what the Defined Benefit Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Total Pension Liability	$ 1,678,587	1,275,652	935,975

Pension Expense of the Plan

Pension expense of $149,822 must be recognized for the fiscal year ending June 30, 2015.

(8) RETIREMENT PLANS (CONTINUED)

Lewisburg Water and Wastewater Department Description and Contributions Information

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	47,200
Net difference between projected and actual earning on pension plan investments	123,002	-
Contributions subsequent to the measurement date of June 30, 2014	113,015	-
Total	$ 236,017	47,200

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

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

Year ended June 30:	
2016	25,244
2017	25,244
2018	(5,506)
2019	(5,506)
2020	(5,506)
Thereafter	(8,660)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Lewisburg Gas Department

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

8) RETIREMENT PLANS (CONTINUED)

Lewisburg Gas Department

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

The Gas Department contracts with an investment provider that uses a group funding agreement to maintain individual accounts in the pension plan for accounting and funding purposes. The Gas Department may amend any election in the adoption agreement by giving the Trustee written notification of such amendment as adopted.

The Gas Department's total payroll for the fiscal year ended June 30, 2015 was $689,251. The employees' required contributions of $25,842 were calculated at 4% of total "base salary" for the year. Total payroll for covered employees was $646,047. The Gas Department's contribution amounted to $38,763 (6% of total covered payroll).

Lewisburg Electric Power Fund

The Electric System provides pension benefits for all of its full-time employees through a defined contribution plan - Lewisburg Electric System Employees Pension Trust. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who are at least 25 years of age are eligible to participate in the plan after completion of two years of service. Under the terns of the plan, covered employees are required to contribute 4% of their "base salary" (or 50% of the total required contribution, if less), and the Electric System is required to fund the balance of the contribution. Employees are fully vested after 10 years of service. For employees who continue to work past normal retirement age, the employer will continue to contribute on his behalf the same annual amount that contributed in the year the employee reached 65.

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

The Electric System's total payroll for the fiscal year ended June 30, 2015 was $1,814,588. The employees' contributions of $52,057 were calculated at 3.56% of their total "base salary" for the year. Total payroll for covered employees was $1,462,760. The Electric System's contribution amounted to $167,777 (approximately 11.47% of covered payroll).

(8) RETIREMENT PLANS (CONTINUED

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

(9) OTHER POST-EMPLOYMENT BENEFITS

City of Lewisburg

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

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

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

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

The City's annual OPEB cost (expense) is calculated based on the annual required contributions of the employer (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty ears. The current rate is calculated using a percentage of annual covered payroll.

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

City of Lewisburg

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	$ 988,469
Interest on net OPEB obligation	82,920
Adjustment to annual required contribution	(141,017)
Annual OPEB cost (expense)	930,372
Contributions made	(160,154)
Increase in net OPEB obligation	770,218
Net OPEB obligation (asset) - beginning of year	2,763,987
Net OPEB obligation (asset) - ending of year	$3,534,205

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2015 were as follows:

Annual Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
$ 930,372	17.21%	$3,534,205

As of December 31, 2014, the most recent actuarial valuation date (determination of annual required contribution was updated December 31, 2015), the plan was 0% funded. The actuarial accrued liability for benefits was $15,431,740, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $15,431,740.

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

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

• Actuarial valuation date:	December 31, 2013
• Actuarial cost method:	Projected unit credit method
• Amortization method:	Level percentage amortization
• Remaining amortization period:	30 years, open period

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

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

Lewisburg Gas Department

The Natural Gas Board provides Medicare supplement health insurance premiums for retired employees and their spouses at age 65, provided the employee has reached certain age and length of service requirements with the Gas Department. New employees or new spouses of current employees will not be eligible to receive this benefit after June 11, 2007. Employees will be vested after twenty-five years continuous service and having reached the age of 62 or older before retiring from the Gas Department. The benefit is being provided one year at a time, if approved by an annual vote of the Natural Gas Board. There were five retired employees (or spouses) in the Plan during fiscal year 2015; employer's contributions, which are on a pay-as-you-go basis, totaled $14,401 for the year.

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

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. An actuary was used to calculate the OPEB obligation and unfunded accrued liability as of July 1, 2008. The costs were calculated using the projected unit credit cost method. Present value of benefits was calculated using a 3% interest rate. The health trend rate was estimated at 6% reduced each year by .25% until 3% is reached. Amortization of past service for current employees was over 10 years and amortization of past service for retirees is over 1 year. The amortization period is closed. An actuarial valuation was performed as of July 1, 2014 to update the OPEB obligation and the unfunded accrued liability.

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	$ 76,184
Actuarial Adjustment	-
Interest on net OPEB obligation	20,366
Annual OPEB cost (expense)	96,550
Contributions made	(14,401)
Increase in net OPEB obligation	82,149
Net OPEB obligation (asset) - beginning of year	678,853
Net OPEB obligation (asset) - ending of year	$ 761,002

(9) OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Lewisburg Gas Department (Continued)

The Gas Department's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2015 were as follows:

Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
$ 96,550	14.92%	$ 761,002

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the Gas Department are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplemental information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Projections of benefits are based on the substantive plan (the plan as understood by the Gas Department and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Gas Department and the plan members to that point. The projection of benefits for financial reporting purposes do not explicitly, incorporate the potential effects of legal or contractual funding limitations or the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

(10) MAJOR CUSTOMERS

The Water and Wastewater Department's sales to the Marshall County Board of Public Utilities in 2015 were approximately 10% of total revenue.

(11) DEFERRED REGULATORY LIABILITY

During the year, the State of Tennessee paid contractors to move a gas line in connection with road work that was being done. In accordance with accounting standards, the Natural Gas Fund recorded the value of this work as an increase in capital assets. The Fund also elected, in accordance with GASB 62, to follow ASC 980, *Accounting for the effects of certain Types of Regulation.* This resulted in the Fund recording a deferred regulatory liability during 2013 and recognizing revenue over the estimated useful life of the assets. This resulted in $20,509 in revenue during the year which is included as capital contribution in the financial statements. The remaining deferred regulatory liability as of June30, 2015 is $893,579 and is included in the liabilities section on the financial statements.

(12) RISK MANAGEMENT

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

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

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

(13) COMMITMENTS AND CONTINGENCIES

City of Lewisburg

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

(13) COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

(14) BUDGET OVERAGES

For the year ended June 30, 2015, expenditures exceeded budget appropriations as follows:

	Budget	Actual	Overage
General Fund:			
Sanitation	$ 700,000	716,253	16,253

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

(14) RESTATEMENT

The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement requires the liability of employers to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The requirements of this statement are effective for financial periods beginning after June 15, 2014.

Additionally, Governmental Activities have been restated for industrial park infrastructure constructed and contributed to the City by the State that was inadvertently not recorded when received in fiscal year 2014 in the amount of $2,126,563.

The effect of the above matters on the City's net position as of July 1, 2014 are as follows:

	Statement of Activities		Fund Statement of Revenue, Expenses and Changes in Net Position
	Governmental Activities	Business-Type Activities	Water & Wastewater Fund
Net Position, As Previously Reported	$ 15,742,272	27,632,075	27,632,075
Restatement of general fixed asset	2,126,563		
Restatement for GASB #68	(2,191,559)	(1,050,028)	(1,050,028)
Net Position (Deficit), As Restated	$ 15,677,276	26,582,047	26,582,047

In 2014, the City inadvertently overstated the reported market value of investments in the amount of $250,039 as a result net position of the Trust Fund was reduced in the amount of $250,390 at July 1, 2014.

(15) NEW PRONOUNCEMENTS

GASB Statement No. 72, Fair Value Measurement and Application - This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The new standard is not expected to have a significant impact on the City's financial statements.

(15) NEW PRONOUNCEMENTS

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - These Statements make accounting and for other postemployment benefit plans consistent with the pension standards. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The City is considering the effect of the standard and its expected impact on the City's financial statements.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments - This statement establishes a hierarchy of generally accepted accounting principles for states and local governments to follow in preparing financial statements. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015 and are not expected to have a significant impact on the City's financial statements.

GASB Statement No. 77, Tax Abatement Disclosures - This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1)Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) The gross dollar amount of taxes abated during the period and (3) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The City is considering the new standard and its impact on the City's financial statements

CITY OF LEWISBURG, TENNESSEE

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios-City Pension Plan

Fiscal Year Ending June 30,

		2014
Total pension liability		
Service cost	$	161,622
Interest		472,876
Differences between actual and expected experience		44,117
Change in assumpotions		369,873
Benefit payments, including refunds of employee conributions		(359,382)
Net change in total pension liability		689,106
Total pension liability, beginning of year		6,788,422
Total pension liability, ending of year (a)	$	7,477,528
Plan fiduciary net position		
Contributions, employer	$	230,932
Contributions, employee		115,466
Net investment income		481,246
Benefit payments, including refunds of employee contributions		(359,382)
Administrative expenses		(41,586)
Net change in plan fiduciary net position		426,676
Plan fiduciary net position, beginning of year		4,327,847
Plan fiduciary net position, ending of year (b)	$	4,754,523
Net Pension Liability (asset) ending of year (a)-(b)	$	2,723,005
Plan fiduciary net position, as a percentage of total pension liability		63.58%
Covered-employee payroll	$	3,066,248
Net pension liability (asset) as a percentage of covered-employee payroll		88.81%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

CITY OF LEWISBURG, TENNESSEE

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios-Wastewater Pension Plan

Fiscal Year Ending June 30,

Total pension liability		**2014**
Service cost	$	87,058
Interest		184,171
Differences between actual and expected experience		(52,706)
Benefit payments, including refunds of employee conributions		(2,335)
Net change in total pension liability		216,188
Total pension liability, beginning of year		2,545,233
Total pension liability, ending of year (a)	$	2,761,421
Plan fiduciary net position		
Contributions, employer	$	91,280
Contributions, employee		58,288
Net investment income		(50,461)
Benefit payments, including refunds of employee contributions		(2,335)
Administrative expenses		(14,928)
Net change in plan fiduciary net position		81,844
Plan fiduciary net position, beginning of year		1,403,925
Plan fiduciary net position, ending of year (b)	$	1,485,769
Net Pension Liability (asset) ending of year (a)-(b)	$	1,275,652
Plan fiduciary net position, as a percentage of total pension liability		53.80%
Covered-employee payroll	$	1,434,077
Net pension liability (asset) as a percentage of covered-employee payroll		88.95%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

CITY OF LEWISBURG, TENNESSEE

Schedule of Contributions-City Pension Plan

Fiscal Year Ending June 30,

		2013	2014
Actuarially determined contribution	$	321,462	271,408
Contributions in relation th the actuarially determined contribution		(239,979)	(230,932)
Contribution deficiency (excess)	$	81,483	40,476
Covered-employee payroll	$	3,065,819	3,071,598
Contributions as a percentage of covered employee payroll		7.83%	7.52%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

CITY OF LEWISBURG, TENNESSEE

Schedule of Contributions-Wastewater Pension Plan

Fiscal Year Ending June 30,

		2013	2014
Actuarially determined contribution	$	134,086	144,448
Contributions in relation th the actuarially determined contribution		(91,280)	(149,822)
Contribution deficiency (excess)	$	42,806	(5,374)
Covered-employee payroll	$	1,473,619	1,434,077
Contributions as a percentage of covered employee payroll		9.10%	10.07%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

CITY OF LEWISBURG, TENNESSEE

Notes to Required Supplemental Information

For the Year Ended June 30, 2015

City Pension Plan

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used ot determine the contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amortization
Remaining amortization period	30 years
Asset valuation	Fair market value
Inflation	2.25 percent
Salary increases	3.00 percent average, including inflation
Investment Rate of Return	7.0 percent
Retirement age	PERF Experience 2000-05 table with 100% retirement at age 70
Mortality	Uninsured Pensioner 1994 Table (UP-94/94 GAM Basic-separate male and female tables)

Wastewater Pension Plan

Valuation date: Actuarially determined contribution rates for 2015 are calculated as of January 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used ot determine the contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation	Fair market value
Inflation	2.25 percent
Salary increases	3.00 percent average, including inflation
Investment Rate of Return	7.0 percent
Retirement age	The later of age 65 or one year from the valuation date
Mortality	Uninsured Pensioner 1994 Table (UP-94/94 GAM Basic-separate male and female tables)

CITY OF LEWISBURG, TENNESSEE

Schedule of Funding Progress
and
Schedule of Employer Contributions

Other Postemployement Benefits-City and Natural Gas Fund Plan

June 30, 2015

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
City of Lewisburg						
Funding Progress						
12-31-09	$ -	5,256,114	5,256,114	0.0%	3,605,000	145.8%
12-31-11	-	7,396,840	7,396,840	0.0%	3,906,000	189.4%
12-31-13	-	11,720,291	11,720,291	0.0%	4,194,286	279.4%
12-31-14	-	15,431,740	15,431,740	0.0%	-	#DIV/0!
Lewisburg Natural Gas Fund						
Funding Progress						
7-1-08	$ -	739,851	739,851	0.0%	517,175	143.1%
7-1-11	-	685,427	685,427	0.0%	545,539	125.6%
7-1-14	-	811,620	811,620	0.0%	438,468	185.1%

Employer Contributions:

City of Lewisburg Year Ended	Annual Required Contribution	Percentage Contirbuted*
2010	569,434	9.2%
2011	569,434	9.2%
2012	511,526	19.5%
2013	942,772	14.1%
2014	930,372	17.2%
Lewisburg Natural Gas Fund		
2010	96,928	13.1%
2011	96,928	13.1%
2012	68,682	14.4%
2013	84,363	18.8%
2014	103,688	15.4%
2015	96,550	14.9%

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

CITY OF LEWISBURG, TENNESSEE

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

Drug Fund

For the Year Ended June 30, 2015

		Original Budget	Final Budget	Actual	Variance from Variance Final Budget Positive (Negative)
Revenues:					
Fines and fees					
Drug fines, confiscated property	$	15,000	15,000	12,743	(2,257)
Total Revenues		15,000	15,000	12,743	(2,257)
Expenditures:					
Current:					
Canine costs		20,000	20,000	2,888	17,112
Supplies		-	-	12,647	(12,647)
Total program Costs		20,000	20,000	15,535	4,465
Capital outlay		80,000	80,000	54,070	25,930
Total Expenditures		100,000	100,000	69,605	30,395
Net Change in Fund Balance		(85,000)	(85,000)	(56,862)	28,138
Fund Balance, Beginning of Year		84,773	84,773	84,773	-
Fund Balance, End of Year	$	(227)	(227)	27,911	28,138

CITY OF LEWISBURG, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds -

Schedule of General Fixed Assets - By Function and Activity

June 30, 2015

	Land	Buildings & Improvements	Machinery & Equipment	Infrastructure	Construction in Progress	Industrial Park	Balance June 30, 2015
Cost / Estimated Cost:							
General government:	$ 1,556,568	2,557,530	150,243	225,556	19,725	2,727,078 *	7,236,700
Public works:	263,001	91,348	876,963	5,232,665	-	-	6,463,977
Police	-	1,573,675	951,586	-	-	-	2,525,261
Fire	214,325	247,232	1,307,955	-	-	-	1,769,512
Parks and recreation	543,038	6,337,293	211,084	316,061	89,080	-	7,496,556
Airport	421,827	3,465,598	180,856	-	136,382	-	4,204,663
Garage/shop	-	-	29,264	-	-	-	29,264
Cemetery	215,228	52,952	56,262	-	-	-	324,442
Sanitation	1,600	-	439,252	-	-	-	440,852
Total Capital Assets	$ 3,215,587	14,325,628	4,203,465	5,774,282	245,187	2,727,078	30,491,227

*Restated in the amount of $2,126,563.

CITY OF LEWISBURG, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds -

Schedule of Changes in Capital Assets-By Function and Activity

For the Year Ended June 30, 2015

Cost / Estimated Cost:		Balance June 30, 2014		Additions	Disposals	Balance June 30, 2015
General government:	$	6,777,874	*	458,826	-	7,236,700
Public works:		6,384,475		79,502	-	6,463,977
Police		2,417,947		161,161	(53,848)	2,525,260
Fire		1,735,207		34,305	-	1,769,512
Parks and recreation		6,484,519		1,012,412	(374)	7,496,557
Airport		3,302,432		902,231	-	4,204,663
Garage/shop		29,264		-	-	29,264
Cemetery		324,442		-	-	324,442
Sanitation		440,852		-	-	440,852
Total Capital Assets	$	27,897,012		2,648,437	(54,222)	30,491,227

*Restated in the amount of $2,126,563.

CITY OF LEWISBURG, TENNESSEE

Schedule of Debt Service Requirements

General Obligation Debt

June 30, 2015

Fiscal Year	General Obligation Refunding Bonds - Series 2008*	
	Principal	Interest
2016	$ 195,000	63,990
2017	200,000	56,970
2018	210,000	49,470
2019	210,000	41,595
2020	220,000	33,195
2021	230,000	24,395
2022	235,000	14,965
2023	130,000	5,330
	$ 1,630,000	289,910

* Interest at approximately 4%.

CITY OF LEWISBURG, TENNESSEE

Schedule of Debt Service Requirements to Maturity

Business - Type Activities

June 30, 2015

	Water & Wastewater Fund									
	Water & Sewer Revenue and Tax Refunding Bonds- Series 2009-3 to 4.60%		Water & Sewer Revenue and Tax Bonds Series 2009A-2 to 4.2%		Clean Water State Revolving Fund Loan-2.43%		Clean Water State Revolving Fund Loan-2.43%		Total Requirements	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ -	204,266	200,000	144,755	336,924	168,516	83,544	42,816	620,468	560,353
2017	315,000	193,416	210,000	139,368	345,204	160,236	85,608	40,752	955,812	533,772
2018	325,000	181,404	215,000	132,986	353,688	151,752	87,708	38,652	981,396	504,794
2019	335,000	168,204	225,000	125,780	362,376	143,064	89,868	36,492	1,012,244	473,540
2020	350,000	154,504	235,000	118,190	371,280	134,160	92,076	34,284	1,048,356	441,138
2021	365,000	140,204	245,000	110,209	380,400	125,040	94,332	32,028	1,084,732	407,481
2022	380,000	125,303	255,000	101,706	389,748	115,692	96,648	29,712	1,121,396	372,413
2023	395,000	109,557	265,000	92,604	399,324	106,116	99,024	27,336	1,158,348	335,613
2024	410,000	92,595	275,000	82,881	409,140	96,300	101,460	24,900	1,195,600	296,676
2025	430,000	74,320	290,000	72,497	419,196	86,244	103,956	22,404	1,243,152	255,465
2026	450,000	54,510	300,000	61,432	429,492	75,948	106,512	19,848	1,286,004	211,738
2027	470,000	33,350	315,000	49,354	440,052	65,388	109,128	17,232	1,334,180	165,324
2028	490,000	11,270	330,000	36,293	450,864	54,576	111,804	14,556	1,382,668	116,695
2029	-	-	345,000	22,365	461,940	43,500	114,552	11,808	921,492	77,673
2030	-	-	360,000	7,560	473,292	32,148	117,372	8,988	950,664	48,696
2031	-	-	-	-	484,920	20,520	120,252	6,108	605,172	26,628
2032	-	-	-	-	496,836	8,604	123,204	3,156	620,040	11,760
2033	-	-	-	-	41,824	262	62,678	476	104,502	738
	$ 4,715,000	1,542,903	4,065,000	1,297,980	7,046,500	1,588,066	1,799,726	411,548	17,626,226	4,840,497

CITY OF LEWISBURG, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2015

Tax Year	Balance, June 30, 2014	Tax Levy and Adjustments	Collections and Adjustments	Balance, June 30, 2015
2014	$ -	3,491,279	(3,373,743)	117,536
2013	126,541	-	(88,986)	37,555
2012	28,919		(9,422)	19,497
2011	21,380		(3,852)	17,528
2010	19,669		(701)	18,968
2009	18,869		(1,952)	16,917
2008	20,917		(12,922)	7,995
2007	15,342		(10,454)	4,888
2006	924		-	924
2005	4,755		-	4,755
	$ 257,316	3,491,279	(3,502,032)	246,563
		Add 2015 tax levy		3,491,000
		Total property tax receivable		3,737,563
		Less allowance for doubtful accounts		(27,924)
		Total property tax receivable, net		$ 3,709,639

CITY OF LEWISBURG, TENNESSEE

SCHEDULE OF FEDERAL AND STATE ASSISTANCE

For the Year Ended June 30, 2015

CFDA Number	State Grant Number	Program Name	Grantor Agency	Deferred (Receivable) Balance 6-30-14	Adjustments	Receipts	Disbursements	Deferred (Receivable) Balance 6-30-15
Federal Grants								
16.922	N/A	Equitable Sharing Program	U.S. Department of Justice	$ -	-	46,741	(46,741)	-
10.769	N/A	Rural Business Enterprise Grant	U.S. Department of Agriculture	(16,000)		16,000	(11,598)	(11,598)
20.205	SRTS-5900(21)	Safe Routes to Schools	Federal Highway Administration	(10,728)		166,087	(178,253)	(22,894)
20.106	3-47-SBGP-44	Airport Hangar Grant	U.S Department of Transportation	(59,083)		823,918	(768,904)	(4,069)
20.205	STP-M-9310(10)	Resurfacing Grant	Federal Highway Administration	(231,964)		503,203	(271,239)	-
	Total Federal Grants			(317,775)	-	1,555,949	(1,276,735)	(38,561)
State Grants:								
N/A	PT 15-28	Governors Highway Safety Program	Tennessee Department of Safety	-		3,029	(3,029)	-
N/A	32701-02219	Pool Grant	Tennessee Department of Environment and Conservation	-		50,000	(50,000)	-
N/A	AERO-M14-370	Airport Maintenance Grant	Tennessee Department of Transportation	(10,339)		10,339	-	-
N/A	AERO-15-134-00	Airport Maintenance Grant	Tennessee Department of Transportation	-		4,745	(10,820)	(6,075)
N/A	AERO-15-170-01	Airport Runway Grant	Tennessee Department of Transportation	-		225,472	(225,472)	-
	Total State Grants			(10,339)	-	293,585	(289,321)	(6,075)

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

CITY OF LEWISBURG, TENNESSEE

Schedule of Expenditure of Federal Awards

For the Year Ended June 30, 2015

Federal Financial Assistance Program	Grantor Agency	CFDA Number		Expenditures	
Equitable Sharing Program	U.S. Department of Justice	16.922	$	46,741	
Rural Business Enterprise Grant	U.S. Department of Agriculture	10.769		11,598	
Safe Routes to Schools	Federal Highway Administration**	20.205		178,253	*
Resurfacing Grant	Federal Highway Administration**	20.205		271,239	*
Airport Hangar Grant	U.S Department of Transportation**	20.106		768,904	*
			$	1,276,735	

* Major Program
** Passed through the Tennessee Department of Transportation.
Note: All Federal Financial Assistance Programs utilize the accrual basis of accounting.

CITY OF LEWISBURG, TENNESSEE

Property Tax Rates and Assessments - Unaudited

Last Ten Fiscal Years

ASSESSMENT RATE:

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

TAX RATE*:

Fiscal Year	Tax Rate
2014	$ 1.45
2013	1.45
2012	1.36
2011	1.36
2010	1.36
2009	1.36
2008	1.36
2007	1.45
2006	1.45
2005	1.45
2004	1.45

* Per $100 of assessed value

CITY OF LEWISBURG, TENNESSEE

Utility Rates and Customers - Unaudited

June 30, 2015

Service	Number of Customers
Water	6,332
Sewer	4,821
Gas	2,734
Electricity	6,073

	Rate Per 1,000 Gallon	
	Inside City*	Outside City*
Water Rates		
Minimum bill	$ 16.59	20.38
Per unit above minimum bill	$ 3.69-3.39	5.50-4.98
Sewer Rates		
Minimum bill	19.47	23.79
Per unit above minimum bill	6.49	8.44

	Residential	Small Commercial	Large Commercial	Industrial
Natural Gas Rates				
Minimum bill	$ 8.00	10.00	135.00	135.00
Per unit above minimum bill	1.220 / CCF	1.220 / CCF *		
Demand Charge				
First 10,000 CCF			1.170/CCF	.845 / CCf
10,001 to 40,000 CCF			1.140/CCF	.805 / CCF
Over 40,000 CCF			1.110/CCF	.750 / CCF
Interruptible				
Minimum charge			135.00	
All gas at:				
First 100,000 CCF			.5375 / CCF	
Above 100,000 CCF			.3901 / CCF	

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

Electric Rates - Electric Power Fund

Residential Rate Schedule:	
Customer charge	$12.70 per month less $1.60 hydro allocation cred
Energy charge per KWH	$ 0.08817
GENERAL POWER RATE SCHEDULE	
Part A (Demand 0-5000 KW)	
Part 1	
Customer charge per delivery point	$ 17.31
Energy charge	0.1982
Part 2	
Customer charge per delivery point	$ 169.27
Demand charge-all KW	10.42
Energy charge	
First 15,000 KWH	0.06300
Additional KWH per month	0.0624

CITY OF LEWISBURG, TENNESSEE

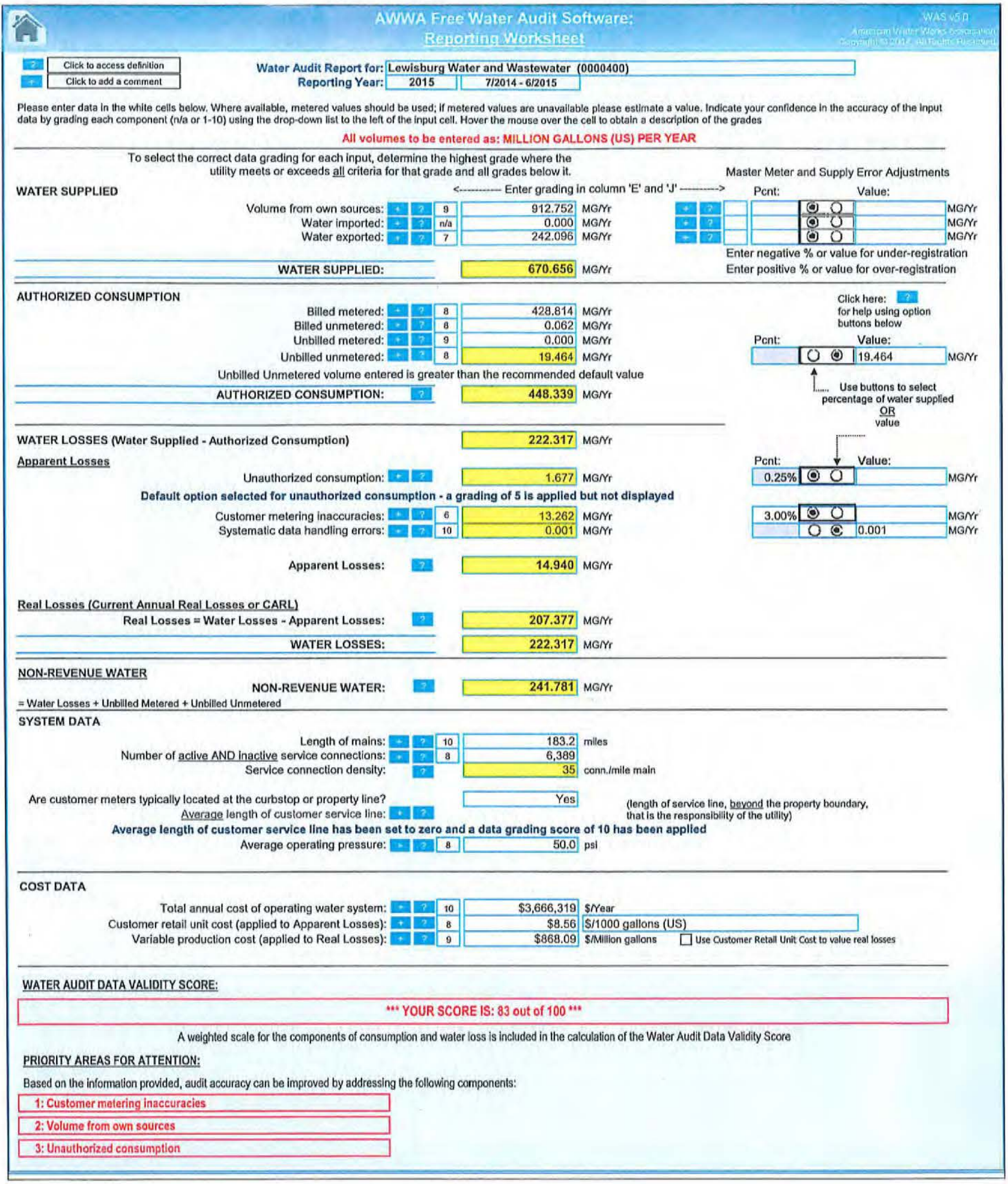
Utility Rates and Customers - Unaudited

June 30, 2015

Electric Rates - Electric Power Fund

Part 3		
Customer charge per delivery point	$	750.00
Demand charge-all KW		11.83
Energy charge		
Alll KWH Energy		0.06241
Part B (Demand over 5000 KW)		
Customer charge per delivery point	$	1,500.00
Admin charge		350.00
Demand charge per KW		19.65
Energy charge per KWH		0.04047
OUTDOOR LIGHTING (PER MONTH):		
Customer charge per delivery point	$	2.50
Energy charge - cents per KwH		0.07546
Facility charge (part B)		

AWWA REPORTING WORKSHEET (UNAUDITED)



AWWA Free Water Audit Software: Reporting Worksheet

? Click to access definition
\+ Click to add a comment

Water Audit Report for: Lewisburg Water and Wastewater (0000400)
Reporting Year: 2015 7/2014 - 6/2015

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

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

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

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

Master Meter and Supply Error Adjustments — Pcnt: Value:

WATER SUPPLIED

Volume from own sources: 9 912.752 MG/Yr ● ○ MG/Yr
Water imported: n/a 0.000 MG/Yr ● ○ MG/Yr
Water exported: 7 242.096 MG/Yr ● ○ MG/Yr

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

WATER SUPPLIED: 670.656 MG/Yr

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

Billed metered: 8 428.814 MG/Yr
Billed unmetered: 8 0.062 MG/Yr
Unbilled metered: 9 0.000 MG/Yr
Unbilled unmetered: 8 19.464 MG/Yr — Pcnt: ○ ● Value: 19.464 MG/Yr

Unbilled Unmetered volume entered is greater than the recommended default value

Use buttons to select percentage of water supplied OR value

AUTHORIZED CONSUMPTION: 448.339 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption) 222.317 MG/Yr

Apparent Losses

Unauthorized consumption: 1.677 MG/Yr — Pcnt: 0.25% ● ○ Value: MG/Yr

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

Customer metering inaccuracies: 6 13.262 MG/Yr — 3.00% ● ○ MG/Yr
Systematic data handling errors: 10 0.001 MG/Yr — ○ ● 0.001 MG/Yr

Apparent Losses: 14.940 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 207.377 MG/Yr

WATER LOSSES: 222.317 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 241.781 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 10 183.2 miles
Number of active AND inactive service connections: 8 6,389
Service connection density: 35 conn./mile main

Are customer meters typically located at the curbstop or property line? Yes
Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

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

Average operating pressure: 8 50.0 psi

COST DATA

Total annual cost of operating water system: 10 $3,666,319 $/Year
Customer retail unit cost (applied to Apparent Losses): 8 $8.56 $/1000 gallons (US)
Variable production cost (applied to Real Losses): 9 $868.09 $/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 83 out of 100 *****

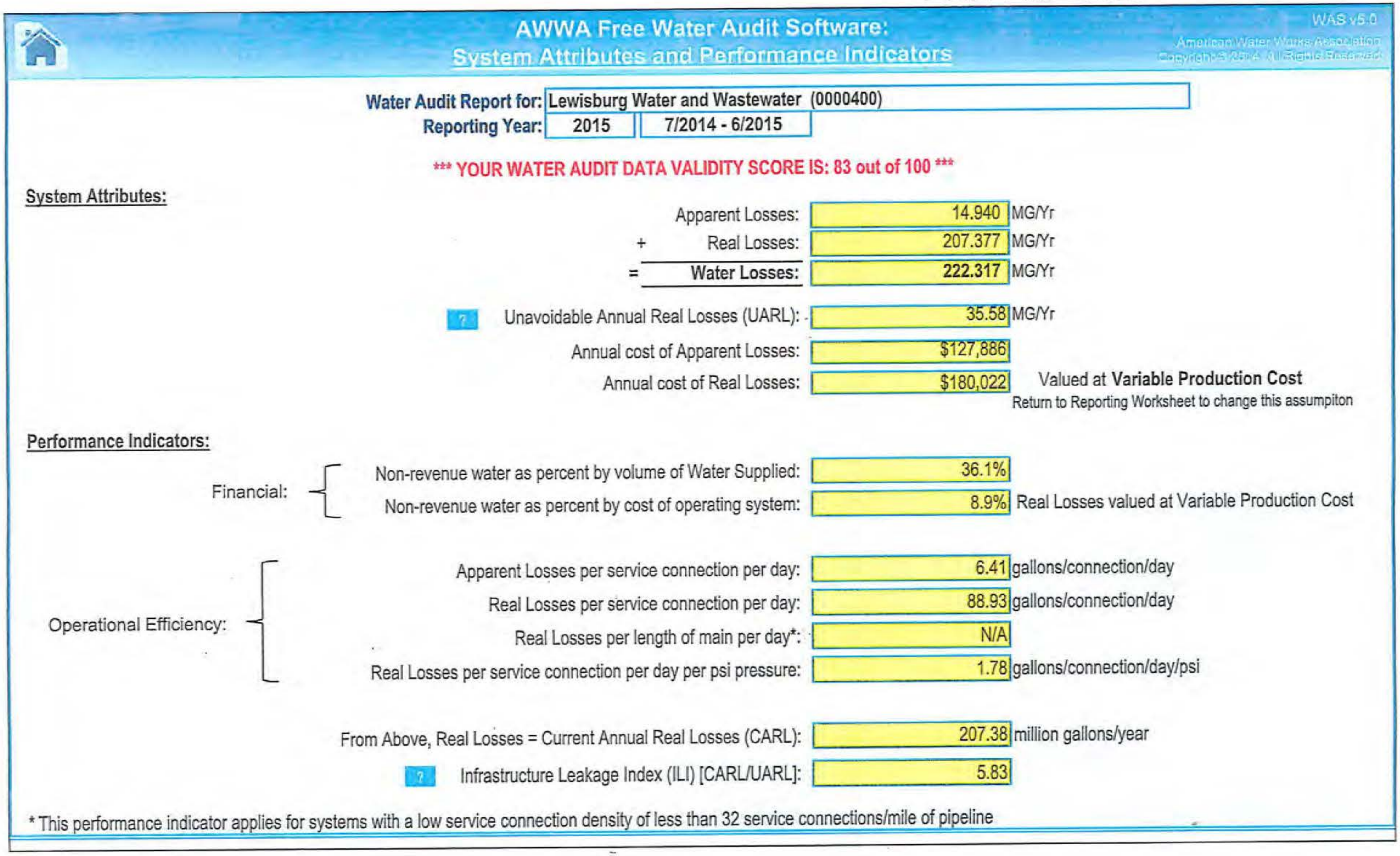
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

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

AWWA REPORTING SYSTEM ATTRIBUTES (UNAUDITED)



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

Water Audit Report for: Lewisburg Water and Wastewater (0000400)

Reporting Year: 2015 | 7/2014 - 6/2015

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 *****

System Attributes:

Apparent Losses:	14.940	MG/Yr
+ Real Losses:	207.377	MG/Yr
= **Water Losses:**	**222.317**	MG/Yr
Unavoidable Annual Real Losses (UARL):	35.58	MG/Yr
Annual cost of Apparent Losses:	$127,886	
Annual cost of Real Losses:	$180,022	Valued at **Variable Production Cost** Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied:	36.1%	
Non-revenue water as percent by cost of operating system:	8.9%	Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day:	6.41	gallons/connection/day
Real Losses per service connection per day:	88.93	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	1.78	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):	207.38	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	5.83	

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lewisburg, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 11, 2016. Other auditors audited the financial statements of the Power System, Natural Gas and Water & Wastewater Enterprise Funds which collectively comprise the Business-Type Activities, as described in our report on the City Columbia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

August 11, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lewisburg, Tennessee's (the City) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, LocalGovernments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lewisburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

August 11, 2016

City of Lewisburg, Tennessee

Schedule of Findings and Questioned Costs

June 30, 2015

Summary of Auditor's Results

1. The June 30, 2015 Auditor's Report on the Financial Statements was unqualified.
2. There were no significant deficiencies in internal control disclosed by the audit of the financial statements.
3. The audit did not disclose any noncompliance which is material to the financial statements.
4. No significant deficiencies in the internal control over major programs were disclosed by the audit.
5. The June 30, 2015 report on compliance for major programs of the City expresses an unqualified opinion on all major federal programs.
6. No audit findings required to be reported under §.510a were noted.
7. Programs tested as major program – Federal Highway Administration, CFDA # 20.205 and the U.S. Department of Transportation CFDA # 20.106.
8. Type A programs have been distinguished as those programs with expenditures greater than $300,000.
9. The City of Lewisburg, Tennessee was not considered to be a low risk auditee.

Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Government Auditing.

None reported.

Findings or Questioned Costs Related to Major Federal Programs.

None reported

Prior Year Findings or Questioned Costs.

Finding 2013-2 OPEB Payments for Medicare Supplement

Condition

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

Prior Year Findings or Questioned Costs.

Finding 2013-2 OPEB Payments for Medicare Supplement (Continued)

Recommendation

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

Management Response and Disposition

Form 1099-R's were issued to retirees for supplemental insurance proceeds for 2014, situation resolved.

Finding 2013-3 Personal Usage of City Vehicles

Condition

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

Recommendation

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

Management Response and Disposition

Management has consulted with a tax professional and takes the position that the vehicles taken home by employees are so equipped with emergency lights and City decals that each vehicle meets the specially equipped vehicle requirement. Only those employees who have the potential to be called out on emergency situations are allowed to take City vehicles home and are not to be used for personal use. Management has reviewed its policy and procedures relative to the matter and believe the City has no personal usage of City owned vehicles subject to federal taxable fringe benefit regulations. It appears the matter is resolved.