

**CITY OF LEXINGTON,
TENNESSEE**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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CITY OF LEXINGTON, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

JUNE 30, 2018

PUBLICLY ELECTED OFFICIALS

Jeff Griggs	Mayor
Sandra Wood	Vice-Mayor
Emmitt Blankenship	Alderman
Peggy Gilbert	Alderman
Jack Johnson	Alderman
Tim Rhodes	Alderman
Gordon Wildridge	Alderman
Gabe Williams	Alderman

MANAGEMENT OFFICIALS

Sue Wood	CMFOA Designee
Michael Harper	Utility General Manager
Cody Wood	Accounting Manager



Independent Auditor's Report

To the Mayor and City Aldermen
City of Lexington
Lexington, Tennessee 38351

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 Lexington, Tennessee, (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the the financial statements of the Lexington Electric System, which is both a major fund and 60%, 57%, and 79% respectively, of the assets, net position, and revenues of the business-type activities.

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 Lexington Electric System, which represent 60%, 57%, and 79% respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included for Lexington Electric System, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4.G., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 and the schedule of funding progress on pages 4 through 9 and other required supplementary information on pages 86 through 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 and other auditors 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 accompanying supplemental information such as the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules, and other supplemental information 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. Such information, except for that which has been marked "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 by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and other supplemental information, except for that which has been marked "unaudited", are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, the AWWA Free Water Audit Software: Reporting Worksheet, and the AWWA Free Water Audit Software: System Attributes and Performance Indicators – "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.



December 21, 2018

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the City of Lexington, Tennessee, will offer readers of the City's financial statements a narrative overview and review of the financial activities of the City for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 10. The following is one of the most important questions asked about the City's finances, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The *statement of activities* presents information showing how the City'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 for some items that will only result in cash flows of future fiscal periods.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the general administration, police, fire, public works, health, welfare, and recreation, economic development and debt service. Property taxes, local sales taxes, and state shared revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's gas, water and sewer, and electric operations are reported here.

Our analysis of the City's major funds begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds (not the City as a whole). Some funds are required to be established by State law. However, the City Board establishes other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The City as Trustee – The City maintains two types of fiduciary funds for which it is the trustee or fiduciary. The agency fund is used to account for student activity of the local city school. The pension trust fund accounts for pension contributions, benefits, and distributions. Both of these funds are reported in a separate Statement of Fiduciary Net Position page 32, and the Statement of Changes in the Fiduciary Net Position for the Pension Trust fund is on page 33. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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 34 - 85.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 86 - 96 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 97 - 110 of this report.

THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Lexington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$81,556,143 at June 30, 2018.

CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 11,018,170	\$ 9,872,329	\$ 31,152,367	\$ 25,244,972	\$ 42,170,537	\$ 35,117,301
Capital Assets	26,462,286	26,269,820	74,602,190	72,269,598	101,064,476	98,539,418
Total Assets	<u>37,480,456</u>	<u>36,142,149</u>	<u>105,754,557</u>	<u>97,514,570</u>	<u>143,235,013</u>	<u>133,656,719</u>
Deferred outflows of resources	953,382	1,986,652	1,086,308	2,151,377	2,039,690	4,138,029
Long term liabilities	10,676,481	12,296,970	42,023,570	37,356,336	52,700,051	49,653,306
Other liabilities	497,487	433,827	6,437,665	5,902,379	6,935,152	6,336,206
Total liabilities	<u>11,173,968</u>	<u>12,730,797</u>	<u>48,461,235</u>	<u>43,258,715</u>	<u>59,635,203</u>	<u>55,989,512</u>
Deferred inflows of resources	3,338,644	3,792,544	744,713	360,941	4,083,357	4,153,485
Net Position:						
Net investment in capital assets	18,845,834	17,717,588	42,636,857	45,733,366	61,482,691	63,450,954
Restricted	642,490	454,258	4,580,274	1,491,341	5,222,764	1,945,599
Unrestricted	4,432,902	3,433,614	10,417,786	8,821,584	14,850,688	12,255,198
Total Net Position	<u>\$ 23,921,226</u>	<u>\$ 21,605,460</u>	<u>\$ 57,634,917</u>	<u>\$ 56,046,291</u>	<u>\$ 81,556,143</u>	<u>\$ 77,651,751</u>

There were prior period adjustments to net position. For additional information see Note 4.I.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Business-type Activities

The changes in business-type activities net position are described below:

- The City's Gas System had an increase in net position of \$782,208 which is compared to an increase in the prior year of \$58,699. This increase is primarily due to an increase in the amount of natural gas sales along with a decrease in the cost of natural gas purchases.
- The City's Water Systems Fund had an increase of net position of \$165,816 compared to an increase in the prior year of \$417,581. This change is primarily due to an increase in repairs and maintenance and chemical expenses.
- The City's Electric Department had an increase in net position of \$540,146 compared to an increase in the prior year of \$1,219,870.

The following table provides a summary of the City's operations for the year ended June 30, 2018, with comparative totals for the year ended June 30, 2017.

CITY OF LEXINGTON'S CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		TOTAL	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,442,027	\$ 1,452,257	\$ 60,379,164	\$ 59,157,993	\$ 61,821,191	\$ 60,610,250
Operating grants and contributions	8,057,706	8,085,390	-	-	8,057,706	8,085,390
Capital grants and contributions	658,665	220,557	-	-	658,665	220,557
General revenues:						
Property taxes	2,210,195	2,138,795	-	-	2,210,195	2,138,795
In-lieu of property taxes	107,285	104,178	-	-	107,285	104,178
Public service taxes	139,417	139,951	-	-	139,417	139,951
Sales taxes	4,704,862	4,641,091	-	-	4,704,862	4,641,091
Investment earnings	83,200	57,881	149,474	79,242	232,674	137,123
Gain(loss) on sale of capital assets	1,629	(940,449)	18,049	37,850	19,678	(902,599)
Miscellaneous	392,372	526,274	119,694	112,607	512,066	638,881
Total revenues	17,797,358	16,425,925	60,666,381	59,387,692	78,463,739	75,813,617
Expenses:						
General government and administration						
Public safety	1,072,662	1,410,939	-	-	1,072,662	1,410,939
Public works	3,146,705	3,258,641	-	-	3,146,705	3,258,641
Health, Welfare and Recreation	2,163,933	1,922,653	-	-	2,163,933	1,922,653
Economic development	9,521,354	10,159,078	-	-	9,521,354	10,159,078
Interest on long-term debt	237,827	147,160	-	-	237,827	147,160
Paying agent fees	220,640	244,120	-	-	220,640	244,120
Water Systems	718	1,778	-	-	718	1,778
Natural Gas	-	-	5,754,040	5,478,460	5,754,040	5,478,460
Electric Department	-	-	5,782,343	5,315,672	5,782,343	5,315,672
Total expenses	16,363,839	17,144,369	58,111,424	56,637,703	74,475,263	73,782,072
Increase (decrease) in net position before transfers	1,433,519	(718,444)	2,554,957	2,749,989	3,988,476	2,031,545
Transfers	1,066,787	1,053,839	(1,066,787)	(1,053,839)	-	-
Increase (decrease) in net position	2,500,306	335,395	1,488,170	1,696,150	3,988,476	2,031,545
Net position at beginning of year, as originally stated						
Restatement - GASB 75	21,605,460	21,467,764	56,046,291	56,485,852	77,651,751	77,953,616
Inventory adjustment	(188,213)	(210,237)	100,456	(2,135,711)	(87,757)	(2,345,948)
Net position at beginning of year, as restated	21,420,920	21,270,065	56,146,747	54,350,141	77,567,667	75,620,206
Net position at end of year	\$ 23,921,226	\$ 21,605,460	\$ 57,634,917	\$ 56,046,291	\$ 81,556,143	\$ 77,651,751

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$8,233,041 which is 15% above last year's total of \$7,180,432.

The following schedule presents a summary of general, special revenues, debt service and capital project revenues and expenditures for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2018	Percent of Total	Increase (Decrease) from June 30, 2017
Taxes	\$ 6,333,969	36.04%	\$ 104,038
Intergovernmental	9,498,265	54.05%	341,926
Licenses and permits	9,678	0.06%	234
Charges for services	1,079,892	6.15%	58,339
Fines and forfeitures	233,961	1.33%	9,815
Other revenues	417,688	2.38%	(458,028)
Total Revenues	\$ 17,573,453	100.00%	\$ 56,324

Other revenue was elevated in the prior year due to insurance recoveries.

Expenditures	June 30, 2018	Percent of Total	Increase (Decrease) from June 30, 2017
General government	\$ 1,048,690	5.85%	\$ 57,040
Public Safety	2,892,102	16.12%	(111,163)
Public Works	1,935,259	10.79%	186,554
Health, welfare, and recreation	9,088,057	50.66%	(373,951)
Economic development	237,827	1.33%	90,667
Capital outlay	1,577,024	8.79%	849,458
Debt Service	1,161,463	6.47%	(193,777)
Total Expenditures	\$ 17,940,422	100.00%	\$ 504,828

Capital outlay increased in the current year due to the receipt of capital assets through a grant program and some construction projects.

General Fund Budgetary Highlights

Over the course of the year the City and the School system revised their budgets at various times during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2018, the City had \$101,064,476 invested in a broad range of capital assets, including police and fire equipment, buildings, parks facilities, water and sewer lines, natural gas lines, electric plant and equipment, and various other equipment. This amount represents a net increase (including additions and deductions) of \$2,525,058, or 2.6% over the prior year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$39,915,206 in outstanding long-term debt compared to \$35,359,449 last year. Of the total outstanding debt 20% belongs to the Governmental funds, 10% to the Gas Fund, 30% to the Water Systems Fund, and 40% to the Electric Department.

See Note 3.G for additional information.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City at 33 1st Street, Lexington, Tennessee.

Sue Wood
City Recorder

CITY OF LEXINGTON, TENNESSEE
 GOVERNMENT-WIDE STATEMENT OF NET POSITION
 JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,475,760	\$ 24,167,617	\$ 31,643,377
Investments	-	100,000	100,000
Receivables:			
Property taxes	2,267,573	-	2,267,573
Accounts receivable, net of allowance	6,571	3,657,264	3,663,835
Grant receivables	226,192	37,322	263,514
Other receivables	18,270	242,670	260,940
Internal balances	(147,991)	147,991	-
Due from other governments	886,310	-	886,310
Escrow with the State	33,500	-	33,500
Inventory	38,236	558,698	596,934
Natural gas storage	-	339,580	339,580
Net pension asset	52,524	-	52,524
Prepaid expenses	161,225	617,252	778,477
Other assets	-	1,283,973	1,283,973
Capital assets:			
Land and construction in progress	2,758,912	4,406,915	7,165,827
Other capital assets, net of depreciation	23,703,374	70,195,275	93,898,649
TOTAL ASSETS	37,480,456	105,754,557	143,235,013
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on bond refunding	-	41,083	41,083
Deferred outflows - employee benefits	953,382	1,045,225	1,998,607
	<u>953,382</u>	<u>1,086,308</u>	<u>2,039,690</u>
LIABILITIES			
Accounts payable and accrued expenses	485,210	5,159,738	5,644,948
Customer deposits	-	1,070,954	1,070,954
Unearned revenue	12,277	-	12,277
Compensated absences	-	206,973	206,973
Long-term liabilities:			
Advances from Home Installation Program	-	539,573	539,573
Net OPEB liability	877,648	3,891,095	4,568,743
Net Pension liability	871,855	3,509,845	4,381,700
Landfill closure costs	212,494	-	212,494
Compensated absences	1,098,032	2,196,797	3,294,829
Due within one year	906,479	1,890,754	2,797,233
Due in more than one year, net of unamortized premiums	6,709,973	30,195,506	36,905,479
TOTAL LIABILITIES	11,173,968	48,461,235	59,635,203
DEFERRED INFLOWS OF REVENUES			
Unavailable revenue - property taxes	2,175,356	-	2,175,356
Deferred inflows - employee benefits	1,163,288	744,713	1,908,001
TOTAL DEFERRED INFLOWS OF REVENUES	3,338,644	744,713	4,083,357
NET POSITION			
Net investment in capital assets	18,845,834	42,636,857	61,482,691
Restricted for:			
Capital projects	-	2,970,558	-
Sex offender	3,418	-	3,418
State Street Aid Fund	109,146	-	109,146
E-citation	19,947	-	19,947
School Food Service	175,731	-	175,731
Solid Waste Collection	110,557	-	110,557
Police Drug Fund	138,761	-	138,761
Lexington-Henderson Co Alliance	84,930	-	84,930
Debt service	-	1,809,716	1,809,716
Unrestricted	4,432,902	10,417,786	14,850,688
TOTAL NET POSITION	\$ 23,921,226	\$ 57,634,917	\$ 78,585,585

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Program Activities	PROGRAM REVENUES				NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 1,072,662	\$ 115,984	\$ 203	\$ -	\$ (956,475)	\$ -	\$ (956,475)
Public Safety	3,146,705	236,796	76,320	196,612	(2,636,977)	-	(2,636,977)
Public Works	2,163,933	980,063	363,709	-	(820,161)	-	(820,161)
Health, Welfare and Recreation	9,521,354	109,184	7,531,538	73,538	(1,807,094)	-	(1,807,094)
Economic Development	237,827	-	85,936	388,515	236,624	-	236,624
Interest on long-term debt	220,640	-	-	-	(220,640)	-	(220,640)
Paying agent fees on long-term debt	718	-	-	-	(718)	-	(718)
Business-type activities:							
Gas Fund	5,782,343	6,566,310	-	-	-	783,967	783,967
Water Systems Fund	5,754,040	6,012,082	-	-	-	258,042	258,042
Electric Department	46,521,255	47,800,772	-	-	-	1,279,517	1,279,517
Total business-type activities	58,057,638	60,379,164	-	-	-	2,321,526	2,321,526
Total government	\$ 74,421,477	\$ 61,821,191	\$ 8,057,706	\$ 658,665	(6,205,441)	2,321,526	(3,883,915)
General revenues:							
Taxes:							
Property					2,210,195	-	2,210,195
In-lieu of taxes					107,285	-	107,285
Public service taxes					139,417	-	139,417
Sales					4,704,862	-	4,704,862
Investment earnings					83,200	149,474	232,674
Gain (loss) on sale/retirement of capital assets					1,629	18,049	19,678
Miscellaneous					392,372	119,694	512,066
Bond issue cost					-	(53,786)	(53,786)
Transfer in - in lieu of taxes					1,066,787	(1,066,787)	-
Total general revenues and transfers					8,705,747	(833,356)	7,872,391
Change in net position					2,500,306	1,488,170	3,988,476
Net position - beginning, as originally stated					21,605,460	56,046,291	77,651,751
Prior period adjustment					(188,213)	100,456	(87,757)
Inventory adjustment - school food service fund					3,673	-	3,673
Net position - beginning, as restated					21,420,920	56,146,747	77,567,667
Net position - ending					\$ 23,921,226	\$ 57,634,917	\$ 81,556,143

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	General Purpose School Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,521,216	\$ 1,044,619	\$ 1,909,925	\$ 7,475,760
Escrow with State	-	-	33,500	33,500
Taxes receivable	2,267,573	-	-	2,267,573
Accounts receivable	6,571	-	-	6,571
Grant receivable	101,259	124,933	-	226,192
Other receivables	-	-	18,270	18,270
Inventory	-	-	38,236	38,236
Due from other governments	528,149	64,805	293,356	886,310
Due from other funds	3,840	-	58,362	62,202
Prepaid expenses	143,366	-	17,859	161,225
TOTAL ASSETS	\$ 7,571,974	\$ 1,234,357	\$ 2,369,508	\$ 11,175,839
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 177,772	\$ -	\$ 175	\$ 177,947
Accrued expenses	172,410	97,043	5,355	274,808
Unearned revenue - other	-	-	12,277	12,277
Advance from other fund	120,128	-	-	120,128
Due to other funds	89,282	-	783	90,065
TOTAL LIABILITIES	559,592	97,043	18,590	675,225
DEFERRED INFLOWS OF REVENUES				
Unavailable revenue - property taxes	2,267,573	-	-	2,267,573
TOTAL DEFERRED INFLOWS OF REVENUES	2,267,573	-	-	2,267,573
FUND BALANCE				
Nonspendable				
Inventory	-	-	38,236	38,236
Prepaid expenses	143,366	-	17,735	161,101
Restricted for:				
Sex offender	3,418	-	-	3,418
State street aid	-	-	109,146	109,146
E-citation	-	-	19,947	19,947
School food authority	-	-	175,731	175,731
Drug fund	-	-	138,761	138,761
Lexington-Henderson Co Alliance	-	-	84,930	84,930
Solid Waste Collection	-	-	110,557	110,557
Committed:				
Rainy Day fund	1,811,485	-	-	1,811,485
Shop with Cops	6,901	-	-	6,901
Assigned				
Special revenue funds	-	-	473,871	473,871
Education	-	(7,363)	-	(7,363)
Support services	-	-	-	-
Capital projects	-	-	1,182,004	1,182,004
Unassigned				
General fund	2,779,639	-	-	2,779,639
General purpose school fund	-	1,144,677	-	1,144,677
TOTAL FUND BALANCES	4,744,809	1,137,314	2,350,918	8,233,041
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES	\$ 7,571,974	\$ 1,234,357	\$ 2,369,508	\$ 11,175,839

CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET
POSITION
JUNE 30, 2018

Total fund balance - total governmental funds	\$	8,233,041
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		26,462,286
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		92,217
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		52,524
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(871,855)
Net OPEB liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(877,648)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		(209,906)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.		(32,455)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		<u>(8,926,978)</u>
Net position of governmental activities	\$	<u><u>23,921,226</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes				
Property taxes	\$ 2,223,909	\$ -	\$ -	\$ 2,223,909
Penalty and interest	17,881	-	-	17,881
In lieu of taxes	20,316	-	-	20,316
Sales	1,712,894	-	1,427,412	3,140,306
Beer tax	346,727	-	-	346,727
Business	257,597	-	-	257,597
Liquor tax	-	-	148,725	148,725
Franchise	139,417	-	-	139,417
Hotel/motel tax	36,341	-	-	36,341
Privilege	2,750	-	-	2,750
Intergovernmental revenues	1,639,894	7,105,201	753,170	9,498,265
Licenses and permits	9,678	-	-	9,678
Charges for services	147,036	-	932,856	1,079,892
Fines, forfeits, and penalties	201,663	-	32,298	233,961
Other revenues	185,211	72,283	160,194	417,688
Total revenues	<u>6,941,314</u>	<u>7,177,484</u>	<u>3,454,655</u>	<u>17,573,453</u>
Expenditures				
Current:				
General government	1,048,690	-	-	1,048,690
Public safety	2,862,319	-	29,783	2,892,102
Public works	1,037,636	-	897,623	1,935,259
Health, welfare, and recreation	563,260	7,975,641	549,156	9,088,057
Economic development	106,600	-	131,227	237,827
Capital outlay	1,029,710	20,000	527,314	1,577,024
Debt service:				
Principal payments	93,808	45,232	796,269	935,309
Interest payments	42,817	9,748	172,871	225,436
Other debt costs	718	-	-	718
Total expenditures	<u>6,785,558</u>	<u>8,050,621</u>	<u>3,104,243</u>	<u>17,940,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,756</u>	<u>(873,137)</u>	<u>350,412</u>	<u>(366,969)</u>
Other financing sources (uses)				
Transfers in	1,066,787	1,063,000	1,263,971	3,393,758
Transfers out	(911,331)	-	(1,415,640)	(2,326,971)
Insurance recoveries	-	-	282,588	282,588
Proceeds from sale of general capital assets	66,530	-	-	66,530
Total other financing sources (uses)	<u>221,986</u>	<u>1,063,000</u>	<u>130,919</u>	<u>1,415,905</u>
Net Change in Fund Balances	<u>377,742</u>	<u>189,863</u>	<u>481,331</u>	<u>1,048,936</u>
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	4,367,067	947,451	1,865,914	7,180,432
Inventory adjustment	-	-	3,673	3,673
FUND BALANCE AT BEGINNING OF YEAR, as restated	<u>4,367,067</u>	<u>947,451</u>	<u>1,869,587</u>	<u>7,184,105</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,744,809</u>	<u>\$ 1,137,314</u>	<u>\$ 2,350,918</u>	<u>\$ 8,233,041</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$	1,048,936
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.		
		1,577,024
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds.		
		(1,319,099)
Net effect of asset disposal.		
		(64,513)
Governmental funds do not record net pension or OPEB liabilities, deferred inflows/outflows of resources related to pensions. However, the government-wide statement of activities and changes in net assets reports the effects of these items.		
		367,463
The repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net position.		
		935,309
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		
		(31,100)
Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.		
		(13,714)
Change in net position of governmental activities	\$	2,500,306

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Property taxes - current	\$ 2,140,000	\$ 2,130,000	\$ 2,130,385	\$ 385
Property taxes - delinquent	-	93,300	93,524	224
Penalties and interest	13,000	17,850	17,881	31
In lieu of taxes:				
Lexington Housing Authority	17,500	20,316	20,316	-
Local sales tax	1,697,280	1,751,225	1,712,894	(38,331)
Local beer tax	368,600	335,000	346,727	11,727
Business tax	250,000	260,000	257,597	(2,403)
Franchise tax	140,000	140,000	139,417	(583)
Hotel/motel tax	30,000	36,500	36,341	(159)
Privilege tax	2,600	2,750	2,750	-
Total taxes	4,658,980	4,786,941	4,757,832	(29,109)
Intergovernmental				
TVA payments in lieu of taxes	86,465	86,968	86,969	1
State fire education	7,200	7,800	7,800	-
State law enforcement grant	16,800	14,400	14,400	-
Police safety grant - alcohol saturation	-	-	15,216	15,216
Police - COPS	-	7,530	7,530	-
Police - vest grant	-	-	275	275
Police grant -network coordinator 2018	-	11,365	11,949	584
Police grant -network coordinator 2017	-	4,713	4,713	-
Police grant - DUI countermeasures	-	6,206	12,156	5,950
Police grant - DUI traffic 2017	-	1,355	1,356	1
Department of Agriculture - tree grant	-	-	1,152	1,152
Multimodal grant phase I	570,000	264,995	332,872	67,877
Multimodal grant phase II	-	142,500	55,643	(86,857)
1033 grant	-	170,500	196,337	25,837
State of Tennessee				
- Sales tax allocation	615,220	653,890	653,159	(731)
- Telecommunication tax	-	-	5,909	5,909
- Telecommunication privilege tax	-	-	286	286
- Income tax allocation	50,000	46,902	39,743	(7,159)
- Beer tax allocation	3,826	3,570	3,570	-
- Mixed drink tax	2,500	10,000	8,676	(1,324)
- Petroleum special	15,690	15,422	15,396	(26)
- Street maintenance	91,710	91,710	91,710	-
- Excise tax	64,000	61,070	61,073	3
- Other state income	-	203	203	-
Grants from Local Governments				
- Crimestoppers	1,200	1,200	1,200	-
- County recreation grant	10,000	10,000	10,000	-
- Other miscellaneous grants	-	-	601	601
Total intergovernmental revenues	1,534,611	1,612,299	1,639,894	27,595
Licenses and permits				
Beer licenses	1,000	750	500	(250)
Building permits	10,000	10,000	8,578	(1,422)
Liquor licenses	-	-	250	250
Other permits	1,000	200	350	150
Total licenses and permits	12,000	10,950	9,678	(1,272)

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (continued)				
Charges for services				
Clerk's fees - business tax	30,000	33,430	33,106	(324)
Accident report filing fees	3,300	3,000	2,835	(165)
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	900	900	1,250	350
Community policing	-	3,100	3,099	(1)
Mowing and lot cleanup	1,000	336	336	-
Street repair charges	15,000	7,560	9,935	2,375
Parks and recreation charges	10,000	12,000	11,475	(525)
Total charges for services	145,200	145,326	147,036	1,710
City court fines and costs	131,300	204,175	201,663	(2,512)
Other revenues				
Interest income	15,000	29,000	29,173	173
Donations	2,500	200	200	-
Shop with a cop donations	-	14,800	15,346	546
Community center revenue	8,500	8,760	8,360	(400)
Rent income	74,400	73,200	73,200	-
Sales of cemetery lots	10,000	12,900	12,900	-
Insurance recoveries	10,000	289,400	15,515	(273,885)
Sales of other materials	12,500	25,550	24,033	(1,517)
Miscellaneous income	2,000	5,850	6,484	634
Total other revenue	134,900	459,660	185,211	(274,449)
Total revenues	6,616,991	7,219,351	6,941,314	(278,037)
Expenditures				
General government				
General				
Salaries	147,968	80,650	80,604	46
Employee benefits	269,918	276,535	264,476	12,059
Memberships	2,500	2,500	2,164	336
Election payroll	9,000	7,500	7,291	209
Operating expenses	23,600	23,500	20,708	2,792
Other operating expenses	20,175	45,000	40,868	4,132
Insurance	173,250	144,500	142,956	1,544
Capital outlay	20,000	7,000	6,999	1
Total general	666,411	587,185	566,066	21,119
Judicial				
Salaries	12,000	12,150	12,111	39
Total judicial	12,000	12,150	12,111	39

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	214,762	220,992	220,793	199
Employee benefits	36,133	32,500	31,835	665
Insurance	216	216	112	104
Office expense	14,000	11,800	10,123	1,677
Professional fees	65,900	63,600	59,232	4,368
Membership and dues	400	450	405	45
Repair and maintenance	4,450	4,450	2,283	2,167
Other operating expenses	162,480	143,700	138,824	4,876
Total city recorder	498,341	477,708	463,607	14,101
City Hall				
Utilities	14,910	14,100	13,905	195
Total general government	1,191,662	1,091,143	1,055,689	35,454
Public safety				
Police department				
Salary	1,393,133	1,413,185	1,390,994	22,191
Employee benefits	304,469	255,000	253,017	1,983
Utilities	33,075	32,800	32,570	230
Repair and maintenance	27,500	30,000	20,995	9,005
Memberships and dues	2,600	2,800	2,750	50
Supplies	27,650	26,870	22,999	3,871
Travel	5,000	7,500	5,636	1,864
Uniforms and clothing	11,200	12,000	11,646	354
Gas, oil, and diesel	51,700	52,000	55,233	(3,233)
Insurance	1,782	1,800	995	805
Equipment rental	8,300	6,400	5,609	791
Office expense	65,000	59,000	53,271	5,729
Community - shop with a cop	-	9,000	8,984	16
Other grant expenses	-	10,260	10,250	10
Capital outlay	200,000	350,600	346,551	4,049
Total police department	2,131,409	2,269,215	2,221,500	47,715
Fire department				
Salaries	689,175	693,659	685,537	8,122
Employee benefits	121,806	109,500	107,227	2,273
Volunteer firemen benefits	6,000	5,000	3,350	1,650
Utilities	45,005	46,250	43,586	2,664
Memberships	220	300	270	30
Public relations	500	500	495	5
Data processing	2,500	2,000	1,764	236
Repair and maintenance	29,250	27,000	21,141	5,859
Supplies	13,850	14,350	10,960	3,390
Clothing and uniforms	6,000	6,000	4,520	1,480
Gas, oil, diesel	8,800	10,300	11,208	(908)
Insurance	1,000	1,000	432	568
Travel	2,000	4,500	3,569	931
Fees	250	-	-	-
Small equipment	24,295	24,545	18,205	6,340
Equipment rent	3,000	3,200	3,023	177
Capital outlay	57,900	57,900	53,483	4,417
Total fire department	1,011,551	1,006,004	968,770	37,234
Building Inspector				
Salaries	60,284	61,440	60,439	1,001
Employee benefits	11,108	10,200	8,091	2,109
Insurance	54	54	28	26
Other operating expenses	15,435	6,550	3,525	3,025
Total building inspector	86,881	78,244	72,083	6,161
Total public safety	3,229,841	3,353,463	3,262,353	91,110

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	456,514	450,307	449,002	1,305
Employee benefits	90,332	80,250	79,577	673
Utilities	14,159	10,300	9,700	600
Street lighting	39,900	37,000	36,074	926
Repair and maintenance	285,500	298,400	264,711	33,689
Repair and maintenance - equipment	12,000	22,000	20,904	1,096
Clothing and uniforms	3,500	5,000	4,619	381
Gas, oil, diesel	28,601	36,000	35,484	516
Small equipment	1,000	1,000	692	308
Operating supplies	12,505	11,900	10,784	1,116
Insurance	770	770	393	377
Capital outlay	135,000	145,000	144,400	600
Total highways and streets	1,079,781	1,097,927	1,056,340	41,587
Garage				
Salaries	-	37,970	37,619	351
Employee benefits	-	12,710	12,276	434
Repair and maintenance	5,500	2,800	1,909	891
Supplies	14,200	16,450	13,270	3,180
Utilities	4,725	4,525	4,507	18
Fuel purchases	14,850	18,000	17,755	245
Capital outlay	6,000	5,000	4,900	100
Total garage	45,275	97,455	92,236	5,219
Animal control				
Contract labor	36,000	36,000	36,000	-
Total animal control	36,000	36,000	36,000	-
Sanitation				
Landfill closure	2,500	3,500	2,360	1,140
Total public works	1,163,556	1,234,882	1,186,936	47,946
Health, welfare, and recreation				
Appropriations				
Library	31,900	31,900	31,900	-
Library utilities	6,300	5,500	5,222	278
Senior Citizens	12,000	12,000	12,000	-
Rescue Squad	2,500	2,500	2,500	-
Easter	1,500	1,500	1,500	-
Christmas parade	500	500	500	-
Carl Perkins	1,725	1,725	1,725	-
Lexington scholarship	500	500	500	-
JACO A	2,000	2,000	-	2,000
Hope utilities	7,875	7,500	7,419	81
Project graduation	1,200	1,200	-	1,200
Shiloh District Center	5,000	-	-	-
Montgomery Alumni	5,000	5,000	5,000	-
Animal Shelter	5,000	5,000	5,000	-
Airport	42,862	42,862	42,862	-
Other appropriations	5,000	4,000	665	3,335
Total appropriations	130,862	123,687	116,793	6,894

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Museum				
Salaries	18,800	19,085	19,083	2
Employee benefits	1,438	1,460	1,460	-
Unemployment insurance	54	54	39	15
Contract labor	-	-	426	(426)
Public relations	1,000	1,000	-	1,000
Utilities	8,930	6,100	4,654	1,446
Repair and maintenance	6,000	3,500	1,375	2,125
Telephone	1,470	1,350	1,053	297
Security system	646	650	532	118
Operating costs	500	500	171	329
Janitorial costs	250	250	97	153
Total museum	37,088	33,949	28,890	5,059
Civic center				
Utilities	23,625	22,000	21,985	15
Repair and maintenance	35,500	5,500	3,206	2,294
Operating costs	500	500	482	18
Janitorial costs	2,000	2,000	1,622	378
Total civic center	61,625	30,000	27,295	2,705
Parks				
Salaries	245,297	220,090	219,002	1,088
Employee benefits	53,449	47,000	46,817	183
Repair and maintenance	65,050	63,910	57,032	6,878
Utilities	55,065	49,130	48,982	148
Insurance	600	550	295	255
Other operating expenses	23,400	21,600	18,154	3,446
Capital outlay	47,000	40,000	38,752	1,248
Total parks	489,861	442,280	429,034	13,246
Total health, welfare, and recreation	719,436	629,916	602,012	27,904
Economic development				
State plan service	14,110	14,110	14,107	3
Professional fees	32,500	19,160	10,734	8,426
Tourism advertising	1,500	1,000	555	445
Travel	3,000	3,000	25	2,975
Industrial development	68,000	48,900	43,000	5,900
Maintenance	5,000	5,000	2,304	2,696
Miscellaneous	33,500	39,500	35,875	3,625
Capital outlay	600,000	464,000	434,625	29,375
Total economic development	757,610	594,670	541,225	53,445
Debt service				
Principal payments	152,799	151,935	93,808	58,127
Interest payments	43,601	43,685	42,817	868
Paying agent fees	2,000	2,000	718	1,282
Total debt service	198,400	197,620	137,343	60,277
Total expenditures	7,260,505	7,101,694	6,785,558	316,136

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(643,514)	117,657	155,756	38,099
Other financing sources (uses)				
Transfers in	1,052,500	1,066,787	1,066,787	-
Transfers out	(676,079)	(1,241,009)	(911,331)	329,678
Sale of general fixed assets	15,000	66,500	66,530	30
Total other financing sources (uses)	391,421	(107,722)	221,986	329,708
Net change in fund balance	(252,093)	9,935	377,742	367,807
Fund Balance at Beginning of Year	4,367,067	4,367,067	4,367,067	-
Fund Balance at End of Year	<u>\$ 4,114,974</u>	<u>\$ 4,377,002</u>	<u>\$ 4,744,809</u>	<u>\$ 367,807</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Current year tax levy	\$ 380,000	\$ 380,000	\$ 444,260	\$ -	\$ -	\$ 444,260	\$ 64,260
Prior year tax receipts	17,500	17,500	16,942	-	-	16,942	(558)
Mixed drink tax	600	600	25	-	-	25	(575)
Local sales tax	675,000	675,000	708,956	-	-	708,956	33,956
Interstate telecommunication taxes	350	350	-	-	-	-	(350)
Bank excise tax	4,500	4,500	7,216	-	-	7,216	2,716
Marriage licenses	300	300	341	-	-	341	41
Other	7,800	7,800	7,514	-	-	7,514	(286)
State funds							
Basic education	4,809,000	4,807,000	4,822,000	-	-	4,822,000	15,000
Early childhood education	202,114	202,114	202,114	-	-	202,114	-
Career ladder	32,000	16,343	17,510	-	-	17,510	1,167
Coordinated School Health	92,000	92,000	92,000	-	-	92,000	-
Internet Connectivity	3,500	3,500	2,162	-	-	2,162	(1,338)
Student Management	2,600	2,600	-	-	-	-	(2,600)
Other State education funds	86,985	157,898	148,634	-	-	148,634	(9,264)
Federal funds							
Title I grants	254,074	278,654	272,760	-	-	272,760	(5,894)
Other Federal through State	25,642	25,642	24,979	-	-	24,979	(663)
Special education grants to state	287,477	296,906	284,516	-	-	284,516	(12,390)
Special education preschool - idea	3,919	4,096	3,907	-	-	3,907	(189)
English language acquisition grant	-	-	-	-	-	-	-
IDEA inclusion grant	16,057	15,507	15,427	-	-	15,427	(80)
Title IIA - improving teach quality	42,856	35,528	33,938	-	-	33,938	(1,590)
Total Intergovernmental revenues	6,944,274	7,023,838	7,105,201	-	-	7,105,201	81,363
Other revenues							
Interest income	4,400	4,400	5,626	-	-	5,626	1,226
Receipts from individual schools	1,000	12,573	11,592	-	-	11,592	(981)
On-behalf payments	-	50,000	46,986	-	-	46,986	(3,014)
Miscellaneous revenues	2,500	5,100	8,079	-	-	8,079	2,979
Total other revenues	7,900	72,073	72,283	-	-	72,283	210
Total Revenues	6,952,174	7,095,911	7,177,484	-	-	7,177,484	81,573

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2018**

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
	Instruction						
Regular instruction program							
Teachers	2,301,630	2,173,358	2,161,425	-	-	2,161,425	11,933
Career ladder program	13,000	10,500	10,500	-	-	10,500	-
Homebound teachers	-	1,925	1,925	-	-	1,925	-
Educational assistants	112,829	119,427	119,423	-	-	119,423	4
Bonus payments	-	47,675	47,675	-	-	47,675	-
Other salaries and wages	81,226	81,226	80,694	-	-	80,694	532
Certified substitute teachers	24,000	24,000	22,732	-	-	22,732	1,268
Non-certified substitute teachers	25,500	33,645	33,645	-	-	33,645	-
Social security	158,608	141,949	140,701	-	-	140,701	1,248
Administrative costs	2,750	-	-	-	-	-	-
State retirement	210,320	206,912	206,367	-	-	206,367	545
Life insurance	6,120	6,120	4,839	-	-	4,839	1,281
Medical insurance	373,518	390,407	389,060	-	-	389,060	1,347
Dental insurance	6,508	6,508	6,163	-	-	6,163	345
Unemployment compensation	4,150	4,150	4,054	-	-	4,054	96
Local retirement	6,619	3,118	2,784	-	-	2,784	334
Employer medicare	37,093	33,274	33,057	-	-	33,057	217
On-behalf payments	-	50,000	46,986	-	-	46,986	3,014
Maintenance and repair - equipment	1,000	1,000	-	-	-	-	1,000
Other contracted services	79,750	79,750	78,826	-	-	78,826	924
Instructional supplies	46,405	43,505	43,250	-	-	43,250	255
Textbooks	29,800	65,287	65,287	-	-	65,287	-
Other supplies and materials	9,000	10,300	10,276	-	-	10,276	24
Other charges	3,952	1,404	952	-	-	952	452
Regular instruction equipment	67,000	49,000	48,620	-	-	48,620	380
Indirect cost	3,451	6,614	7,465	-	-	7,465	(851)
Total regular instruction program	3,604,229	3,591,054	3,566,706	-	-	3,566,706	24,348
Alternative instruction							
Contracts with other school systems	26,000	26,000	26,000	-	-	26,000	-
Total alternative instruction	26,000	26,000	26,000	-	-	26,000	-
Special education							
Teachers	318,282	317,986	317,986	-	-	317,986	-
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Educational assistants	174,949	166,825	166,422	-	-	166,422	403
Speech pathology	47,351	48,351	48,351	-	-	48,351	-
Certified substitute teachers	2,000	1,580	1,580	-	-	1,580	-
Non-certified substitute teachers	4,500	10,118	10,118	-	-	10,118	-
Social security	31,399	31,405	30,351	-	-	30,351	1,054
State retirement	33,290	33,322	33,322	-	-	33,322	-
Medical insurance	121,609	105,941	99,595	-	-	99,595	6,346
Dental insurance	1,656	2,072	1,958	-	-	1,958	114
Unemployment compensation	1,095	1,017	979	-	-	979	38
Local retirement	5,929	6,491	6,125	-	-	6,125	366
Employer medicare	7,831	7,327	7,102	-	-	7,102	225
Other contracted services	100	13,633	13,633	-	-	13,633	-
Food supplies	200	200	199	-	-	199	1
Instructional supplies	1,577	643	66	-	-	66	577
Other supplies and materials	750	767	767	-	-	767	-
Total special education	753,518	748,678	739,554	-	-	739,554	9,124
Student body education							
Other salaries and wages	81,150	80,118	78,544	-	-	78,544	1,574
Social security	5,031	5,031	4,369	-	-	4,369	662
State retirement	7,368	7,368	7,100	-	-	7,100	268
Medical insurance	14,908	15,940	15,940	-	-	15,940	-
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	100	96	-	-	96	4
Employer medicare	1,177	1,177	1,022	-	-	1,022	155
Travel	500	500	-	-	-	-	500
Other contracted services	12,000	12,000	12,000	-	-	12,000	-
Other charges	6,000	6,000	5,000	-	-	5,000	1,000
Total student body education	128,510	128,510	124,347	-	-	124,347	4,163
Total instruction	4,512,257	4,494,242	4,456,607	-	-	4,456,607	37,635

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2018**

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Support services							
Attendance							
Postal charges	300	300	300	-	-	300	-
Other contracted services	1,800	1,800	1,594	-	-	1,594	206
Other supplies and materials	500	-	-	-	-	-	-
Inservice/staff development	2,000	3,000	3,000	-	-	3,000	-
Other charges	500	-	-	-	-	-	-
Total attendance	5,100	5,100	4,894	-	-	4,894	206
Health instruction program							
Supervisor/directors	59,354	59,355	59,355	-	-	59,355	-
Medical personnel	66,538	61,463	59,502	-	-	59,502	1,961
Other salaries	9,887	5,208	5,208	-	-	5,208	-
Social security	8,418	7,495	6,730	-	-	6,730	765
State retirement	5,389	5,389	5,389	-	-	5,389	-
Health insurance	24,527	25,526	25,526	-	-	25,526	-
Dental insurance	138	226	226	-	-	226	-
Unemployment insurance	200	219	219	-	-	219	-
Local retirement	1,100	1,100	1,070	-	-	1,070	30
Employer medicare	1,969	1,753	1,573	-	-	1,573	180
Postal charges	100	100	100	-	-	100	-
Other contracted services	8,226	8,226	8,226	-	-	8,226	-
Other supplies and materials	1,834	7,454	7,454	-	-	7,454	-
Inservice/staff development	723	1,089	1,089	-	-	1,089	-
Other equipment	-	3,800	3,800	-	-	3,800	-
Total health instruction program	188,403	188,403	185,467	-	-	185,467	2,936
Other student support							
Career ladder program	4,000	4,000	3,000	-	-	3,000	1,000
Guidance personnel	49,129	49,129	49,129	-	-	49,129	-
Assessment personnel	73,578	73,578	73,578	-	-	73,578	-
Social security	7,856	7,856	7,364	-	-	7,364	492
State retirement	11,505	11,505	11,414	-	-	11,414	91
Medical insurance	14,072	14,072	14,072	-	-	14,072	-
Dental insurance	278	276	138	-	-	138	138
Unemployment compensation	200	200	96	-	-	96	104
Employer medicare	1,837	1,837	1,722	-	-	1,722	115
Contracts with government agencies	65,000	77,782	77,639	-	-	77,639	143
Evaluation and testing	2,000	3,304	3,304	-	-	3,304	-
Other contracted services	-	7,200	7,107	-	-	7,107	93
Other supplies and materials	150	1,150	1,150	-	-	1,150	-
Other charges	-	620	-	-	-	-	620
Other equipment	886	1,900	1,900	-	-	1,900	-
Total other student support	230,489	254,408	251,613	-	-	251,613	2,796
Regular instruction program							
Supervisor/Director	129,558	121,858	121,769	-	-	121,769	89
Career ladder program	4,000	4,000	4,000	-	-	4,000	-
Libraries	96,212	96,212	96,138	-	-	96,138	74
Other salaries	131,224	130,402	129,809	-	-	129,809	593
In-service training	5,000	-	-	-	-	-	-
Social security	22,384	22,883	20,049	-	-	20,049	2,834
State retirement	32,779	33,745	31,936	-	-	31,936	1,809
Medical insurance	44,545	43,487	42,106	-	-	42,106	1,381
Dental insurance	552	552	552	-	-	552	-
Unemployment compensation	286	326	282	-	-	282	44
Employer medicare	5,236	5,358	4,689	-	-	4,689	669
Consultants	3,000	3,000	-	-	-	-	3,000
Dues and memberships	1,000	1,000	-	-	-	-	1,000
Travel	500	500	100	-	-	100	400
Postal charges	1	1	-	-	-	-	1
Other contracted services	29,000	31,250	29,972	(364)	-	29,608	1,642
Instructional supplies	1	1	-	-	-	-	1
Library books and media	9,000	9,000	7,800	-	-	7,800	1,200
Other supplies and materials	11,000	11,000	9,322	-	-	9,322	1,678
Inservice/staff development	12,739	26,042	23,873	-	-	23,873	2,169
Other charges	100	300	-	-	-	-	300
Other equipment	-	18,050	18,050	-	-	18,050	-
	538,117	558,967	540,447	(364)	-	540,083	18,884

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services(continued)							
Special Education							
Supervisor/directors	24,281	20,234	20,234	-	-	20,234	-
Social security	1,505	1,236	1,236	-	-	1,236	-
State retirement	2,205	1,837	1,837	-	-	1,837	-
Medical insurance	-	1,836	1,836	-	-	1,836	-
Unemployment compensation	50	4	4	-	-	4	-
Employer medicare	352	289	289	-	-	289	-
Other contracted services	18,000	34,337	34,337	-	-	34,337	-
Other supplies and materials	349	349	347	-	-	347	2
Inservice/staff development	4,550	4,996	2,341	-	-	2,341	2,655
Total special education	51,292	65,118	62,461	-	-	62,461	2,657
Technology							
Supervisor/directors	46,144	46,144	45,552	-	-	45,552	592
Data processing personnel	24,348	24,727	24,185	-	-	24,185	542
Social security	4,370	4,370	3,783	-	-	3,783	587
Medical insurance	14,849	14,849	14,848	-	-	14,848	1
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	100	96	-	-	96	4
Local retirement	4,229	4,229	4,226	-	-	4,226	3
Employer medicare	1,022	1,022	885	-	-	885	137
Dues and memberships	200	200	60	-	-	60	140
Repair and maintenance - equipment	7,000	7,000	5,667	-	-	5,667	1,333
Internet connectivity	-	27,648	27,648	-	-	27,648	-
Travel	1,000	1,000	270	-	-	270	730
Other contracted services	80,000	66,845	92,354	(26,051)	-	66,303	542
Other supplies and materials	17,000	13,701	8,293	-	-	8,293	5,408
Inservice/staff development	3,000	3,000	612	-	-	612	2,388
Other charges	1,000	1,000	158	-	-	158	842
Other equipment	8,000	8,000	7,950	-	-	7,950	50
Total technology	212,538	224,111	236,863	(26,051)	-	210,812	13,299
Total support services	1,225,939	1,296,108	1,281,745	(26,415)	-	1,256,330	40,778
General administration							
Board of education							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,823	1,823	1,713	-	-	1,713	110
Medical insurance	43,860	43,860	37,678	-	-	37,678	6,182
Dental insurance	-	379	379	-	-	379	-
Unemployment compensation	-	176	176	-	-	176	-
Employer medicare	426	426	401	-	-	401	25
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	7,345	7,345	5,589	-	-	5,589	1,756
Legal services	6,000	6,000	4,200	-	-	4,200	1,800
Printing, stationery, etc.	100	1,604	1,604	-	-	1,604	-
Travel	1,000	1,000	-	-	-	-	1,000
Other contracted services	5,000	8,749	157	-	-	157	8,592
Other supplies and materials	100	100	21	-	-	21	79
Liability insurance	13,100	13,122	13,122	-	-	13,122	-
Surety bonds	650	650	563	-	-	563	87
Trustee's commission	16,000	16,600	16,540	-	-	16,540	60
Workmans compensation	18,532	18,621	18,621	-	-	18,621	-
Inservice/staff development	3,000	2,400	1,051	-	-	1,051	1,349
Refunds to applicants	500	500	347	-	-	347	153
Other charges	8,000	11,580	11,580	-	-	11,580	-
Total board of education	179,836	189,335	168,142	-	-	168,142	21,193
Office of education							
County officials	99,500	83,164	78,650	-	-	78,650	4,514
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	6,231	6,231	4,927	-	-	4,927	1,304
State retirement	-	6,208	6,208	-	-	6,208	-
Medical insurance	8,682	8,682	1,447	-	-	1,447	7,235
Dental insurance	138	138	23	-	-	23	115
Unemployment compensation	60	80	48	-	-	48	12
Employer medicare	1,457	1,457	1,152	-	-	1,152	305
Communication	12,000	13,972	13,972	-	-	13,972	-
Dues and memberships	1,750	1,750	60	-	-	60	1,690
Postage	1,500	1,500	1,348	-	-	1,348	152
Travel	2,000	2,000	169	-	-	169	1,831
Other contracted services	1,000	1,000	-	-	-	-	1,000
Office supplies	3,000	3,000	886	-	-	886	2,134
Inservice/staff development	2,000	6,322	6,322	-	-	6,322	-
Other charges	2,702	6,537	6,537	-	-	6,537	-
Administrative equipment	1,000	1,000	142	-	-	142	858
Total office of education	144,020	144,021	122,871	-	-	122,871	21,150

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of principal							
Principals	145,774	140,774	140,577	-	-	140,577	197
Career ladder program	3,000	3,000	3,000	-	-	3,000	-
Accountants and bookkeepers	41,504	44,825	44,825	-	-	44,825	-
Assistant principal	109,463	112,125	112,125	-	-	112,125	-
Clerical personnel	43,676	44,094	44,094	-	-	44,094	-
Social security	21,292	20,679	20,653	-	-	20,653	26
State retirement	23,448	23,275	23,218	-	-	23,218	57
Medical insurance	26,405	26,405	26,269	-	-	26,269	136
Dental insurance	890	890	599	-	-	599	91
Unemployment compensation	500	500	382	-	-	382	118
Local retirement	5,111	5,310	5,310	-	-	5,310	-
Employer medicare	4,980	5,000	4,830	-	-	4,830	170
Dues and memberships	2,000	1,500	1,500	-	-	1,500	-
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	221	-	-	-	-	221
Other contracted services	1,200	1,914	1,914	-	-	1,914	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	2,364	2,364	-	-	2,364	-
Other charges	1,325	1,325	948	-	-	948	377
Administrative equipment	1,000	16,400	16,400	-	-	16,400	-
Total office of principal	436,368	453,401	452,008	-	-	452,008	1,393
Fiscal services							
Accountants and bookkeepers	94,771	94,771	91,462	-	-	91,462	3,309
Purchasing personnel	46,884	46,887	46,887	-	-	46,887	-
Clerical personnel	24,179	24,179	24,179	-	-	24,179	-
Other salaries and wages	1,000	-	-	-	-	-	-
Social security	10,344	9,143	9,131	-	-	9,131	12
Medical insurance	23,963	27,307	27,307	-	-	27,307	-
Dental insurance	414	414	414	-	-	414	-
Unemployment compensation	300	300	193	-	-	193	107
Local retirement	6,621	6,622	6,622	-	-	6,622	-
Employer medicare	2,419	2,419	2,135	-	-	2,135	284
Dues and memberships	300	300	-	-	-	-	300
Other contracted services	8,855	9,725	9,725	-	-	9,725	-
Data processing supplies	1,000	483	349	-	-	349	134
Office supplies	2,300	800	746	-	-	746	54
Inservice/staff development	3,000	3,000	2,681	-	-	2,681	319
Total fiscal services	226,350	226,350	221,831	-	-	221,831	4,519
Plant operations							
Janitorial services	319,308	319,308	309,595	-	-	309,595	9,713
Disposal fees	4,000	4,000	3,204	-	-	3,204	796
Permits	500	420	165	-	-	165	255
Other contracted services	25,000	21,400	21,379	-	-	21,379	21
Electricity	327,000	364,180	364,180	-	-	364,180	-
Natural gas	33,000	29,300	29,239	-	-	29,239	61
Water	30,000	25,200	25,190	-	-	25,190	10
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	1,456	1,456	1,456	-	-	1,456	-
Building and contents insurance	31,707	31,707	31,707	-	-	31,707	-
Vehicle and equipment	9,387	9,387	9,387	-	-	9,387	-
Total plant operations	781,458	806,458	795,502	-	-	795,502	10,956

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Plant maintenance							
Part time personnel	6,000	6,000	-	-	-	-	6,000
Social security	434	434	-	-	-	-	434
Unemployment compensation	25	25	-	-	-	-	25
Employer medicare	102	102	-	-	-	-	102
Contracts with government agencies	110,000	85,000	81,995	-	-	81,995	3,005
Maintenance and repair - buildings	22,000	24,565	24,565	-	-	24,565	-
Maintenance and repair - equipment	5,000	5,000	1,987	-	-	1,987	3,013
Maintenance and repair - other equipment	500	500	-	-	-	-	500
Other contracted services	75,000	71,723	70,176	-	-	70,176	1,547
Gasoline	3,000	3,000	1,912	-	-	1,912	1,088
Vehicle parts	1,000	1,000	465	-	-	465	535
Other supplies and materials	30,000	34,638	34,112	-	-	34,112	526
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	-	-	-	-	500
Administrative equipment	-	4,700	4,700	-	-	4,700	-
Maintenance equipment	-	1,074	1,074	-	-	1,074	-
Total plant maintenance	<u>254,361</u>	<u>239,061</u>	<u>220,986</u>	<u>-</u>	<u>-</u>	<u>220,986</u>	<u>18,075</u>
Community services							
Teachers	-	40,500	37,865	-	-	37,865	2,635
Educational assistants	-	12,300	8,415	-	-	8,415	3,885
Social security	-	3,219	2,607	-	-	2,607	612
State retirement	-	3,716	3,716	-	-	3,716	-
Local retirement	-	738	-	-	-	-	738
Employer medicare	-	766	610	-	-	610	156
Instructional supplies	-	200	200	-	-	200	-
Other supplies and materials	-	212	212	-	-	212	-
Inservice/staff development	-	1,000	211	-	-	211	789
Total community services	<u>-</u>	<u>62,651</u>	<u>53,836</u>	<u>-</u>	<u>-</u>	<u>53,836</u>	<u>8,815</u>
Total general administration	<u>2,022,393</u>	<u>2,121,277</u>	<u>2,035,176</u>	<u>-</u>	<u>-</u>	<u>2,035,176</u>	<u>86,101</u>
Early childhood education							
Teachers	96,397	96,645	96,645	-	-	96,645	-
Educational assistants	51,890	48,384	48,384	-	-	48,384	-
Certified substitute teachers	2,200	2,580	2,580	-	-	2,580	-
Non-certified substitute teachers	1,200	1,712	1,712	-	-	1,712	-
Social security	9,378	8,832	8,832	-	-	8,832	-
State retirement	8,714	8,775	8,775	-	-	8,775	-
Medical insurance	18,793	14,071	14,071	-	-	14,071	-
Dental insurance	414	276	276	-	-	276	-
Unemployment compensation	300	253	253	-	-	253	-
Local retirement	3,113	2,903	2,903	-	-	2,903	-
Employer medicare	2,193	2,065	2,065	-	-	2,065	-
Travel	100	-	-	-	-	-	-
Instructional supplies	1,500	3,338	3,338	-	-	3,338	-
Other supplies and materials	500	502	502	-	-	502	-
Indirect costs	3,851	10,851	10,851	-	-	10,851	-
Inservice/staff development	1,071	383	383	-	-	383	-
Other charges	500	543	543	-	-	543	-
Total early childhood education	<u>202,114</u>	<u>202,113</u>	<u>202,113</u>	<u>-</u>	<u>-</u>	<u>202,113</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Debt service							
Principal payments	45,232	45,232	45,232	-	-	45,232	-
Interest payments	10,048	10,048	9,748	-	-	9,748	300
Total debt service	55,280	55,280	54,980	-	-	54,980	300
Capital outlay							
Other capital outlay	-	-	20,000	(20,000)	-	-	-
Total capital outlay	-	-	20,000	(20,000)	-	-	-
Total Expenditures	8,017,983	8,169,020	8,050,621	(46,415)	-	8,004,206	164,814
Excess (deficiency) of revenues over (under) expenditures	(1,065,809)	(1,073,109)	(873,137)	46,415	-	(826,722)	246,387
Other financing sources and (uses)							
Transfers in	1,066,851	1,066,851	1,063,000	-	-	1,063,000	(3,851)
Total other financing sources and (uses)	1,066,851	1,066,851	1,063,000	-	-	1,063,000	(3,851)
Net change in fund balance	1,042	(6,258)	189,863	46,415	-	236,278	242,536
Fund balance - beginning of year	947,451	947,451	947,451	-	-	947,451	-
Fund balance - end of year	\$ 948,493	\$ 941,193	\$ 1,137,314	\$ 46,415	\$ -	\$ 1,183,729	\$ 242,536

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTALS
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,820,148	\$ 3,382,780	\$ 10,349,591	\$ 19,552,519
Cash and cash equivalents - restricted	-	-	4,615,098	4,615,098
Investments	-	-	-	-
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	715,170	-	2,942,094	3,657,264
Current portion of advance to other funds	59,704	-	-	59,704
Grant receivables	535	36,787	-	37,322
Other receivables	240	9,936	232,494	242,670
Due from other funds	75,069	600,582	-	675,651
Inventory	206,434	179,378	172,886	558,698
Natural gas storage	339,580	-	-	339,580
Prepaid expenses	35,363	74,571	507,318	617,252
TOTAL CURRENT ASSETS	7,252,243	4,284,034	18,919,481	30,455,758
PROPERTY, PLANT AND EQUIPMENT				
Land	497,385	76,153	-	573,538
Buildings	186,057	510,608	-	696,665
Equipment	1,782,591	2,112,620	-	3,895,211
General plant	-	-	6,327,957	6,327,957
Distribution plant	14,653,371	41,033,123	63,023,557	118,710,051
Construction in progress	3,268,100	454,271	111,006	3,833,377
TOTAL PROPERTY, PLANT AND EQUIPMENT	20,387,504	44,186,775	69,462,520	134,036,799
Less accumulated depreciation	(10,526,174)	(20,927,181)	(27,981,254)	(59,434,609)
NET PROPERTY, PLANT AND EQUIPMENT	9,861,330	23,259,594	41,481,266	74,602,190
OTHER ASSETS				
Note receivable - TVA Home Insulation Program	-	-	539,574	539,574
Advance to other funds - noncurrent portion	60,424	-	-	60,424
Deposits	-	65	-	65
Other deferred costs	-	-	518,321	518,321
Bond refunding, net of accumulated amortization	-	-	-	-
Bond issue costs, net of accumulated amortization	-	-	226,013	226,013
TOTAL OTHER ASSETS	60,424	65	1,283,908	1,344,397
TOTAL ASSETS	17,173,997	27,543,693	61,684,655	106,402,345
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on bond refunding	-	-	41,083	41,083
Deferred outflows related to pensions	86,837	132,876	825,512	1,045,225
TOTAL DEFERRED OUTFLOWS OF RESOURCES	86,837	132,876	866,595	1,086,308
CURRENT LIABILITIES				
Accounts payable	600,101	147,289	3,945,897	4,693,287
Accrued expenses	51,665	110,694	84,415	246,774
Accrued interest	16,034	68,819	134,824	219,677
Compensated absences	-	-	206,973	206,973
Customer deposits	415,020	149,710	506,224	1,070,954
Due to other funds	598,415	49,373	-	647,788
Current portion of long-term debt	391,388	744,366	755,000	1,890,754
TOTAL CURRENT LIABILITIES	2,072,623	1,270,251	5,633,333	8,976,207
LONG-TERM LIABILITIES				
Compensated absences	324,914	394,012	1,477,871	2,196,797
Bonds and notes payable (net of unamortized bond premiums)	3,627,795	11,051,784	15,515,927	30,195,506
Net pension liability	273,092	448,355	2,788,398	3,509,845
Net OPEB Liability	70,415	92,638	3,528,042	3,691,095
Advances from Home Installation Program	-	-	539,573	539,573
TOTAL LONG-TERM LIABILITIES	4,296,216	11,986,789	23,649,811	40,132,816
TOTAL LIABILITIES	6,368,839	13,257,040	29,483,144	49,109,023
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	146,681	247,211	350,821	744,713
NET POSITION				
Net investment in capital assets	5,842,147	11,463,444	25,331,266	42,636,857
Restricted for capital projects	-	-	2,970,558	2,970,558
Restricted for debt service	-	-	1,609,716	1,609,716
Unrestricted net position	4,903,167	2,708,874	2,805,745	10,417,786
TOTAL NET POSITION	\$ 10,745,314	\$ 14,172,318	\$ 32,717,285	\$ 57,634,917

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTALS
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	
OPERATING REVENUES				
Charges for services	\$ 6,562,123	\$ 6,007,400	\$ 46,864,793	\$ 59,434,316
Miscellaneous	4,187	4,682	935,979	944,848
TOTAL OPERATING REVENUES	<u>6,566,310</u>	<u>6,012,082</u>	<u>47,800,772</u>	<u>60,379,164</u>
OPERATING EXPENSES				
Natural gas purchases	3,326,571	-	-	3,326,571
Water purchases	-	104,083	-	104,083
Purchased for resale	-	-	35,995,468	35,995,468
Personnel expenses	1,288,974	2,228,562	-	3,517,536
Supplies	-	413,719	-	413,719
Utilities	24,353	423,766	-	448,119
Repairs and maintenance	178,699	707,909	1,848,668	2,735,276
Professional fees	22,680	39,152	-	61,832
Operating expenses	70,243	44,728	5,493,607	5,608,578
Rent	39,400	36,600	-	76,000
Office expense	146,074	101,352	-	247,426
Transportation expense	36,792	64,527	-	101,319
Insurance	25,141	99,525	-	124,666
Taxes and tax equivalents	-	-	275,585	275,585
Memberships and subscriptions	-	23,284	-	23,284
Miscellaneous	-	7,045	-	7,045
Depreciation and amortization	498,275	1,089,312	2,366,788	3,954,375
TOTAL OPERATING EXPENSES	<u>5,657,202</u>	<u>5,383,564</u>	<u>45,980,116</u>	<u>57,020,882</u>
OPERATING INCOME (LOSS)	<u>909,108</u>	<u>628,518</u>	<u>1,820,656</u>	<u>3,358,282</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	55,459	20,367	73,648	149,474
Sale of materials	-	7,389	-	7,389
Amortization of debt expense	-	-	(112,309)	(112,309)
Accretion of debt premiums	504	3,797	-	4,301
Miscellaneous expense	-	-	(36,623)	(36,623)
TEAC settlement	102,564	-	-	102,564
Insurance recoveries	2,812	2,628	-	5,440
Gain (loss) on sale of asset	12,567	5,482	-	18,049
Bond issue cost	(30,927)	(22,859)	-	(53,786)
Interest expense	(125,141)	(370,476)	(392,207)	(887,824)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>17,838</u>	<u>(353,672)</u>	<u>(467,491)</u>	<u>(803,325)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>926,946</u>	<u>274,846</u>	<u>1,353,165</u>	<u>2,554,957</u>
Transfers to other funds	(144,738)	(109,030)	(813,019)	(1,066,787)
CHANGE IN NET POSITION	<u>782,208</u>	<u>165,816</u>	<u>540,146</u>	<u>1,488,170</u>
NET POSITION - BEGINNING OF YEAR, as originally stated	<u>9,913,363</u>	<u>13,955,789</u>	<u>32,177,139</u>	<u>56,046,291</u>
Prior period adjustment	49,743	50,713	-	100,456
NET POSITION - BEGINNING OF YEAR, as restated	<u>9,963,106</u>	<u>14,006,502</u>	<u>32,177,139</u>	<u>56,146,747</u>
NET POSITION - END OF YEAR	<u>\$ 10,745,314</u>	<u>\$ 14,172,318</u>	<u>\$ 32,717,285</u>	<u>\$ 57,634,917</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,556,569	\$ 6,003,394	\$ 47,800,772	\$ 60,360,735
Cash received from other funds for services	17,061	18,347	-	35,408
Other operating cash receipts	4,305	4,682	-	8,987
Cash payments to city - tax equivalents	-	-	(813,019)	(813,019)
Cash payments to suppliers for goods and services	(3,198,237)	(2,028,852)	(40,617,667)	(45,844,756)
Cash payments to employees for services	(1,281,353)	(2,187,602)	(2,945,919)	(6,414,874)
Other operating cash payments	-	-	(36,623)	(36,623)
Customer deposits received	-	-	189,511	189,511
Customer deposits refunded	-	-	(218,460)	(218,460)
Cash payments to other funds for services	-	(6,204)	-	(6,204)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,098,345	1,803,765	3,358,595	7,260,705
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	102,564	-	-	102,564
Amounts paid to other funds	(144,738)	(109,030)	-	(253,768)
Sale of materials	-	7,389	-	7,389
Advances from Home Insulation Program	-	-	50,231	50,231
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(42,174)	(101,641)	50,231	(93,584)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(3,108,216)	(801,045)	(2,159,984)	(6,069,245)
Plant removal cost	-	-	(291,995)	(291,995)
Materials salvaged from retirements	-	-	24,141	24,141
Gain on sale of capital assets	12,567	5,482	-	18,049
Insurance recoveries	2,812	2,628	-	5,440
Debt proceeds	2,300,000	1,972,854	3,000,000	7,272,854
Debt issue costs	(30,927)	(22,859)	(97,244)	(151,030)
Loss on refunding of bonds	-	-	3,006	3,006
Premium on issuance of bonds	-	-	64,796	64,796
Advances to other funds	58,991	-	-	58,991
Principal payments on long-term debt	(386,340)	(723,112)	(730,000)	(1,839,452)
Interest paid on long-term debt	(130,629)	(375,800)	(387,324)	(893,753)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(1,281,742)	58,148	(574,604)	(1,798,198)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(100,000)	(100,000)
Proceeds from sale of investments	-	40,796	100,000	140,796
Notes receivable - TVA Home Insulation Program	-	-	(50,258)	(50,258)
Interest on cash and investments	55,459	20,367	73,648	149,474
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	55,459	61,163	23,390	140,012
Extraordinary item	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	829,888	1,821,435	2,857,612	5,508,935
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,990,260	1,561,345	12,107,077	18,658,682
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,820,148	\$ 3,382,780	\$ 14,964,689	\$ 24,167,617
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 909,108	\$ 628,518	\$ 1,820,656	\$ 3,358,282
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	498,275	1,089,312	2,366,788	3,954,375
Amounts paid to City - tax equivalents	-	-	(813,019)	(813,019)
Miscellaneous expense	-	-	(36,623)	(36,623)
Change in pension related deferred outflows and inflows of resources	173,568	294,352	977,915	1,445,835
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(13,969)	-	(317,650)	(331,619)
(Increase) decrease in other receivables	118	(1,816)	-	(1,698)
(Increase) decrease in inventory	9,968	5,149	97,068	112,185
(Increase) decrease in prepaid assets	1,552	4,361	(464,875)	(458,962)
(Increase) decrease in due from other funds	3,575	(6,204)	-	(2,629)
(Increase) decrease in natural gas storage	237,968	-	-	237,968
Increase (decrease) in accounts payable	422,228	26,585	234,974	683,787
Increase (decrease) in due to other funds	13,486	18,347	-	31,833
Increase (decrease) in net pension liability	(180,173)	(295,803)	(797,014)	(1,272,990)
Increase (decrease) in net OPEB liability	15,866	41,909	194,169	251,944
Increase (decrease) in customer deposits	8,415	(2,190)	39,271	45,496
Increase (decrease) in compensated absences	(301)	502	56,935	57,136
Increase (decrease) in accrued liabilities	(1,339)	743	-	(596)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,098,345	\$ 1,803,765	\$ 3,358,595	\$ 7,260,705
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
OPEB - Increase in Net Obligation	\$ 15,866	\$ 41,909	\$ 194,169	\$ 251,944

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>School Activity</u>	<u>Pension Trust Funds</u>	
	<u>Agency Fund</u>	<u>Municipal Employees</u>	<u>Electric Employees</u>
ASSETS			
Cash and cash equivalents	\$ 119,041	\$ -	\$ -
Investments:			
Mutual funds (market value)	-	11,986,913	9,370,599
Annuities (market value)	-	188,135	-
TOTAL ASSETS	<u>119,041</u>	<u>12,175,048</u>	<u>9,370,599</u>
LIABILITIES			
Accrued liabilities	<u>119,041</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension benefits	<u>-</u>	<u>12,175,048</u>	<u>9,370,599</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 12,175,048</u>	<u>\$ 9,370,599</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
Additions			
Contributions and other additions	\$ 549,637	\$ 356,931	\$ 906,568
Investment income	1,064	717,418	718,482
Net investment gain/(loss)	937,801	-	937,801
Total Additions	<u>1,488,502</u>	<u>1,074,349</u>	<u>2,562,851</u>
Deductions			
Fees	88,273	2,878	91,151
Benefits	523,408	90,184	613,592
Total Deductions	<u>611,681</u>	<u>93,062</u>	<u>704,743</u>
Net increase (decrease) in net position	876,821	981,287	1,858,108
NET POSITION - BEGINNING OF YEAR	<u>11,298,227</u>	<u>8,389,312</u>	<u>19,687,539</u>
NET POSITION - END OF YEAR	<u>\$ 12,175,048</u>	<u>\$ 9,370,599</u>	<u>\$ 21,545,647</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1. A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Lexington
Blended Component Units:	None

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Board or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

1. B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the city other than debt service payments made by enterprise funds. This fund was used to pay the debt of the post office building.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e., assets equal liabilities) they do not involve the measurement of results of operations. The agency fund is as follows:

Fund	Brief Description
School Agency Fund	Accounts for student activity funds that record transactions related to resources held in fiduciary capacity for the general school population, or in some cases, for a specific segment of the school population.

Pension Trust Funds

Pension trust funds account for pension contributions, benefits, and distributions. The City has the following two funds: one for the Electric Department and another for the governmental departments and the remaining utility departments.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major: General	See above for description.
<i>Special Revenue Fund:</i> General Purpose School	Accounts for revenues and expenditures of the City's school.
<i>Proprietary Fund:</i> Natural Gas Fund	Accounts for activities of the government's natural gas distribution operations.
Water Systems Fund	Accounts for operations of the sewage facilities and the distribution of water.
Electric Department	Accounts for activities of the government's electric distribution operations.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Nonmajor

Special Revenue Funds:

State Street Aid	Accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.
School Tax Fund	Accounts for revenues, which are primarily a portion of the State-shared sales tax revenues and transfers from the General Fund, and expenditures, which are primarily capital in nature.
School Food Service	Accounts for the school cafeteria revenues and the expenditures.
Solid Waste Collection	Accounts for the solid waste collection revenue and expenditures related to disposal services.
Dare Fund	Accounts for project revenues and expenditures related to drug awareness programs.
E-citation Fund	Accounts for revenues generated from e-citations.
Police Drug Fund	Accounts for revenues and expenditures on drug fines and enforcement costs.
Lexington-Henderson Alliance	Accounts for economic and community development costs.
Debt Service Fund	See above for description.
Capital Projects Fund	See above for description.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates timing transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met; including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The City does not allocate indirect costs.

1.D. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The City adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Unused appropriations for each of the annually budgeted funds lapse at the end of the year.
- c. Revisions to the budget may be made throughout the year in accordance with governing statutes and consistent with generally accepted accounting principles.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Investments

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Interfund Receivables and Payables

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales taxes, and grants. Business-type activities report utilities as their major receivables.

Inventories and Prepaid Expense

Inventories consist primarily of supplies, valued at cost, which approximates market. Cost is determined using current costs. All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Prepaid expenses are also maintained on the consumptive basis of accounting.

Restricted Assets

Certain proceeds of bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Bond Discounts / Issuance Costs

In the governmental funds bond discounts are treated as period costs in the year of issue. In the proprietary funds, bond discounts are deferred and amortized over the term of the bonds using the straight-line method if it does not differ materially from the interest method.

Bond issuance costs are treated as expenses in the year incurred in both governmental and proprietary funds except for Lexington Electric System. Lexington Electric System capitalizes bond issue costs and amortizes these costs over the life of the bond issue.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value some of the assets acquired prior to June 30, 2003.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The capitalization policy is as listed below:

1. Real property – Land	
a. Land – non depreciable	\$1
b. Land Improvements	\$10,000
2. Real property – Buildings	\$10,000
3. Motor Vehicles	
a. Cars/Light Trucks/Jeeps	\$ 5,000
b. Trucks/Heavy	\$10,000
c. Buses	\$10,000
d. Vans	\$ 5,000
4. Equipment	\$ 2,000
5. Personal Property	\$ 2,000

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings	20-50
Equipment	5-20
Vehicles	6-15
Plant	20-50

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government's deferred outflows of resources are related to pension requirements under GASB Statement No. 68. The Electric System also reports deferred outflows of resources for its unamortized loss on bond refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the government-wide Statement of Net Position

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

and the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. The second deferred inflows of resources are related to the government's pension requirements under GASB Statement No. 68.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, capital lease payables, accrued compensated absences, and post-closure landfill costs.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation and personal leave time permit employees to accumulate earned but unused vacation and personal leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Electric System

It is the System's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay has been accrued and is reflected as a current liability on the financial statements. All sick leave has been accrued and is reflected as both a current and non-current liability on the financial statements.

School System

The System's policy is to pay \$10 for every unused day of sick leave accumulated at retirement. The System's financial statements do not include a liability for compensated absences as the amount is not material.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government's policy to considered restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes,

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision making authority. The Board of Aldermen is the government’s highest level of decision-making authority for the government that can, be adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Nonspendable fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The City has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Pensions – School System

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Sales Tax

The City presently levies a nine and three-quarters percent sales tax on taxable sales within the City. The sales tax is collected by the Tennessee Department of Revenue and remitted to the City in the month following receipt by the Department of Revenue. The Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund and the School Tax Fund. Sales tax remitted to the City in July has been accrued and are included under the caption "Due from other governments."

Property Tax

Property taxes are levied annually on the first of January. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected for one year past the due date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as non-operating.

Expenditures/ Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent, reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
E-citation Fund	State Law
Police Drug Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The City's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

Pension Plan Investments

Investments are stated at fair market value. The Plan's investments consist of mutual funds and annuities. Purchases and sales of mutual funds are recorded on the trade-date basis. The Electric Department's Plan investments consist only of mutual funds.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

2.C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	Portion to fund city school program
Gasoline Excise Tax	Street purposes
Grants	Grant program expenditures
E-citation fees	E-citation equipment

2.D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The City had no deficit fund balances at June 30, 2018.

2.E. BUDGET

Lexington City Schools

The System is required by state law to prepare an annual budget. The budget is subject to approval by the Lexington City Council and the System cannot exceed the total budgeted expenditures.

The System uses a budgetary basis of accounting. It is consistent with GAAP, except that instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH AND INVESTMENTS

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.D. The City maintains checking accounts with local banks. Also, some funds are held as certificates of deposit at local banks. Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and cash equivalents" and "investments". Investments consist of certificates of deposits at local banks whose original maturity exceeds three months.

The City's policies regarding deposits of cash are discussed in Note 2B.

General Government

As of June 30, 2018, the City's bank balances were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

Gas System

As of June 30, 2018, the System's deposits were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Water Systems

As of June 30, 2018, the System's bank balances were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

Electric System

As of June 30, 2018, the System's bank deposits were fully collateralized or insured.

School System

Cash in bank balance represents funds on deposit in one local depository. These funds were entirely insured by FDIC or through the Bank Collateral Pool with the State of Tennessee.

Investment-Fiduciary Fund

The following is the asset allocation as of June 30, 2018.

	City of Lexington		Lexington Electric		Total
	Market Value	Percentage of Total	Market Value	Percentage of Total	
Fixed income	\$ 2,813,438	23.11%	\$ 2,292,164	24.46%	\$ 5,105,602
Equities	9,361,610	76.89%	7,078,435	75.54%	16,440,045
	\$ 12,175,048	100.00%	\$ 9,370,599	100.00%	\$ 21,545,647

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at June 30, 2018.

	City of Lexington	Lexington Electric
John Hancock Total Bond Market	\$ 633,447	\$ -
Fidelity Advisor Total Bond Return	1,382,032	-
American Funds Washington Mutual	1,113,772	856,450
Discovery Fund	784,964	610,208
Contra Fund	947,280	730,894
JP Morgan Mid-cap Value	920,447	711,281
T-Rowe Price Equity Income	1,123,836	866,267
American Funds Investment Fund of America	876,372	673,110
American Funds Capital World Growth	862,558	670,799
VS Small-cap	796,791	616,268
Oppenheimer Global	814,606	635,679

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2018.

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Pooled and separate accounts	\$ 5,105,602	\$ 2,813,438	\$ 2,292,164	\$ -
Equity securities				
Pooled and separate accounts	16,440,045	9,361,610	7,078,435	-
Total	\$ 21,545,647	\$ 12,175,048	\$ 9,370,599	-

The fair value of pooled separate accounts for which quoted market prices are not available are valued based on the value of the underlying investments and therefore are Level 2 investments.

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of amounts due from the various local sources. Receivables detail at June 30, 2018, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 12,772	\$ 3,849,161	\$ 3,861,933
Allowance for doubtful accounts	(6,201)	(191,897)	(198,098)
Net accounts receivable	\$ 6,571	\$ 3,657,264	\$ 3,663,835

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

	<u>Balance 7/1/17</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/18</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,111,067	\$ 56,000	\$ -	\$ 2,167,067
Construction in Progress	135,737	456,108	-	591,845
Total Capital assets not being depreciated	<u>2,246,804</u>	<u>512,108</u>	<u>-</u>	<u>2,758,912</u>
Capital assets being depreciated				
Buildings	25,737,688	-	-	25,737,688
Equipment	8,590,663	992,114	197,752	9,385,025
Infrastructure	16,206,440	-	-	16,206,440
Improvements	7,759,964	72,802	-	7,832,766
Total Capital assets being depreciated	<u>58,294,755</u>	<u>1,064,916</u>	<u>197,752</u>	<u>59,161,919</u>
Less accumulated depreciation for:				
Buildings	11,548,136	505,739	-	12,053,875
Equipment	6,522,148	437,643	133,234	6,826,557
Infrastructure	11,775,210	43,925	-	11,819,135
Improvements	4,426,245	331,792	(941)	4,758,978
Total accumulated depreciation	<u>34,271,739</u>	<u>1,319,099</u>	<u>132,293</u>	<u>35,458,545</u>
Total capital assets, being depreciated, net	<u>24,023,016</u>			<u>23,703,374</u>
Governmental activities capital assets, net	<u>\$ 26,269,820</u>			<u>\$ 26,462,286</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 483,055	\$ 123,037	\$ -	\$ 606,092
Construction in Progress	1,409,147	3,268,967	844,736	3,833,378
Total Capital assets not being depreciated	<u>1,892,202</u>	<u>3,392,004</u>	<u>844,736</u>	<u>4,439,470</u>
Capital assets being depreciated				
Buildings	1,578,223	15,259	110,899	1,482,583
Equipment	8,524,724	395,645	182,744	8,737,625
Plant	117,009,990	3,474,684	1,107,550	119,377,124
Total Capital assets being depreciated	<u>127,112,937</u>	<u>3,885,588</u>	<u>1,401,193</u>	<u>129,597,332</u>
Less accumulated depreciation for:				
Buildings	940,693	27,080	24,696	943,077
Equipment	6,200,397	599,048	196,946	6,602,499
Plant	49,594,451	3,600,652	1,306,067	51,889,036
Total accumulated depreciation	<u>56,735,541</u>	<u>4,226,780</u>	<u>1,527,709</u>	<u>59,434,612</u>
Total capital assets, being depreciated, net	<u>70,377,396</u>			<u>70,162,720</u>
Business-type activities capital assets, net	<u>\$ 72,269,598</u>			<u>\$ 74,602,190</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 135,179
Public safety	254,603
Public works	231,034
Health, recreation and welfare	698,283
Total depreciation expense	<u>\$1,319,099</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

3.D. ACCOUNTS PAYABLE

Payables in the general fund and nonmajor governmental funds are composed of payables to vendors.

3.E. OPERATING LEASES

Various schools and the Board of Education have operating leases for the use of copiers. This cost is recorded as instructional and administrative expenditures. The terms of these lease arrangements vary.

3.F. PREPAID MEALS

The amount for prepaid meals on the School Food Authority Fund reflects money that students and staff have credited toward meals in the following school year. The overpayment amount may be refunded to persons or applied to that person's meal account in the following year. In the event that a student graduates, the overpayment may be refunded or applied to another family member's meal account.

3.G. LONG-TERM LIABILITIES

The reporting entity's long-term liabilities is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

As of June 30, 2018, the governmental long-term liabilities of the financial reporting entity consisted of the following:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Governmental Activities

General Obligation Bonds

2010 General Obligation Refunding Bond dated March 1, 2011, through September 1, 2019, bearing interest rates of 2% to 3%.	\$ 830,000
2012 General Obligation School Bonds dated May 1, 2012, due June 1, 2013, through June 1, 2032, bearing interest rates of 1.00 to 3.125%.	5,115,000
2009 Refunding and Improvement Bonds dated April 16, 2009, due October 1, 2009 through April 1, 2034, bearing interest rates of 2.00% to 5.00%.	1,080,000
2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest.	226,587
2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	226,891

Capital Outlay Notes

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest.	132,132
	<hr/> 7,610,610

Other Liabilities

Compensated absences	1,098,032
Unamortized debt premiums	5,842
Net pension liability	871,855
Net OPEB liability	877,648
Other post employment benefits	290,773
Landfill closure costs	212,494

Total Government Activity	\$ 10,967,254
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**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Business-type Activities

Revenue Bonds

2009 Gas Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	\$ 1,370,000
2011 Gas Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	330,000
2011 Water Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	325,000
2009 Water and Sewer Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	4,915,000
2017 Electric Department Refunding Revenue Bonds, due 2018 through 2032, bearing an interest rate of 2.00% to 2.75%.	6,330,000
2011 Electric Plant Revenue Bonds, variable interest of 2.0% to 4.0% due serially through 2037	6,820,000
2018 Electric Department Revenue Bonds, due serially through 2038, bearing an interest rate of 3.00% to 4.00%%.	3,000,000

Notes Payable

Local Government Loan Program Bond, Series 2015, variable interest	1,813,000
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General Obligation Bonds

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	3,023,108
2017 General Obligation Bonds, dated July 20, 2017, due July 15, 2018 through July 15, 2037, interest 1.30% to 3.25%.	4,000,000

Other liabilities

Compensated absences	2,196,797
Advances from Home Installation Program	539,573
Net pension liability	3,509,845
Net OPEB liability	3,691,095
Unamortized debt premiums	160,152

Total Business-type Activities	\$ 42,023,570
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Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

	Balance 7/1/2017	Issues or Additions	Retirements	Balance 6/30/2018	Due within one year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 8,328,554	\$ -	\$ 850,076	\$ 7,478,478	\$ 870,775
Notes Payable	217,364	-	85,232	132,132	35,232
Landfill Closure Costs	214,854	-	2,360	212,494	-
Unamortized debt premiums	6,314	-	472	5,842	472
Total governmental type activities	<u>8,767,086</u>	<u>-</u>	<u>938,140</u>	<u>7,828,946</u>	<u>906,479</u>
<u>Business Type Activities</u>					
Revenue Bonds	21,575,000	3,000,000	1,485,000	23,090,000	1,525,000
Notes Payable	1,634,146	272,854	94,000	1,813,000	96,000
General Obligation Bonds	3,283,561	4,000,000	260,453	7,023,108	269,754
Unamortized debt premiums	99,656	177,106	116,610	160,152	4,300
Total business type activities	<u>26,592,363</u>	<u>7,449,960</u>	<u>1,956,063</u>	<u>32,086,260</u>	<u>1,895,054</u>
Total government	<u>\$ 35,359,449</u>	<u>\$ 7,449,960</u>	<u>\$ 2,894,203</u>	<u>\$ 39,915,206</u>	<u>\$ 2,801,533</u>

Water and Gas Systems

During the year the City of Lexington issued \$4,000,000 in general obligation bonds. These bonds were issued to fund various projects for the Water and Gas Systems. Issuance costs associated with these bonds were approximately \$53,785. The issue costs will be recognized as expenses in the current year according to GASB Statement No. 65.

The Gas System's portion of these bonds is \$2,300,000 with related issue costs of \$30,927. The Water System's portion of these bonds is \$1,700,000 with related issue costs of \$22,859.

Electric System

During 2018, the City of Lexington issued \$3,000,000 Electric System Revenue Bonds, Series 2018 for the purpose of financing improvements and extensions to the system. The bonds bear interest at 3.00% to 4.00% and mature serially in varying amounts from \$105,000 in fiscal year 2019 to \$200,000 in fiscal year 2038. The bonds are secured by a pledge of revenues by the System.

Other Long-term liabilities

Governmental-type compensated absences have been paid in prior years by the General Fund. Landfill post closure costs have been paid in prior years by the Solid Waste Fund.

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2018 are as follows:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Year Ending June 30,	<u>General Obligation Bonds</u>				Principal and Interest Total
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	Principal	Interest	Principal	Interest	
2019	\$ 870,775	\$ 206,012	\$ 269,754	\$ 150,907	\$ 1,497,448
2020	886,473	184,539	279,056	147,940	1,498,008
2021	477,171	169,554	473,358	142,969	1,263,052
2022	412,340	160,135	487,660	136,256	1,196,391
2023	418,039	149,951	496,961	127,500	1,192,451
2024-2028	2,268,680	570,652	2,586,319	487,915	5,913,566
2029-2033	2,055,000	207,903	1,130,000	274,296	3,667,199
2034-2038	90,000	4,162	1,300,000	104,775	1,498,937
Total	<u>\$ 7,478,478</u>	<u>\$ 1,652,908</u>	<u>\$ 7,023,108</u>	<u>\$ 1,572,558</u>	<u>\$ 17,727,052</u>

Year Ending June 30,	<u>Notes Payable</u>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2019	\$ 35,232	\$ -	\$ 96,000	\$ 54,390
2020	35,232	-	97,000	51,510
2021	35,232	-	98,000	48,600
2022	26,436	-	100,000	45,660
2023	-	-	101,000	42,660
2024-2028	-	-	525,000	167,070
2029-2033	-	-	561,000	86,190
2034-2037	-	-	235,000	10,590
	<u>\$ 132,132</u>	<u>\$ -</u>	<u>\$ 1,813,000</u>	<u>\$ 506,670</u>

Year Ending June 30,	<u>Revenue Bonds</u>	
	<u>Business-type Activities</u>	
	Principal	Interest
2019	\$ 1,525,000	\$ 765,037
2020	1,230,000	720,506
2021	1,095,000	687,681
2022	1,135,000	656,343
2023	1,160,000	624,437
2024-2028	6,430,000	2,561,606
2029-2033	7,125,000	1,400,077
2034-2037	3,390,000	277,871
	<u>\$ 23,090,000</u>	<u>\$ 7,693,558</u>

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

TRANSFER FROM							
TRANSFER TO	General	Police Drug	School Tax Fund	Lexington Electric	Water	Gas	Totals
General	\$ -	\$ -	\$ -	\$ 813,019	\$ 109,030	\$ 144,738	\$ 1,066,787
Post Office Fund	129,000	-	-	-	-	-	129,000
Solid Waste Fund	135,322	-	-	-	-	-	135,322
Lex-Hend Co Alliance	27,009	-	-	-	-	-	27,009
DARE	-	3,500	-	-	-	-	3,500
School Debt	-	-	969,140	-	-	-	969,140
General Purpose School	620,000	-	443,000	-	-	-	1,063,000
GRAND TOTALS	\$ 911,331	\$ 3,500	\$ 1,412,140	\$ 813,019	\$ 109,030	\$ 144,738	\$ 3,393,758

The transfers from General Fund to other various funds are all for operating expenses. The transfers from the Water, Natural Gas, and Electric Funds to the General Fund are for in-lieu of taxes. Transfers from the Sales Tax Fund to the School Debt Fund are for debt payments and capital outlay expenditures.

Interfund Receivables and Payables

DUE TO:						
DUE FROM:	General	Solid Waste	Police Drug	Water Systems	Gas	Totals
General	\$ -	\$ -	\$ 1,650	\$ 60,878	\$ 26,754	\$ 89,282
Solid Waste	-	-	-	-	783	783
Gas	1,999	56,712	-	539,704	-	598,415
Water Systems	1,841	-	-	-	47,532	49,373
	\$ 3,840	\$ 56,712	\$ 1,650	\$ 600,582	\$ 75,069	\$ 737,853

Transactions arising from Water, Sewer, and Garbage Fund billing of utility services are recorded in these accounts between the Gas, Water System, and Solid Waste Funds. The amounts due to the General Fund from the Water and Gas Funds are for expenses paid by the General Fund and not yet reimbursed by the other funds.

3.I. ON-BEHALF PAYMENTS

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lexington City School System. These payments are made by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2018 were \$33,466 and \$13,520, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

NOTE 4. OTHER NOTES

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan Obligations

Certain employees of the City, except school employees, are members of the City's contributory, defined benefit pension plan, a single-employer plan. School department information is included in another note. The plan was established by City ordinance and may be amended by such.

Actuarial Cost Method

Individual entry age normal, level percent of pay – Under this method, the annual cost is equal to the normal cost, plus an amortization of the unfunded accrued liabilities over a fixed period of years.

The normal cost is the sum of individual normal costs, determined as a level percentage of compensation which would have been necessary to fund the employee's projected retirement, death and withdrawal benefits, from entry age (the age at which the employee would have entered the plan had it been in effect on his employment date), to his retirement age. Thus, the dollar normal cost is expected to increase with the salary projection assumption.

The actuarial accrued liability is the accumulation, based on the actuarial assumptions, of all assumed prior normal costs. Thus, it represents the amount of reserves, which would be held by the plan, had it always been in effect for the present group of participants and had plan experience followed that predicted by the actuarial assumptions. The unfunded accrued liability is the excess, if any, of the accrued liability over the plan assets.

Actuarial gains and losses arising from differences between plan experience and that predicted by the actuarial assumptions, as measured by the difference between actual and expected unfunded accrued liabilities, are amortized over the average expected remaining service lives of all employees, as required by GASB, for periods starting after July 1, 2014.

Attribution Parameters

Attribution parameters determine how growth in the benefit formula is allocated to years of service.

Accrual rate proration, by component – This method attributes the benefit separately for each component of the benefit formula, based on the benefit credited service. If there is no accrual definitions in the benefit formula, then the entire projected benefit is assigned to past service (and considered fully accrued as of the valuation date). This results in "natural" or "directing differencing" attribution.

Accrued and Vested Benefits

Vested benefits are based on the plan document's vesting schedule based on years of service.

Early retirement subsidies are only valued once participants become eligible by meeting the specified requirements.

Disability and death benefits (other than qualified pre-retirement survivor annuity) are not treated as vested benefits for liability calculation purposes.

Plan Description

The City of Lexington pension committee administers the Retirement Plan for Employees of The City of Lexington (Plan) – a single employer defined benefit pension plan that provides pensions for employees.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Participant Data

Inactive Plan Participants as of January 1, 2017:

Retirees and beneficiaries currently receiving benefits	8
Terminated employees entitled to deferred benefits	26
Disabled employees entitled to deferred benefits	0
Total	34

Active Plan Participants as of January 1, 2017:

Vested	61
Partially-vested	21
Non-vested	6
Total	88

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/17

Eligibility Requirements: Minimum age of 20 and 12 minimum months of service. Entry date is the first day of the month coinciding with or next following the date the requirements are met.

Normal Retirement Date: First day of the month coinciding with or next following attainment of age 60 and 10 years of service.

Normal Retirement Benefit Formula:

Effective July 1, 2000 monthly annuity is equal to the sum of (1) and (2) below:

- (1) 2.25% of the member's Average Monthly Earnings multiplied by years of Credited Service up to a maximum of 30 years.
- (2) 1.85% of member's Average Monthly Earnings multiplied by years of Credit Service in excess of 30 years.

For contributing members as of April 1, 1986, minimum monthly annuity is equal to 3.33% of member's Average Monthly Earnings multiplied by years of credited service subject to a maximum of 15 years. Members of the prior plan will receive a benefit no less than 40% of the average monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater.

Average Monthly Earnings: The greater of (i) average of monthly compensation for the 5 consecutive years of highest compensation and (ii) monthly compensation during the year immediately preceding the participant's 60th birthday.

Credited Service: Number of years and completed months of active participation in this plan and the prior plan.

Normal Form of Benefits: Single: Single Life Annuity with 120 months certain.
 Married: Equivalent 50% Joint and Survivor Annuity

Maximum Annual Benefit: \$ 215,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

Employee Contributions: Monthly contributions equal to 6% of member's monthly earnings.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Credited Interest: 5% per annum compounded annually.

Early Retirement Benefit: Minimum Age: 50; Minimum Service: 10 years; Benefit Amount: based on service and earnings at termination, reduced actuarially.

Late Retirement Benefit: Normal retirement benefit increased 8% per annum for each year that retirement is deferred.

Pre-Retirement Death Benefit: Member contributions credited with interest to the date of death.

Disability Benefit: Normal retirement benefit at date of disability reduced by the ratio of years of service at disability to years of service projected to normal retirement date. The benefit will commence the first day of the sixth month following determination of disability under the Social Security Act.

Vested Termination Benefit: A member who terminates employment with less than 5 years of credited service may elect to receive, at any time prior to retirement, either: i) a return of member contributions with interest to the date of payment, or ii) income payments at retirement provided by his own contributions with interest. A member who terminates employment with 5 or more years of service will be entitled to a percentage of the benefit earned based on years of credited service and average monthly earnings at separation from service. The percentage is determined as follows:

<u>Years of Credited Service</u>	<u>Percentage</u>
Less than 5	0%
5	25%
6	40%
7	55%
8	70%
9	85%
10 or more	100%

Contribution Required

Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. These contributions are determined according to the following funding policy.

Actuarial Cost Method: Individual Entry Age Normal, Level of Percentage of Pay

Asset Valuation Method: Market Value of Assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Valuation assets are further limited to a 20% corridor around market value.

Amortization Method: The amortization method shall be the Plan's Normal Cost plus a 30-year amortization of the Unfunded Liability as of January 1, 2015. The amortization period for future experience gains and losses shall be 10 years from the date of the actuarial valuation.

Investments

Investment information has been provided by John Hancock.

Investment Policy: As of the release of this report, we have not received the target investment allocations. The target allocations can be obtained from your investment advisor.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

Rate of Return: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The City's net pension liability of \$1,593,303 was measured as of June 30, 2017.

Actuarial Assumptions (for calculation of the Net Pension Liability)

Post-Retirement

Mortality – TCRS Mortality Table

Investment Return – 7.25% per annum

Pre-Retirement

Mortality – 2014 Combined Static Mortality Table

Investment Return – 7.25% per annum

Salary Projection – 4.00% per annum. The assumption selected is consistent with the plan sponsor's current compensation practice. This reflects consideration of the following factors:

- Available compensation data, including:
 - Plan sponsor's current compensation practice and any anticipated changes

Retirement Age – age 62 or current age if later

Expense Loading – none

Age	Pre-Retirement Decrement Rates					
	Mortality		Withdrawal		Disability	
	Male	Female	Male	Female	Male	Female
25	0.028%	0.014%	9.000%	9.000%	0.060%	0.060%
30	0.038%	0.020%	7.500%	7.500%	0.060%	0.060%
35	0.067%	0.035%	6.000%	6.000%	0.089%	0.089%
40	0.086%	0.046%	4.500%	4.500%	0.183%	0.183%
45	0.105%	0.070%	3.000%	3.000%	0.306%	0.306%
50	0.137%	0.105%	1.500%	1.500%	0.492%	0.492%
55	0.219%	0.219%	0.000%	0.000%	0.804%	0.804%
60	0.463%	0.448%	0.000%	0.000%	1.202%	1.202%

Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

	1% Decrease	Current	1% Increase
	6.25%	Discount Rate	8.25%
	7.25%	7.25%	8.25%
Plan's net pension liability	\$ 2,672,199	\$ 1,593,303	\$ 643,714

Change in City's Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2017 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/16	\$ 13,143,391	\$ 10,498,905	\$ 2,644,486
Changes for the year:			
Service cost	390,808	-	390,808
Interest	923,073	-	923,073
Differences between expected and actual experience	(368,339)	-	(368,339)
Contributions - employer	-	380,037	(380,037)
Contributions - employee	-	229,686	(229,686)
Net investment income	-	1,454,142	(1,454,142)
Benefit payments	(1,402,432)	(1,402,432)	-
Administrative expense	-	(67,140)	67,140
Net changes	(456,890)	594,293	(1,051,183)
Balances at 6/30/17	\$ 12,686,501	\$ 11,093,198	\$ 1,593,303

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the measurement period ended June 30, 2017, the City recognized pension expense of \$304,528. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 147,359	\$ 385,834
Changes of assumptions	-	369,249
Net difference between projected and actual earnings on pension plan investments	678,453	726,027
Contributions subsequent to the measurement date of June 30, 2017	<u>338,238</u>	<u>-</u>
Total	<u>\$ 1,164,050</u>	<u>\$ 1,481,110</u>

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:

2018	(128,262)
2019	9,289
2020	(97,131)
2021	(252,334)
2022	(108,222)
Thereafter	(78,638)

Payable to the Pension Plan

At June 30, 2017, the City reported \$ 0 payable for outstanding amount of contributions to the pension plan.

Defined Contribution Plan

The City began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The City of Lexington Retirement Asset Accumulation Plan became effective on April 1, 2012 and is administered by the City of Lexington. Employees are required to make a mandatory contribution of 6% of their annual compensation and the City matches their contribution with an equal amount. The employer's contributions are not vested until after five annual periods in the plan. The employer has the right to amend the Plan at any time. In no event, however, will any amendment authorize or permit any part of the Plan assets to be used for purposes other than the exclusive benefit of Participants or their beneficiaries. The City's current year contributions to the plan were as follows:

General Government	\$64,108
Water System	\$28,250
Gas System	\$11,765
School System	\$37,690

Electric System

General information: The Board of the Lexington Electric System accounts for the activity of the Retirement Income Plan for Employees of Lexington Electric System. The Plan is a single employer public employee retirement System administered by USI Consulting Group, Inc. No employees enter the plan after April 1, 2012.

Benefits provided: The Plan provides normal retirement benefits at age 60.

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Normal form of retirement income: The normal form of retirement income for a single member is a Single Life Annuity with 120 months certain. The normal form of benefit for a married member is an equivalent 50% Joint and Survivor Annuity.

Normal retirement benefit: Effective March 1, 2000, the monthly annuity is equal to the sum of 2.25% of the members Average Monthly Earnings multiplied by years of Credited Service for the member's first 30 years of Credited Service and 1.85% of the member's Average Monthly Earnings, multiplied by years of Credited Service in excess of 30 years. For contributing members as of April 1, 1986, minimum monthly annuity will equal to 3.33% of member's Average Monthly Earnings multiplied by years of Credited Service subject to a maximum of 15 years. A member of the plan will receive a benefit of no less than 40% of the average of monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater. Average Monthly Earnings means the greater of (1) the average of monthly compensation for the 5 consecutive years of highest compensation, and (2) monthly compensation during the year immediately preceding the participant's 60th birthday. Maximum annual compensation is \$215,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

Early retirement: Once a member has attained age 50 and completed 10 years of service he/she may take an early retirement benefit based on service and earnings at termination, reduced actuarially.

Late retirement: If a member works past normal retirement age his/her normal retirement benefit will be increased eight percent per annum for each year that retirement is deferred.

Death benefit: If a participant dies prior to retirement he/she will receive his/her member contributions credited with interest to the date of death plus the actuarially equivalent value of the member's accrued benefit, if greater than the member contributions with interest.

Benefits upon disability: A disabled participant will receive a normal retirement benefit calculated at the date of disability reduced by the ratio of years of service at disability to years of service projected to normal retirement date. The benefit will commence the first day of the sixth month following determination of disability under the Social Security Act.

Vested termination benefit: A member who terminates employment with less than five years of credited service may elect to receive, at any time prior to retirement, either a return of member contributions with interest to the date of payment or income payments at retirement provided by his/her own contribution with interest. A member who terminates employment with five or more years of credited service will be entitled to a percentage of the benefit earned based on years of credited service and average monthly earnings at separation from service.

The percentage is determined using the following table:

Years of Credited Service	Percentage
less than 5	0%
5	25%
6	40%
7	55%
8	70%
9	85%
10 or more	100%

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Contributions: Lexington Electric System is required to contribute the amounts necessary to fund the Plan, as determined by the actuary. Employees are required to contribute 6% of their monthly earnings.

At June 30, 2016, the following employees were covered by the Plan:

Active employees:	
Fully or partially vested	36
Non-vested	0
Terminated employees entitled to deferred benefits	4
Retirees and beneficiaries currently receiving benefits	8
	<u>48</u>

Funded status and funding progress: As of June 30, 2017 the actuarial accrued liability for benefits was \$11,177,710 and the net pension liability was \$2,788,398. The total covered payroll was \$2,310,481 and the ratio of net pension liability to covered payroll was 120.68%.

Net pension liability: The components of the net pension liability of the Retirement Income Plan for the Employees of Lexington Electric System at June 30, 2018 and 2017 are detailed in the following tables. The first table is required to be disclosed due to the inclusion of the fiduciary fund statement's in the System's financial statements. The Total Pension Liability was rolled forward to June 30, 2018 in order to be in compliance with GASB Statement No. 67. The second table shows the net pension liability as of June 30, 2017, which is what is reported in the proprietary financial statements in accordance with GASB Statement No. 68.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/17	\$ 11,177,710	\$ 8,389,312	\$ 2,788,398
Changes for the year:			
Service cost	224,008	-	224,008
Interest	822,895	-	822,895
Changes in benefit terms	2,552,692	-	2,552,692
Differences between expected and actual experience	(325,344)	-	(325,344)
Change of assumptions	-	-	-
Contributions - employer	-	225,475	(225,475)
Contributions - employee	-	131,456	(131,456)
Net investment income	-	717,418	(717,418)
Benefit payments	(90,184)	(90,184)	-
Administrative expense	-	(2,878)	2,878
Net changes	<u>3,184,067</u>	<u>981,287</u>	<u>2,202,780</u>
Balances at 6/30/18	<u>\$ 14,361,777</u>	<u>\$ 9,370,599</u>	<u>\$ 4,991,178</u>

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/16	\$ 10,857,880	\$ 7,272,468	\$ 3,585,412
Changes for the year:			
Service cost	230,698	-	230,698
Interest	781,193	-	781,193
Differences between expected and actual experience	(335,078)	-	(335,078)
Change of assumptions	-	-	-
Contributions - employer	-	305,704	(305,704)
Contributions - employee	-	133,538	(133,538)
Net investment income	-	1,037,995	(1,037,995)
Benefit payments	(356,983)	(356,983)	-
Administrative expense	-	(3,410)	3,410
Net changes	319,830	1,116,844	(797,014)
Balances at 6/30/17	<u>\$ 11,177,710</u>	<u>\$ 8,389,312</u>	<u>\$ 2,788,398</u>

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

The following presents the net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	2018		
	Current		
	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	<u>\$ 7,126,342</u>	<u>\$ 4,991,178</u>	<u>\$ 3,211,599</u>
	2017		
Net pension liability	<u>\$ 4,391,492</u>	<u>\$ 2,788,398</u>	<u>\$ 1,435,544</u>

Net Pension Liability

The System's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the July 1, 2017 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age accrued liability, level percentage of pay
Amortization Method	Level dollar amortization, closed
Remaining Amortization period	27 years as of 7/1/17
Asset valuation method	Market value of plan assets adjusted to phase in gains and losses over a five-year period at a rate of 20% per year
Salary increases	4.00% per annum

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Investment rate of return	7.25% per annum
Retirement age assumption	100% at age 60
Mortality table:	
Pre-retirement mortality	2014 Small Plan Combined Static Mortality
Post-retirement mortality	TCRS Mortality Table
Disability mortality	TCRS Mortality Table

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of actuarial experience studies for the periods July 1, 2016 through June 30, 2017 and July 1, 2015 through June 30, 2016 respectively.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employees do not contribute to the plan and that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all future payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the measurement periods ended June 30, 2017 and 2016, the System recognized pension expense of \$406,376 and \$505,293. At June 30, 2017 and 2016, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 506,047	\$ 285,583
Change of assumptions	93,990	-
Net difference between projected and actual earnings on pension plan investments	-	65,238
Contributions subsequent to the measurement date of June 30, 2017	224,475	-
Total	<u>\$ 824,512</u>	<u>\$ 350,821</u>
Differences between expected and actual experience	\$ 622,710	\$ -
Change of assumptions	115,797	-
Net difference between projected and actual earnings on pension plan investments	408,395	-
Contributions subsequent to the measurement date of June 30, 2016	305,704	-
Total	<u>\$ 1,452,606</u>	<u>\$ -</u>

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

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Year ended June 30:

2018	\$	44,658
2019		170,617
2020		90,000
2021		(14,613)
2022		(3,385)
Thereafter		(38,061)

Electric System

The System began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The System matches their employee's contributions, which can be up to 6% of the employee's annual compensation. The employer's contributions are not vested until after five annual periods in the plan. If an employee leaves the System before the five year vesting period, the amount of unvested contributions reduce the System's cash outlay in the following period. The System's current year contributions to the plan were \$47,402. The Retirement Committee of the Lexington Electric System serves as administrator. John Hancock, in conjunction with Edward Jones, serves as the investment firm of the plan.

School Department

General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lexington City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed now to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

1. Teacher Legacy Pension Plan

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member

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who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2018 to the Teacher Legacy Pension Plan were \$297,598 which is 9.08 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liability (asset). At June 30, 2018, the Lexington City Schools reported an asset of (32,500) for its proportionate share of net pension liability (asset). The net pension asset was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Lexington City School's proportion of the net pension liability (asset) was based on Lexington City School's employer contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2017 Lexington City Schools' proportion was 0.099332 percent. The proportion measured as of June 30, 2016 was 0.104496 percent.

Pension expense (negative pension expense). For the year ended June 30, 2018, Lexington City Schools recognized a pension expense (negative pension expense) of (\$3,328).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Lexington City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,593	\$ 670,967
Changes in assumptions	275,254	-
Net difference between projected and actual earnings on pension plan investments	4,933	-
Changes in proportion of Net Pension Liability (Asset)	16,895	40,160
LEA's contribution subsequent to the measurement date of June 30, 2017	<u>316,301</u>	<u>n/a</u>
Total	<u>\$ 632,976</u>	<u>\$ 711,127</u>

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Lexington City Schools employer contribution of \$316,301 reported, as pension related deferred outflows or resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ (236,256)
2020	96,223
2021	(87,460)
2022	(166,960)
2023	-
Thereafter	-

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

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

Mortality rates are customized based on actual experience including an adjustment for anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Change in assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of

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return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed marked international equity	5.29%	14%
Emerging marked international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percent-point higher (8.25 percent) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 2,916,153	\$ (32,500)	\$ (2,469,756)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

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At June 30, 2018, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

2. Teacher Retirement Plan

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018 to the Teacher Retirement Plan were \$18,702, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets). At June 30, 2018, Lexington City Schools reported an liability (asset) of (\$20,024) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Lexington City Schools' proportion of the net pension asset was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017 Lexington City Schools' proportion was 0.075890 percent. The proportion measured at June 30, 2016 was 0.070969 percent.

Pension expense. For the year ended June 30, 2018, Lexington City Schools recognized a pension expense of \$9,100.

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Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Lexington City Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 702	\$ 1,506
Net difference between projected and actual earnings on pension plan investments	-	1,077
Changes in assumptions	1,759	-
Changes in proportion of Net Pension Liability (Asset)	770	545
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2017	<u>22,982</u>	<u>(not applicable)</u>
Total	<u>\$ 26,213</u>	<u>\$ 3,128</u>

Lexington City Schools; employer contributions of \$22,982 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2019	\$	(77)
2020		(77)
2021		(139)
2022		(416)
2023		92
Thereafter		719

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

Payable to the Pension Plan

At June 30, 2018, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

4.B. POST EMPLOYMENT HEALTHCARE PLAN

CITY GOVERNMENT FUNDS

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Plan Description – The City sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, as the rest of the operations of the City.

Plan Provisions

Plan Type: Fully Insured

Eligibility: Hired on or after March 1, 2012: Age 60 with 10 years of service
 Employees hired prior to March 1, 2012 are not eligible.

Benefit/Cost Sharing: The employer pays a percentage of the medical premium until age 65
 Based on total years of service in accordance with the following:

Years of Service at Retirement Date	Employer-Funded Portion of Individual Coverage for Post-Retirement Individual Coverage
20	100%
19	95%
18	90%
17	85%
16	80%
15	75%
14	70%
13	65%
12	60%
11	55%
10	50%

Spouse Benefit: No

Surviving Spouse Benefit: No

Annual Medical Premium: Effective July 1, 2017 through June 30, 2018: Individual \$7,586.88

Changes in Total OPEB Liability

	City	Water	Gas	Total
Balance at 6/30/17	\$ 185,934	\$ 50,729	\$ 54,549	\$ 291,212
Changes for the year:				
Service Cost	106,974	42,830	16,145	165,949
Interest	10,486	3,350	2,531	16,367
Differences in expected actual experience	(12,621)	(4,271)	(2,810)	(19,702)
Benefit payments	-	-	-	-
Net changes	104,839	41,909	15,866	162,614
Balance at 6/30/18	\$ 290,773	\$ 92,638	\$ 70,415	\$ 453,826

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Assumption changes – The discount rate was 3.58% as of June 30, 2017 and 3.87% as of June 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
\$ 525,185	\$ 453,826	\$ 391,771

1% Decrease (8% decreasing to 4%)	Healthcare Cost Trend Rates (9% decreasing to 5%)	1% Increase (10% decreasing to 6%)
\$ 327,205	\$ 453,826	\$ 531,703

Actuarial Methods and Assumptions – An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefit payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

In the July 1, 2017 actuarial valuation, the entry age actuarial cost method was used. Under this method, the Actuarial Present Value of Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The values in this valuation represent a closed group and do not reflect new entrants after the census collection date.

Discount Rate: A discount rate of 3.87% was used in estimating the GASB 75 financial information for fiscal year ending June 30, 2018.

Mortality: The sex distinct mortality rates are from the RP-2014 Combined Male and Female Fully Generational Morality Table with projection scale MP-2017

Retirement Rates: Employees were assumed to retire at age 60, or at first subsequent year in which they would be eligible

Disability Rates: None assumed

Termination Rates: Based on age and service:

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<u>Age</u>	<u>Trend Rates</u>
25	4.50%
30	3.75%
35	3.00%
40	2.25%
45	1.50%
50	0.75%
55+	0.00%

Health Care Trend Rates: It was assumed that health care costs would increase in accordance with the trend rates in the following table

<u>Year</u>	<u>Trend Rates</u>
2017	9.0%
2018	8.5%
2019	8.0%
2020	7.5%
2021	7.0%
2022	6.5%
2023	6.0%
2024	5.5%
2025+	5.0%

Participation Rates: It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical medical plan upon retirement.

Actuarial Value of Assets: N/A

Per Capita Claim Costs: Per Capita Claim Costs were developed by applying morbidity aging factors to the average factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are the annual per capita claim costs used:

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	\$ 9,208	\$ 10,622
55	11,181	11,601
60	13,484	12,926
65	7,677	7,187
70	8,477	7,942
75	9,360	8,770
80	9,839	9,211
85	10,343	9,684
90	10,867	10,177
95	11,422	10,701
100	12,005	11,246

Administrative expenses: Included in premiums used.

Participant Salary Increase: 3.50% annually

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Payroll Growth Rate: 2.50% annually

High Cost Plan Excise Tax: Effective in 2020. The law applies a 40% tax to the cost of plan benefits in excess of statutory thresholds, which are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees, and \$11,850 for single coverage and \$30,950 for family coverage for retirees who are between ages 55 and 65. We assume the thresholds will start to increase in 2018 at the rate of 2.76%. The plan costs for pre-65 and post-65 benefits are based on the plans' premium costs adjusted for aging and trended at the health care trend rates shown above.

ELECTRIC SYSTEM

Plan Description – Lexington Electric System sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, the directors of the System, as the rest of the operations of the System.

Annual OPEB Cost and Net OPEB Obligation – Changes in the System's net OPEB liability measured at June 30, 2018 and 2017 are detailed in the following table. The table below shows the net OPEB liability as of June 30, 2018, which is what is reported in the financial statements in accordance with GASB Statement No. 75.

Changes in Total OPEB Liability

Total OPEB liability, June 30, 2017	\$ 3,333,873
Service cost	160,992
Interest	108,224
Benefit payments	<u>(75,047)</u>
Net changes	194,169
Net OPEB (asset) obligation (EOY)	<u><u>\$ 3,528,042</u></u>

Actuarial Methods and Assumptions

The valuation was based on information provided by Lexington Electric System as of July 1, 2017 and only those not frozen in the defined benefit plan.

Plan Membership

Number of participants	
Active	53
Inactives not receiving benefits	-
Inactives receiving benefits	<u>5</u>
Total participants	<u>58</u>

Benefits Provided

Eligibility is attained at age 60. The System pays 100% of the employee premium until Medicare eligible. The Utility also provides a life insurance benefit of \$10,000 to eligible employees.

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Actuarial Assumptions

The Total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.13% based on S & P Municipal Bond 20 Year High Grade Index
Health trend rate	9.0% starting in 2017 reduced each year by 1% until 5% is reached
Mortality	The sex distinct mortality rates are from the RP-2000 Combined Male and Female Fully Generational Mortality Table
Coverage assumptions	It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period ending July 1, 2017. The salary increases are assumed to be 3.5% annually with an annual payroll growth rate of 2.5%.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the assumed trend rate:

1% Decrease (8% decreasing to 4%)	Healthcare Cost Trend Rates (9% decreasing to 5%)	1% Increase (10% decreasing to 6%)
\$ 3,184,679	\$ 3,528,042	\$ 3,927,630

Sensitivity of Net OPEB Liability to Changes in Discount Rate

The following represents the Net OPEB Liability calculated using the stated discount rate, as well as what the Net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the assumed trend rate:

1% Decrease 2.13%	Current 3.13%	1% Increase 4.13%
\$ 3,815,237	\$ 3,528,042	\$ 3,262,631

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to discount, trend rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2018 no benefits were payable and not paid. Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2018 administrative expenses paid were \$0.

SCHOOL SYSTEM

1. Closed Teacher Group OPEB Plan

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided – The System offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for health benefits. Retired plan members, of the TGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The System does not subsidize for pre-65 retiree insurance coverage. The State, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retiree premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollee of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by the benefit terms – At July 1, 2017, the following employees of the System were covered by the benefit terms of the TGOP:

Inactive employees receiving benefit payments	6
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>124</u>
	<u>130</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the System paid \$28,309 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

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Actuarial assumptions – The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.71% for 2050 and later years
Retiree's share of benefit-order related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-year Municipal GO AA index.

Changes in Collective Total OPEB Liability

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TGOP - (expressed in thousands)	Total OPEB Liability (a)
Balance at June 30, 2016	\$ 896
Changes for the year:	
Service costs	72
Interest	28
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(48)
Benefit payments	(41)
Net changes	10
Balance at June 30, 2017	\$ 906

Nonemployer contributing entities proportionate share
of the collective total OPEB liability

Employer's proportionate share of the collective total OPEB liability

Employer's proportion of the collective total OPEB liability

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The proportion changed 0% from the prior measurement date. The System recognized \$33,466 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGOP for the System retirees.

Changes in assumptions – The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.56%) or 1-percentage point higher (4.56%) than the current discount rate. (expressed in thousands)

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of collective total OPEB liability	\$ 636	\$ 587	\$ 540

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate – The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it

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were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate. (expressed in thousands).

	<u>1% Decrease (6.50% decreasing to 2.71%)</u>	<u>Healthcare Cost Trend Rates (7.50% decreasing to 3.71%)</u>	<u>1% Increase (8.50% decreasing to 4.71%)</u>
Proportionate share of collective total OPEB liability	\$ 507	\$ 587	\$ 684

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the fiscal year ended June 30, 2018, the System recognized OPEB expense of \$95,010.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2018, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

TGOP - (expressed in thousands)	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	28
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	-	-
Employer payments subsequent to the measurement date	28	-
	<u>\$ 28</u>	<u>\$ 28</u>

The amounts shown above for “Employer payments subsequent to the measurement date” will be included as a reduction to total OPEB liability in the following measurement period.

Amounts referred to as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

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TGOP - (expressed in thousands)

For the year ended June 30:

2019	\$	(3)
2020		(3)
2021		(3)
2022		(3)
2023		(3)
Thereafter		(13)

The table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

2. Closed Tennessee Plan

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the State, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided – The State offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN Plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the State, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the TCRS may participate in this plan. All plan members receive the same benefits at the same benefit rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The System does not subsidize for post-65 retiree insurance. The State, as a governmental non-employer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 or more years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by the benefit terms – At July 1, 2017, the following employees of the System were covered by the benefit terms of the TNP:

Inactive employees receiving benefit payments	27
Inactive employees entitled to but not yet receiving benefit payments	7
Active employees	<u>74</u>
	<u>108</u>

In accordance with TCA 8-27-209, the State insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and

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employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the System did not make any payments to the TNP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-year Municipal GO AA index.

Changes in Collective Total OPEB Liability

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TNP - (expressed in thousands)	Total OPEB Liability (a)
Balance at June 30, 2016	\$ 359
Changes for the year:	
Service costs	6
Interest	10
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(28)
Benefit payments	(15)
Net changes	(26)
Balance at June 30, 2017	\$ 333
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 333
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The System's proportion of 0% did not change from the prior measurement date. The System recognized \$13,520 in revenue for support provided by non-employer contributing entities for benefits paid by the TNP for the System's retired employees.

Changes in assumptions – The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the fiscal year ended June 30, 2018, the System recognized OPEB expense of \$13,520.

4.C. RISK MANAGEMENT

Beginning April 2015, medical insurance for employees is provided by self-funding claims as they arise. Under this arrangement, the System provides coverage for the deductible up to a maximum of \$5,000 per year for each employee's medical claims. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability for all employees are as follows:

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Balance at 7/1/2017	Incurred Claims	Claims Payments	Balance at 6/30/2018
\$ 29,413	\$ 236,458	\$ 228,644	\$ 37,227

4.D. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors and omissions, automobile liability and physical damage, workers' compensation, and employees' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years. The Tennessee Municipal League Risk Management Pool has been self-sustaining through member premiums. Members consist of local jurisdiction municipalities and utility districts in the state. Members are responsible for a pro-rata portion of claims which exceed the Pool's reserves. No additional assessments have ever been made by the Pool to its members as a result of losses experienced.

School System

The System participates in the Tennessee Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee Boards Association, an association of member school districts. The System pays an annual premium to the TSB-RMT for its general liability, property, casualty and worker's compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years.

Electric System

The System 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. During the year ended June 30, 2018 the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

4.E. LANDFILL POSTCLOSURE COSTS

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$212,494 as a long-term liability in the statement of net position. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

4.F. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits brought against it. The City cannot predict the outcome of these cases and it is possible losses could be incurred. The amount of such possible losses cannot be determined.

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Electric System

The electric system has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all its electric power from TVA and is subject to certain restrictions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging or otherwise diverting system funds, revenues or property to other operations of the county and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

4.G. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for financial statements for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The City has requested an actuary to value their OPEB for the fiscal year ended June 30, 2018, which is when this Statement would be effective for them.

4.H. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Lexington Gas System

The system has an ongoing project for the construction of a new operations facility. As of June 30, 2018, the System has incurred costs of \$3,218,960 for the project. This project has expected remaining costs of \$209,400 and an estimated completion date of October 2018.

The System has a bypass project with estimated costs of \$134,903. As of June 30, 2017, there is approximately \$86,146 remaining to complete this project. The System has \$535 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

Lexington Water System

The System has several construction projects in process at June 30, 2018. Commitments for these projects are described below.

The System has incurred \$13,741 in engineering costs for a filter plant project that involves numerous upgrades of the plant. This project is expected to be bid in October 2018 with an anticipated cost of \$625,000. There is approximately \$625,000 remaining from a previous bond issue to complete the project. Major projects have been planned for the Wastewater Treatment Plant consisting of mechanical equipment and a new lab facility. The system has incurred \$5,990 in project design and planning costs. The mechanical equipment is comprised of two new aeration blowers and a new stair screen. The mechanical portion of the project is expected to be bid in October 2018 with an estimated cost of \$245,000. The lab facility is projected

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

to be bid in January 2019 with an anticipated cost of \$200,000. As of June 30, 2018, there is approximately \$445,000 remaining from a previous bond issue to complete the projects.

As of June 30, 2018, the System incurred \$27,258 in project design and planning for a waste water main line extension at Parkers Crossroads for the Parkers Crossroads RV Park and Campground. The system anticipates additional costs of \$41,500. The City of Parkers Crossroads has agreed to reimburse the System for \$31,125 which represents 75% of the estimated material costs of the project.

The System has incurred \$4,790 in project design costs to upgrade the Piney Water Booster Pump Station. The project is expected to be bid sometime in 2019 with a project estimate of \$80,000. There is approximately \$80,000 remaining from a previous bond issue to complete the project.

The System is working with the Tennessee Department of Economic and Community Development on an existing industry expansion project. The System is expanding a water main on Seahorse Drive to accommodate the needs of the industry. A total of \$5,870 was incurred during the year for project design. The majority of the project will be completed in-house and is expected to cost \$240,890. The system anticipates reimbursement for 100% of the project costs from the Tennessee Department of Economic and Community Development.

As of June 30, 2018, the System had incurred \$318,896 for waste water pumping station rehabilitation project. As of June 30, 2018, there is approximately \$33,780 remaining from a previous note issue to complete this project. This project commenced on November 2017 with an initial contract sum of \$349,567 and is expected to be completed by August 2018. When completed, the lift station will complete a five year extensive overhaul of the waste water system's main trunk line and major lift stations.

The utility relocation projects involving the Bypass Highway are all on hold by the Tennessee Department of Transportation (TDoT). The sewer bypass project has estimated costs of \$157,205 with an estimated \$136,450 remaining to complete this project. The System has \$39,338 that is to be reimbursed by TDoT to help with these remaining costs. The water bypass project has estimated costs of \$165,550 with and estimated \$108,577 remaining to complete this project. The System has \$40,468 that is to be reimbursed by TDoT to help with these remaining costs.

City of Lexington

The City has received a grant in the amount of \$897,750 for Phase II of the sidewalk/multimodal project which has a projected cost of \$945,000. As of June 30, 2018, the City had recognized \$59,172 in construction in process on this project.

4.I. PRIOR PERIOD ADJUSTMENTS

Due to the implementation of GASB Statement No. 75, a prior period adjustment of was made to record the OPEB obligation related to the posts employment healthcare plan at June 30, 2017 as follows: Government-wide Governmental Activities - \$188,213; Water Systems - \$50,713; and Gas System \$49,743.

4.J. RESTATEMENTS – ELECTRIC SYSTEM

As of July 1, 2016 a restatement of beginning net position was made for net OPEB liability due to the System implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – an amendment of GASB Statement No. 45. The implementation of GASB Statement No. 75 resulted in the System restating net position by (\$2,007,425).

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2018

General Government/Water System/Gas System

Total OPEB liability	<u>2018</u>
Service cost	\$ 165,949
Interest	16,367
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(19,702)
Benefit payments and refunds	-
Net change in total OPEB liability	<u>162,614</u>
Total OPEB liability - beginning of year	<u>291,212</u>
Total OPEB liability - end of year	<u><u>\$ 453,826</u></u>

Covered-employee payroll \$ 537,813

Net OPEB liability as a percentage of covered-employee payroll 84.38%

Notes:

Assumption changes:
Discount rate: 3.87%
Plan changes: NONE

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS -
LEXINGTON ELECTRIC SYSTEM
JUNE 30, 2018

Total OPEB liability	2018
Service cost	\$ 160,992
Interest	108,224
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments and refunds	(75,047)
Net change in total OPEB liability	<u>194,169</u>
Total OPEB liability - beginning of year	<u>3,333,873</u>
Total OPEB liability - end of year	<u><u>\$ 3,528,042</u></u>
Covered-employee payroll	\$ 4,383,321
Net OPEB liability as a percentage of covered-employee payroll	80.49%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2018

	City 2014	City 2015	City 2016	City 2017	LES 2014	LES 2015	LES 2016	LES 2017
Total pension liability								
Service Cost	\$ 406,855	\$ 423,129	\$ 434,972	\$ 390,808	\$ 207,035	\$ 215,136	\$ 212,645	\$ 230,698
Interest	793,037	872,786	971,567	923,073	700,229	706,762	771,286	781,193
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between actual and expected experience	-	237,578	(98,825)	(368,339)	-	819,077	32,345	(335,078)
Change of assumptions	-	-	(503,521)	-	-	159,411	-	-
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(1,402,188)	(233,539)	(1,148,256)	(356,983)
Net change in total pension liability	1,003,053	1,426,250	450,478	(456,890)	(494,924)	1,666,847	(131,980)	319,830
Total pension liability - beginning	10,263,610	11,266,663	12,692,913	13,143,391	9,817,757	9,322,833	10,989,680	10,857,700
Total pension liability - ending (a)	\$ 11,266,663	\$ 12,692,913	\$ 13,143,391	\$ 12,686,501	\$ 9,322,833	\$ 10,989,680	\$ 10,857,700	\$ 11,177,530
Plan fiduciary net position								
Contributions - employer	\$ 509,921	\$ 510,282	\$ 501,481	\$ 380,037	\$ 663,487	\$ 663,487	\$ 663,487	\$ 305,704
Contributions - employee	268,022	263,830	252,445	229,686	148,508	138,780	137,893	133,538
Net investment income	1,272,111	193,153	(555)	1,454,142	1,088,227	135,350	15,848	1,037,995
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(1,402,188)	(233,539)	(1,148,256)	(356,983)
Administrative expense	(1,250)	(33,279)	(86,278)	(67,140)	(505)	(295)	(425)	(3,410)
Net change in plan fiduciary net position	1,851,965	826,743	313,378	594,293	497,529	703,783	(331,453)	1,116,844
Plan fiduciary net position - beginning	7,506,819	9,358,784	10,185,527	10,498,905	6,402,609	6,900,138	7,603,921	7,272,468
Plan fiduciary net position - ending (b)	\$ 9,358,784	\$ 10,185,527	\$ 10,498,905	\$ 11,093,198	\$ 6,900,138	\$ 7,603,921	\$ 7,272,468	\$ 8,389,312
Net pension liability (asset) - ending (a) - (b)	\$ 1,907,879	\$ 2,507,386	\$ 2,644,486	\$ 1,593,303	\$ 2,422,695	\$ 3,385,759	\$ 3,585,232	\$ 2,788,218
Plan fiduciary net position as a percentage of total pension liability	83.07%	80.25%	79.88%	87.44%	74.01%	69.19%	66.98%	75.05%
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 2,412,526	\$ 2,341,064	\$ 2,378,246	\$ 2,310,481
Net pension liability (asset) as a percentage of covered-employee payroll	46.81%	58.97%	67.08%	44.49%	100.42%	144.63%	150.76%	120.68%

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.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF PLAN CONTRIBUTIONS
JUNE 30, 2018

	<u>City 2014</u>	<u>City 2015</u>	<u>City 2016</u>	<u>City 2017</u>	<u>LES 2014</u>	<u>LES 2015</u>	<u>LES 2016</u>	<u>LES 2017</u>
Actuarially determined contribution	\$ 428,197	\$ 486,860	\$ 401,377	\$ 292,712	\$ 625,883	\$ 366,403	\$ 305,704	\$ 241,669
Contributions in relation to the actuarially determined contribution	<u>509,921</u>	<u>510,282</u>	<u>501,481</u>	<u>380,037</u>	<u>663,487</u>	<u>663,487</u>	<u>663,487</u>	<u>305,704</u>
Contribution deficiency (excess)	<u>\$ (81,724)</u>	<u>\$ (23,422)</u>	<u>\$ (100,104)</u>	<u>\$ (87,325)</u>	<u>\$ (37,604)</u>	<u>\$ (297,084)</u>	<u>\$ (357,783)</u>	<u>\$ (64,035)</u>
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 2,412,526	\$ 2,341,064	\$ 2,341,064	\$ 2,310,481
Contributions as a percentage to covered payroll	12.51%	12.00%	12.72%	10.61%	27.50%	28.34%	27.90%	13.23%

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.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF PENSION PLAN INVESTMENT RETURNS
 FISCAL YEARS ENDING JUNE 30,

	City 2014	City 2015	City 2016	City 2017	LES 2014	LES 2015	LES 2016	LES 2017
Annual money-weighted rate of return, net of investment expense	16.32%	2.02%	-0.01%	14.61%	17.24%	1.91%	0.23%	14.48%

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.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2018

Notes to Schedule

Valuation date: January 1. Since the plan year is equal to a calendar year, contributions are determined on a calendar year basis. The amount displayed represents the contribution for the plan year beginning within the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal, level dollar
Amortization method	Level dollar, closed
Remaining amortization period	30 as of 1/1/2015
Asset valuation	Market value of plan assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value
Salary increases	3.50%
Investment Rate of Return	7.25%
Retirement age	Age 62 or current age if later
Mortality	2014 IRS Combined Static Mortality Table

*This is a summary of the methods and assumptions for the 1/1/17 Actuarial Valuation

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSETS
TEACHER LEGACY PENSION PLAN of TCRS
JUNE 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Lexington City School's proportion of the net pension asset	0.104835%	0.102809%	0.104496%	0.09933200%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (17,035)	\$ 42,114	\$ 653,043	\$ (32,500)
Lexington City School's covered payroll	\$ 4,114,750	\$ 3,848,655	\$ 3,772,098	\$ 3,511,338
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-0.414002%	1.094254%	17.310000%	-0.93%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	94.14%	100.14%

Note 1. The amounts presented were determined as of June 30 of the prior fiscal year.

Note 2. 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 years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF CONTRIBUTIONS
 TEACHER LEGACY PENSION PLAN of TCRS
 JUNE 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 365,390	\$ 347,918	\$ 340,998	\$ 317,564	\$ 297,598
Contribution in relation to the actuarially determined contributor	<u>365,390</u>	<u>347,918</u>	<u>340,998</u>	<u>317,564</u>	<u>297,598</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lexington City School's covered payroll	\$ 4,114,749	\$ 3,848,655	\$ 3,772,098	\$ 3,512,880	\$ 3,277,515
Contributions as a percentage of Lexington City School's covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%

Note 1. This is a 10 year schedule. However, the information in this schedule is no required to be presented retroactively. Years will be added to this schedul in future years until 10 years of information is available

The accompanying notes are an Integral part of these financial statements

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN of TCRS
JUNE 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Lexington City School's proportion of the net pension asset	0.103052%	0.070969%	0.007589%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (4,146)	\$ (7,388)	\$ (20,024)
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%	-2.37%	-4.02%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%

Note 1. The amounts presented were determined as of June 30 of the prior fiscal year.

Note 2. 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 years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN of TCRS
JUNE 30, 2018**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 5,353	\$ 7,817	\$ 10,202	\$ 18,702
Contribution in relation to the actuarially determined contribution	<u>8,565</u>	<u>12,491</u>	<u>19,924</u>	<u>18,702</u>
Contribution deficiency (excess)	<u>\$ (3,212)</u>	<u>\$ (4,674)</u>	<u>\$ (9,722)</u>	<u>\$ -</u>
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 407,545	\$ 467,556
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%	5.00%	4.00%

Note 1. 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 years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - SCHOOL SYSTEM
(dollar amounts in thousands)
JUNE 30, 2018

	<u>TGOP 2018</u>	<u>TNP 2018</u>
Total OPEB Liability		
Service cost	\$ 72	\$ 6
Interest	28	10
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(48)	(28)
Benefit payments	<u>(41)</u>	<u>(15)</u>
Net change in total OPEB liability	10	(26)
Total OPEB Liability - beginning	<u>896</u>	<u>359</u>
Total OPEB Liability - ending	<u>\$ 906</u>	<u>\$ 333</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 319	\$ 333
Employer's proportionate share of the collective total OPEB liability	\$ 587	\$ -
Covered-employee payroll	\$ 2,976	\$ -
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	20%	n/a

Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue							Debt Service		Capital Projects	Total	
	State Street Aid	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Lexington-Henderson Alliance	General Sinking Fund	School Debt Fund	Post Office Fund	Other Governmental Funds
ASSETS												
Cash and cash equivalents	\$ 64,076	\$ 218,554	\$ 180,742	\$ 58,321	\$ 1,977	\$ 19,947	\$ 144,489	\$ 84,806	\$ 1,960	\$ -	\$ 1,135,053	\$ 1,909,925
Escrow with State	-	-	-	-	-	-	-	-	-	-	33,500	33,500
Other receivables	-	3,157	-	1,662	-	-	-	-	-	-	13,451	18,270
Due from other funds	-	-	-	56,712	-	-	1,650	-	-	-	-	58,362
Grants receivable	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	17,735	-	-	-	124	-	-	-	17,859
Inventory	-	-	38,236	-	-	-	-	-	-	-	-	38,236
Due from other governments	45,070	248,223	63	-	-	-	-	-	-	-	-	293,356
TOTAL ASSETS	\$ 109,146	\$ 469,934	\$ 219,041	\$ 134,430	\$ 1,977	\$ 19,947	\$ 146,139	\$ 84,930	\$ 1,960	\$ -	\$ 1,182,004	\$ 2,369,508
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175	\$ -	\$ -	\$ -	\$ -	\$ 175
Accrued liabilities	-	-	-	5,355	-	-	-	-	-	-	-	5,355
Unearned revenues	-	-	5,074	-	-	-	7,203	-	-	-	-	12,277
Due to other funds	-	-	-	783	-	-	-	-	-	-	-	783
TOTAL LIABILITIES	-	-	5,074	6,138	-	-	7,378	-	-	-	-	18,590
FUND BALANCES												
Nonspendable												
Inventory	-	-	38,236	-	-	-	-	-	-	-	-	38,236
Prepaid expenses	-	-	-	17,735	-	-	-	-	-	-	-	17,735
Restricted												
State street aid	109,146	-	-	-	-	-	-	-	-	-	-	109,146
School food authority	-	-	175,731	-	-	-	-	-	-	-	-	175,731
E-citation fund	-	-	-	-	-	19,947	-	-	-	-	-	19,947
Drug fund	-	-	-	-	-	-	138,761	-	-	-	-	138,761
Lexington-Henderson Co Alliance	-	-	-	-	-	-	-	84,930	-	-	-	84,930
Solid waste	-	-	-	110,557	-	-	-	-	-	-	-	110,557
Assigned												
DARE fund	-	-	-	-	1,977	-	-	-	-	-	-	1,977
Debt service	-	469,934	-	-	-	-	-	-	1,960	-	-	471,894
Capital projects	-	-	-	-	-	-	-	-	-	-	1,182,004	1,182,004
TOTAL FUND BALANCES	109,146	469,934	213,967	128,292	1,977	19,947	138,761	84,930	1,960	-	1,182,004	2,350,918
TOTAL LIABILITIES AND FUND BALANCES	\$ 109,146	\$ 469,934	\$ 219,041	\$ 134,430	\$ 1,977	\$ 19,947	\$ 146,139	\$ 84,930	\$ 1,960	\$ -	\$ 1,182,004	\$ 2,369,508

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Lexington- Henderson Alliance	Debt Service		Capital Projects Post Office Fund	Total Other Governmental Funds
									General City Sinking Fund	School Debt Fund		
Revenues:												
Taxes	\$ -	\$ 1,427,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,725	\$ 1,576,137
Intergovernmental	256,603	-	414,584	-	-	-	-	8,445	-	-	73,538	753,170
Charges for services	-	-	135,255	797,601	-	-	-	-	-	-	-	932,856
Fines, forfeitures, and penalties	-	-	-	-	-	4,430	27,868	-	-	-	-	32,298
Other revenue	611	24,673	5,804	27,084	-	222	837	78,127	24	-	22,812	160,194
Total Revenues	<u>257,214</u>	<u>1,452,085</u>	<u>555,643</u>	<u>824,685</u>	<u>-</u>	<u>4,652</u>	<u>28,705</u>	<u>86,572</u>	<u>24</u>	<u>-</u>	<u>245,075</u>	<u>3,454,655</u>
Expenditures:												
Current:												
Public works	210,362	-	-	687,261	-	-	-	-	-	-	-	897,623
Public safety	-	-	-	-	2,256	-	27,527	-	-	-	-	29,783
Health, welfare and recreation	-	6,889	536,067	-	-	-	-	-	-	-	6,200	549,156
Economic and community development	-	-	-	-	-	-	-	94,860	-	-	36,367	131,227
Capital outlay	-	18,009	-	432,925	-	-	4,871	-	-	-	71,509	527,314
Debt Service	-	-	-	-	-	-	-	-	-	969,140	-	969,140
Total Expenditures	<u>210,362</u>	<u>24,898</u>	<u>536,067</u>	<u>1,120,186</u>	<u>2,256</u>	<u>-</u>	<u>32,398</u>	<u>94,860</u>	<u>-</u>	<u>969,140</u>	<u>114,076</u>	<u>3,104,243</u>
Revenues over Expenditures	<u>46,852</u>	<u>1,427,187</u>	<u>19,576</u>	<u>(295,501)</u>	<u>(2,256)</u>	<u>4,652</u>	<u>(3,693)</u>	<u>(8,288)</u>	<u>24</u>	<u>(969,140)</u>	<u>130,999</u>	<u>350,412</u>
Other Financing Sources (Uses)												
Insurance recoveries	-	-	-	282,588	-	-	-	-	-	-	-	282,588
Operating transfer in	-	-	-	135,322	3,500	-	-	27,009	-	969,140	129,000	1,263,971
Operating transfer (out)	-	(1,412,140)	-	-	-	-	(3,500)	-	-	-	-	(1,415,640)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(1,412,140)</u>	<u>-</u>	<u>417,910</u>	<u>3,500</u>	<u>-</u>	<u>(3,500)</u>	<u>27,009</u>	<u>-</u>	<u>969,140</u>	<u>129,000</u>	<u>130,919</u>
Net Change in Fund Balances	<u>46,852</u>	<u>15,047</u>	<u>19,576</u>	<u>122,409</u>	<u>1,244</u>	<u>4,652</u>	<u>(7,193)</u>	<u>18,721</u>	<u>24</u>	<u>-</u>	<u>259,999</u>	<u>481,331</u>
Fund Balance at Beginning of Year, as originally stated	62,294	454,887	190,718	5,883	733	15,295	145,954	66,209	1,936	-	922,005	1,865,914
Change in reserve for inventory	-	-	3,673	-	-	-	-	-	-	-	-	3,673
Fund Balance at Beginning of Year, as restated	<u>62,294</u>	<u>454,887</u>	<u>194,391</u>	<u>5,883</u>	<u>733</u>	<u>15,295</u>	<u>145,954</u>	<u>66,209</u>	<u>1,936</u>	<u>-</u>	<u>922,005</u>	<u>1,869,587</u>
Fund Balance at End of Year	<u>\$ 109,146</u>	<u>\$ 469,934</u>	<u>\$ 213,967</u>	<u>\$ 128,292</u>	<u>\$ 1,977</u>	<u>\$ 19,947</u>	<u>\$ 138,761</u>	<u>\$ 84,930</u>	<u>\$ 1,960</u>	<u>\$ -</u>	<u>\$1,182,004</u>	<u>\$ 2,350,918</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

STUDENT ACTIVITY FUND	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2018</u>
ASSETS				
Cash	\$ 104,625	\$ 224,530	\$ 210,115	\$ 119,040
Accounts receivable	13	-	13	-
	<u>\$ 104,638</u>	<u>\$ 224,530</u>	<u>\$ 210,128</u>	<u>\$ 119,040</u>
Liabilities				
Due to student groups	\$ 103,489	\$ 224,530	\$ 210,892	\$ 117,127
Accounts Payable	1,149	1,913	1,149	1,913
	<u>\$ 104,638</u>	<u>\$ 226,443</u>	<u>\$ 212,041</u>	<u>\$ 119,040</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State gas and motor fuel tax	\$ 254,000	\$ 248,000	\$ 154,480	\$ (93,520)
State gas 1989 tax	-	-	23,374	23,374
State 2017 gas tax	-	-	35,427	35,427
State gas three cent tax	-	-	43,322	43,322
Other revenues				
Interest income	-	500	611	111
Total revenues	<u>254,000</u>	<u>248,500</u>	<u>257,214</u>	<u>8,714</u>
Expenditures:				
Public Works:				
Street lighting	220,500	212,000	210,362	1,638
Repairs and maintenance	-	25,000	-	25,000
Total expenditures	<u>220,500</u>	<u>237,000</u>	<u>210,362</u>	<u>26,638</u>
Revenues over (under) Expenditures	<u>33,500</u>	<u>11,500</u>	<u>46,852</u>	<u>35,352</u>
Other financing sources and uses:				
Transfers out	-	-	-	-
Total Other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	33,500	11,500	46,852	35,352
Fund Balance at Beginning of Year	<u>62,294</u>	<u>62,294</u>	<u>62,294</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 95,794</u>	<u>\$ 73,794</u>	<u>\$ 109,146</u>	<u>\$ 35,352</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHOOL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,412,700	\$ 1,434,000	\$ 1,427,412	\$ (6,588)
Other revenues:				
Contributions	-	9,000	9,004	4
Interest income	16,100	16,850	15,669	(1,181)
Total Revenues	<u>1,428,800</u>	<u>1,459,850</u>	<u>1,452,085</u>	<u>(7,765)</u>
Expenditures:				
Health, Welfare and Recreation:				
Operating costs	13,500	4,000	4,425	(425)
Paying agent fees	2,000	2,500	2,464	36
Bond issue costs	-	2,000	-	2,000
Capital outlay	-	18,010	18,009	1
Total Expenditures	<u>15,500</u>	<u>26,510</u>	<u>24,898</u>	<u>1,612</u>
Revenues over (under) Expenditures	<u>1,413,300</u>	<u>1,433,340</u>	<u>1,427,187</u>	<u>(6,153)</u>
Other financing sources and uses:				
Transfers out	(1,412,142)	(1,412,142)	(1,412,140)	2
Total Other financing sources and uses	<u>(1,412,142)</u>	<u>(1,412,142)</u>	<u>(1,412,140)</u>	<u>2</u>
Net Change in Fund Balances	1,158	21,198	15,047	(6,151)
Fund Balance at Beginning of Year	<u>454,887</u>	<u>454,887</u>	<u>454,887</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 456,045</u>	<u>\$ 476,085</u>	<u>\$ 469,934</u>	<u>\$ (6,151)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHOOL FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Payment for lunches							
Student	\$ 61,000	\$ 61,000	\$ 60,480	\$ -	\$ -	\$ 60,480	\$ (520)
Adult	13,000	13,000	10,498	-	-	10,498	(2,502)
Payment for breakfast							
Student	27,000	27,000	27,185	-	-	27,185	185
USDA - lunch programs	241,000	241,000	230,940	-	-	230,940	(10,060)
USDA - breakfast programs	125,000	125,000	120,691	-	-	120,691	(4,309)
USDA - commodities	47,462	47,462	42,949	-	-	42,949	(4,513)
USDA - other	12,000	12,000	14,084	-	-	14,084	2,084
Rebate	-	-	1,419	-	-	1,419	1,419
State matching funds	4,929	4,929	4,501	-	-	4,501	(428)
A La Carte sales	43,000	43,000	37,092	-	-	37,092	(5,908)
Revenues from individual schools	2,000	2,000	2,913	-	-	2,913	913
Interest income	500	500	689	-	-	689	169
Other revenues	-	-	2,222	-	-	2,222	2,222
Total Revenues	576,891	576,891	555,643	-	-	555,643	(21,248)
Expenditures							
Food supplies	227,462	228,212	224,515	-	-	224,515	3,697
Personnel expenditures							
Supervisor/director	30,622	30,622	30,615	-	-	30,615	7
Accountants and bookkeepers	21,677	21,677	21,677	-	-	21,677	-
Cafeteria personnel	155,580	136,033	129,872	-	-	129,872	6,161
Other salaries and wages	4,000	4,000	3,000	-	-	3,000	1,000
Inservice training	1,650	324	-	-	-	-	324
Social security	13,239	13,239	9,641	-	-	9,641	3,598
Medical insurance	58,619	58,619	56,417	-	-	56,417	2,202
Dental insurance	828	828	677	-	-	677	151
Unemployment compensation	650	661	577	-	-	577	84
Retirement	10,571	10,571	8,650	-	-	8,650	1,921
Employer medicare	3,096	3,096	2,255	-	-	2,255	841
Dues and memberships	250	250	-	-	-	-	250
Operations and maintenance							
Maintenance and repair	5,000	5,689	6,415	-	-	6,415	274
Nonfood supplies							
Food preparation supplies	13,962	14,173	12,463	-	-	12,463	1,710
Office supplies	1,000	1,000	764	-	-	764	236
Printing, stationery and forms	400	420	395	-	-	395	25
Uniforms	800	889	709	-	-	709	180
Other supplies and materials	6,000	5,011	4,797	-	-	4,797	1,214
Other							
Travel	100	100	-	-	-	-	100
Postal charges	135	135	49	-	-	49	86
Other contracted services	10,000	10,270	13,164	-	-	13,164	(2,894)
Other transportation	3,000	3,293	3,245	-	-	3,245	48
Inservice/staff development	5,000	5,000	5,997	-	-	5,997	3
Other charges	750	750	173	-	-	173	577
Food service equipment	2,500	26,236	-	-	25,486	25,486	750
Total Expenditures	576,891	584,098	536,067	-	25,486	561,553	22,545
Excess (deficiency) of revenues over (under) expenditures	-	(7,207)	19,576	-	(25,486)	(5,910)	1,297
Fund balance - beginning of year, as previously reported	190,718	190,718	190,718	-	-	190,718	-
Change in reserve for inventory	-	-	3,673	-	-	3,673	3,673
Fund balance - beginning of year, as restated	190,718	190,718	194,391	-	-	194,391	3,673
Fund balance - end of year	\$ 190,718	\$ 183,511	\$ 213,967	\$ -	\$ (25,486)	\$ 188,481	\$ 4,970

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SOLID WASTE COLLECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services:				
Collection charges	\$ 670,000	\$ 675,300	\$ 675,339	\$ 39
Landfill use fees	52,500	120,000	118,714	(1,286)
Recovery of bad debts	-	3,125	3,548	423
Other revenues:				
Interest revenue	-	450	540	90
Miscellaneous income	10,000	25,840	26,544	704
Total revenues	732,500	824,715	824,685	(30)
Expenditures				
Public Works:				
Salaries	254,325	254,800	250,401	4,399
Payroll taxes	19,456	19,492	19,152	340
Hospital and health insurance	63,287	60,000	57,402	2,598
Retirement	19,110	18,400	18,240	160
Other benefits	4,400	3,900	3,843	57
Workers compensation insurance	17,000	15,000	14,569	431
Unemployment insurance	400	400	217	183
Employee education and benefits	300	300	736	(436)
Utilities	2,625	2,500	2,431	69
Telephone	525	495	495	-
Legal expense	-	2,000	1,800	200
Consultant's services	3,000	12,000	10,720	1,280
Tires, flats, etc.	4,000	4,000	2,721	1,279
R&M vehicles	10,000	10,000	6,726	3,274
R&M machinery and equipment	12,000	12,000	6,735	5,265
R&M grounds	500	1,000	882	118
R&M buildings	1,000	1,000	449	551
R&M other	3,200	3,200	2,602	598
Office supplies	650	900	796	104
Operating supplies	1,500	1,500	277	1,223
Other operating	48,400	40,000	32,170	7,830
Janitorial supplies	400	300	87	213
Clothing and uniforms	2,450	3,000	2,924	76
Fuel supplies	31,350	41,800	38,701	3,099
Consumable tools	1,000	1,000	182	818
Small items of equipment	1,000	1,000	-	1,000
Safety supplies	1,500	1,500	1,281	219
Insurance	10,000	10,000	4,447	5,553
Tipping fees	163,800	188,000	185,328	2,672
Permit fees	4,000	4,000	3,150	850
Soil testing	4,000	5,000	4,517	483
Medical costs	2,000	2,000	-	2,000
Bad debt expense	10,000	13,500	10,220	3,280
Debt payments	50,000	100,000	-	100,000
Capital outlay - new cell	5,000	10,000	3,060	6,940
Capital outlay	-	433,000	432,925	75
Total expenditures	752,178	1,276,987	1,120,186	156,801
Revenues over (under) expenditures	(19,678)	(452,272)	(295,501)	156,771
Other financing sources and uses:				
Transfers in (out)	29,070	465,000	135,322	(329,678)
Insurance recoveries	-	-	282,588	282,588
Total other financing sources and uses	29,070	465,000	417,910	(47,090)
Net change in fund balances	9,392	12,728	122,409	109,681
Fund Balance at Beginning of Year	5,883	5,883	5,883	-
Fund Balance at End of Year	\$ 15,275	\$ 18,611	\$ 128,292	\$ 109,681

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
DARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public Safety:				
Public relations	3,500	3,500	2,256	1,244
Total expenditures	<u>3,500</u>	<u>3,500</u>	<u>2,256</u>	<u>1,244</u>
Revenues over (under) expenditures	<u>(3,500)</u>	<u>(3,500)</u>	<u>(2,256)</u>	<u>1,244</u>
Other financing sources and uses:				
Transfers in	3,500	3,500	3,500	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,244</u>	<u>1,244</u>
Fund Balance at Beginning of Year	<u>733</u>	<u>733</u>	<u>733</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 733</u>	<u>\$ 733</u>	<u>\$ 1,977</u>	<u>\$ 1,244</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
E-CITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND
ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Police fines and fees	\$ 5,000	\$ 4,250	\$ 4,430	\$ 180
Other revenues:				
Interest income	50	200	222	22
Total revenues	<u>5,050</u>	<u>4,450</u>	<u>4,652</u>	<u>202</u>
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>5,050</u>	<u>4,450</u>	<u>4,652</u>	<u>202</u>
Other financing sources and uses:				
Transfer in	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,050	4,450	4,652	202
Fund Balance at Beginning of Year	<u>15,295</u>	<u>15,295</u>	<u>15,295</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 20,345</u>	<u>\$ 19,745</u>	<u>\$ 19,947</u>	<u>\$ 202</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE
POLICE DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Drug related fines	\$ 12,600	\$ 16,475	\$ 16,473	\$ (2)
Forfeitures	47,250	3,695	3,695	-
Sale of seized property	10,500	6,050	7,700	1,650
Other revenues:				
Interest income	788	750	837	87
Total revenues	<u>71,138</u>	<u>26,970</u>	<u>28,705</u>	<u>1,735</u>
Expenditures:				
Public Safety:				
Personnel services	34,400	34,400	-	34,400
Vehicle tow (seized property)	1,000	500	425	75
Repair and maintenance	1,000	1,000	879	121
Operating costs	15,000	18,000	19,827	(1,827)
Clothing and uniforms	-	2,200	2,176	24
Educational costs	1,500	2,000	1,916	84
Other operating costs	-	2,000	1,149	851
Small items of equipment	1,000	2,000	1,155	845
Capital outlay	13,738	13,700	4,871	8,829
Total expenditures	<u>67,638</u>	<u>75,800</u>	<u>32,398</u>	<u>43,402</u>
Revenues over (under) expenditures	<u>3,500</u>	<u>(48,830)</u>	<u>(3,693)</u>	<u>45,137</u>
Other financing sources and uses:				
Sale of capital assets	-	-	-	-
Transfer in	-	-	-	-
Transfer out	(3,500)	(3,500)	(3,500)	-
Total other financing sources and uses	<u>(3,500)</u>	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(52,330)</u>	<u>(7,193)</u>	<u>45,137</u>
Fund Balance at Beginning of Year	<u>145,954</u>	<u>145,954</u>	<u>145,954</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 145,954</u>	<u>\$ 93,624</u>	<u>\$ 138,761</u>	<u>\$ 45,137</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 LEXINGTON-HENDERSON COUNTY ALLIANCE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Rural business grant	\$ -	\$ 15,000	\$ 8,445	\$ (6,555)
Other revenues:				
Contributions	70,991	70,991	77,491	6,500
Interest earned	-	500	636	136
Total Revenues	<u>70,991</u>	<u>86,491</u>	<u>86,572</u>	<u>81</u>
Expenditures:				
Economic and community development				
Salaries	71,333	53,853	52,529	1,324
Payroll taxes	5,457	4,150	4,046	104
Health insurance	9,060	5,260	5,258	2
Retirement	4,200	2,901	2,901	-
Other benefits	1,021	708	673	35
Workers compensation	200	200	183	17
Unemployment insurance	60	28	28	-
Registration and fees	2,500	1,505	1,505	-
Postage and shipping	1,000	28	27	1
Public notices	2,000	-	-	-
Memberships	1,000	-	-	-
Telephone	600	425	424	1
Auditing	1,000	-	-	-
Legal services	2,500	-	-	-
Data processing	720	114	114	-
Consulting fees	2,000	-	-	-
Repair and maintenance	500	-	-	-
Travel	24,000	4,692	4,692	-
Office supplies	2,500	1,175	1,172	3
Office equipment	2,500	-	-	-
Operating costs	5,000	2,120	2,120	-
Janitorial costs	500	-	-	-
Fuel	2,000	395	393	2
Utilities	3,015	2,300	2,300	-
Projects	-	16,500	16,495	5
Total Expenditures	<u>144,666</u>	<u>96,354</u>	<u>94,860</u>	<u>1,494</u>
Revenues over (under) Expenditures	<u>(73,675)</u>	<u>(9,863)</u>	<u>(8,288)</u>	<u>1,575</u>
Other financing sources and uses:				
Transfers in	27,009	27,009	27,009	-
Net Change in Fund Balances	(46,666)	17,146	18,721	1,575
Fund Balance at Beginning of Year	66,209	66,209	66,209	-
Fund Balance at End of Year	<u>\$ 19,543</u>	<u>\$ 83,355</u>	<u>\$ 84,930</u>	<u>\$ 1,575</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
DEBT SERVICE - SINKING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Interest income	\$ 50	\$ 25	\$ 24	\$ (1)
Miscellaneous	-	-	-	-
Total revenues	<u>50</u>	<u>25</u>	<u>24</u>	<u>(1)</u>
Expenditures:				
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>50</u>	<u>25</u>	<u>24</u>	<u>(1)</u>
Net change in fund balances	<u>50</u>	<u>25</u>	<u>24</u>	<u>(1)</u>
Fund Balance at Beginning of Year	<u>1,936</u>	<u>1,936</u>	<u>1,936</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,986</u>	<u>\$ 1,961</u>	<u>\$ 1,960</u>	<u>\$ (1)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 SCHOOL DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
 YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-
Expenditures							
Debt Service							
Principal	795,000	795,000	796,269	-	-	796,269	(1,269)
Interest	175,000	175,000	172,871	-	-	172,871	2,129
Total Expenditures	970,000	970,000	969,140	-	-	969,140	860
Excess (deficiency) of revenues over (under) expenditures	(970,000)	(970,000)	(969,140)	-	-	(969,140)	860
Other financing sources and (uses)							
Transfers in	970,000	970,000	969,140	-	-	969,140	(860)
Total other financing sources and (uses)	970,000	970,000	969,140	-	-	969,140	(860)
Net change in fund balance	-	-	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 CAPITAL PROJECTS - POST OFFICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Liquor taxes	\$ 150,000	\$ 148,000	\$ 148,725	\$ 725
Intergovernmental revenues:				
Park grant	20,768	73,538	73,538	-
Other revenues:				
Interest income	3,000	10,000	11,312	1,312
Fireworks contributions	12,500	12,500	11,500	(1,000)
Miscellaneous	-	2,504	-	(2,504)
Total Revenues	<u>186,268</u>	<u>246,542</u>	<u>245,075</u>	<u>(1,467)</u>
Expenditures:				
Economic development:				
Industrial development expenses	-	-	36,367	(36,367)
Health, welfare and recreation:				
Fireworks	12,500	12,700	6,200	6,500
Capital projects	20,768	151,367	71,509	79,858
Total Expenditures	<u>33,268</u>	<u>164,067</u>	<u>114,076</u>	<u>49,991</u>
Revenues over (under) Expenditures	<u>153,000</u>	<u>82,475</u>	<u>130,999</u>	<u>48,524</u>
Other financing sources and uses:				
Insurance recoveries	-	11,234	-	(11,234)
Transfers in	50,000	229,000	129,000	(100,000)
Total other financing sources and uses	<u>50,000</u>	<u>240,234</u>	<u>129,000</u>	<u>(111,234)</u>
Net Change in Fund Balances	203,000	322,709	259,999	(62,710)
Fund Balance at Beginning of Year	<u>922,005</u>	<u>922,005</u>	<u>922,005</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,125,005</u>	<u>\$ 1,244,714</u>	<u>\$ 1,182,004</u>	<u>\$ (62,710)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
JUNE 30, 2018

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2018	\$1.21	\$ 181,085,919	\$ 2,186,612	\$ -	\$ 2,175,356	\$ -	\$ -	\$ 2,175,356
2017	1.21	183,444,653	2,186,612	2,186,612	28,482	1,999	2,133,194	83,899
2016	1.23	175,652,631	2,160,565	89,024	-	1,521	85,696	4,849
2015	1.23	174,738,487	2,155,335	7,786	-	(2)	7,627	157
2014	1.23	175,884,882	2,163,382	2,002	-	(8)	104	1,890
2013	1.23	176,525,774	2,171,302	177	-	-	106	71
2012	1.23	176,045,704	2,165,379	1,116	-	-	-	1,116
2011	1.23	172,560,623	2,122,526	188	-	-	-	188
2010	0.86	160,123,486	1,377,074	-	-	-	-	-
2009	0.86	160,348,230	1,378,984	-	-	-	-	-
2008	0.86	157,854,649	1,357,547	-	-	-	-	-
2007	0.86	161,370,663	1,387,770	-	-	-	-	-
2006	0.86	163,746,473	1,408,213	-	-	-	-	-
2005	0.71	166,009,807	1,156,947	-	-	-	-	-
2004	0.75	147,415,262	1,084,969	-	-	-	-	-
2003	0.75	140,461,875	1,081,818	-	-	-	-	-
2002	0.75	135,825,925	1,018,798	-	-	-	-	-
2001	0.75	129,764,140	1,018,037	-	-	-	-	-
				<u>\$ 2,286,905</u>	<u>\$ 2,203,838</u>	<u>\$ 3,510</u>	<u>\$ 2,226,727</u>	<u>\$ 2,267,526</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - GENERAL LONG-TERM DEBT
JUNE 30, 2018

Year Ending June 30,	EESI Loan		2004 - QZAB Bonds		Refunding Bond Series 2012		Bond Series 2009		Refunding Bond Series 2010		Refunding Bond Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 35,232	\$ -	\$ 75,529	\$ -	\$ 315,000	\$ 135,962	\$ 50,000	\$ 47,199	\$ 410,000	\$ 18,750	\$ 20,246	\$ 4,101	\$ 906,007	\$ 206,012
2020	35,232	-	75,529	-	320,000	129,662	50,000	44,699	420,000	6,300	20,944	3,878	921,705	184,539
2021	35,232	-	75,529	-	325,000	123,260	55,000	42,698	-	-	21,642	3,596	512,403	169,554
2022	26,436	-	-	-	335,000	116,355	55,000	40,499	-	-	22,340	3,281	438,776	160,135
2023	-	-	-	-	340,000	108,817	55,000	38,299	-	-	23,039	2,835	418,039	149,951
2024	-	-	-	-	350,000	100,318	60,000	36,099	-	-	23,737	2,373	433,737	138,790
2025	-	-	-	-	360,000	91,568	60,000	33,699	-	-	24,784	1,899	444,784	127,166
2026	-	-	-	-	365,000	82,118	60,000	31,224	-	-	25,831	1,403	450,831	114,745
2027	-	-	-	-	375,000	72,262	65,000	28,674	-	-	26,878	886	466,878	101,822
2028	-	-	-	-	385,000	61,950	70,000	25,830	-	-	17,450	349	472,450	88,129
2029	-	-	-	-	395,000	50,400	70,000	22,767	-	-	-	-	465,000	73,167
2030	-	-	-	-	410,000	38,550	75,000	19,687	-	-	-	-	485,000	58,237
2031	-	-	-	-	420,000	26,250	85,000	16,312	-	-	-	-	505,000	42,562
2032	-	-	-	-	420,000	13,125	90,000	12,487	-	-	-	-	510,000	25,612
2033	-	-	-	-	-	-	90,000	8,325	-	-	-	-	90,000	8,325
2034	-	-	-	-	-	-	90,000	4,162	-	-	-	-	90,000	4,162
	<u>\$ 132,132</u>	<u>\$ -</u>	<u>\$ 226,587</u>	<u>\$ -</u>	<u>\$ 5,115,000</u>	<u>\$ 1,150,597</u>	<u>\$ 1,080,000</u>	<u>\$ 452,660</u>	<u>\$ 830,000</u>	<u>\$ 25,050</u>	<u>\$ 226,891</u>	<u>\$ 24,601</u>	<u>\$ 7,610,610</u>	<u>\$ 1,652,908</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - WATER SYSTEMS
JUNE 30, 2018

Year Ending June 30,	2012 General Obligation Bonds		2017 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Local Government Loan Program Bond, Series 2015		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 268,366	\$ 54,353	\$ -	\$ 40,916	\$ 220,000	\$ 214,740	\$ 160,000	\$ 7,350	\$ 96,000	\$ 54,390	\$ 744,366	\$ 371,749
2020	277,620	51,401	-	40,916	230,000	203,740	165,000	2,475	97,000	51,510	769,620	350,042
2021	286,874	47,653	78,625	40,405	235,000	194,540	-	-	98,000	48,600	698,499	331,198
2022	296,128	43,494	80,750	39,328	245,000	185,140	-	-	100,000	45,660	721,878	313,622
2023	305,382	37,571	80,750	38,137	255,000	175,340	-	-	101,000	42,660	742,132	293,708
2024	314,636	31,464	82,875	36,828	265,000	165,140	-	-	102,000	39,630	764,511	273,062
2025	328,517	25,171	82,875	35,398	280,000	154,540	-	-	104,000	36,570	795,392	251,679
2026	342,398	18,601	85,000	33,624	295,000	142,990	-	-	105,000	33,450	827,398	228,865
2027	356,279	11,753	87,125	32,058	305,000	130,452	-	-	106,000	30,300	854,404	204,563
2028	231,353	4,627	89,250	30,118	320,000	117,108	-	-	108,000	27,120	748,603	178,973
2029	-	-	91,375	28,040	335,000	103,109	-	-	109,000	23,880	535,375	155,029
2030	-	-	93,500	25,821	350,000	88,368	-	-	111,000	20,610	554,500	134,799
2031	-	-	95,625	23,456	365,000	72,618	-	-	112,000	17,280	572,625	113,354
2032	-	-	97,750	20,966	380,000	56,194	-	-	114,000	13,920	591,750	91,080
2033	-	-	102,000	18,293	405,000	38,618	-	-	115,000	10,500	622,000	67,411
2034	-	-	104,125	15,433	430,000	19,888	-	-	117,000	7,050	651,125	42,371
2035	-	-	106,250	12,408	-	-	-	-	118,000	3,540	224,250	15,948
2036	-	-	110,500	9,155	-	-	-	-	-	-	110,500	9,155
2037	-	-	114,750	5,634	-	-	-	-	-	-	114,750	5,634
2038	-	-	116,875	1,899	-	-	-	-	-	-	116,875	1,899
	<u>\$ 3,007,553</u>	<u>\$ 326,088</u>	<u>\$ 1,700,000</u>	<u>\$ 529,033</u>	<u>\$ 4,915,000</u>	<u>\$ 2,062,525</u>	<u>\$ 325,000</u>	<u>\$ 9,825</u>	<u>\$ 1,813,000</u>	<u>\$ 506,670</u>	<u>\$ 11,760,553</u>	<u>\$ 3,434,141</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - NATURAL GAS FUND
JUNE 30, 2018

Year Ending June 30,	2012 General Obligation Bonds		2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,388	\$ 281	\$ -	\$ 55,357	\$ 60,000	\$ 59,886	\$ 330,000	\$ 4,950	\$ 391,388	\$ 120,474
2020	1,436	266	-	55,357	60,000	56,886	-	-	61,436	112,509
2021	1,484	246	106,375	54,665	65,000	54,486	-	-	172,859	109,397
2022	1,532	225	109,250	53,209	70,000	51,886	-	-	180,782	105,320
2023	1,579	194	109,250	51,598	70,000	49,086	-	-	180,829	100,878
2024	1,627	163	112,125	49,826	75,000	46,286	-	-	188,752	96,275
2025	1,699	130	112,125	47,892	75,000	43,286	-	-	188,824	91,308
2026	1,771	96	115,000	45,761	80,000	40,192	-	-	196,771	86,049
2027	1,843	61	117,875	43,373	85,000	36,792	-	-	204,718	80,226
2028	1,196	24	120,750	40,747	90,000	33,073	-	-	211,946	73,844
2029	-	-	123,625	37,936	95,000	29,136	-	-	218,625	67,072
2030	-	-	126,500	34,934	100,000	24,956	-	-	226,500	59,890
2031	-	-	129,375	31,735	100,000	20,456	-	-	229,375	52,191
2032	-	-	132,250	28,366	110,000	15,956	-	-	242,250	44,322
2033	-	-	138,000	24,749	115,000	10,868	-	-	253,000	35,617
2034	-	-	140,875	20,880	120,000	5,550	-	-	260,875	26,430
2035	-	-	143,750	16,787	-	-	-	-	143,750	16,787
2036	-	-	149,500	12,387	-	-	-	-	149,500	12,387
2037	-	-	155,250	7,623	-	-	-	-	155,250	7,623
2038	-	-	158,125	2,569	-	-	-	-	158,125	2,569
	<u>\$ 15,555</u>	<u>\$ 1,686</u>	<u>\$ 2,300,000</u>	<u>\$ 715,751</u>	<u>\$ 1,370,000</u>	<u>\$ 578,781</u>	<u>\$ 330,000</u>	<u>\$ 4,950</u>	<u>\$ 4,015,555</u>	<u>\$ 1,301,168</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - LEXINGTON ELECTRIC DEPARTMENT
JUNE 30, 2018

Year Ending June 30,	Revenue Refunding Bond Series 2017		Series 2011 Revenue Bonds		Series 2018 Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 395,000	\$ 144,531	\$ 255,000	\$ 230,293	\$ 105,000	\$ 103,287	\$ 755,000	\$ 478,111
2020	400,000	136,631	265,000	223,156	110,000	97,618	775,000	457,405
2021	410,000	128,631	270,000	216,806	115,000	93,218	795,000	438,655
2022	420,000	120,431	280,000	210,268	120,000	88,618	820,000	419,317
2023	425,000	112,031	290,000	202,962	120,000	85,018	835,000	400,011
2024	435,000	103,531	295,000	194,731	125,000	80,218	855,000	378,480
2025	445,000	94,831	310,000	185,656	130,000	75,218	885,000	355,705
2026	450,000	85,931	320,000	176,006	140,000	70,018	910,000	331,955
2027	460,000	75,806	335,000	165,562	145,000	64,418	940,000	305,786
2028	475,000	65,456	345,000	154,297	150,000	60,068	970,000	279,821
2029	485,000	53,581	360,000	142,176	150,000	55,568	995,000	251,325
2030	495,000	41,456	375,000	129,079	155,000	51,068	1,025,000	221,603
2031	510,000	28,463	390,000	114,969	160,000	46,418	1,060,000	189,850
2032	525,000	14,438	405,000	100,062	165,000	41,618	1,095,000	156,118
2033	-	-	425,000	84,234	170,000	36,668	595,000	120,902
2034	-	-	445,000	67,100	175,000	31,143	620,000	98,243
2035	-	-	465,000	48,900	180,000	25,455	645,000	74,355
2036	-	-	485,000	29,900	190,000	19,605	675,000	49,505
2037	-	-	505,000	10,100	195,000	13,430	700,000	23,530
2038	-	-	-	-	200,000	6,800	200,000	6,800
	<u>\$ 6,330,000</u>	<u>\$ 1,205,748</u>	<u>\$ 6,820,000</u>	<u>\$ 2,686,257</u>	<u>\$ 3,000,000</u>	<u>\$ 1,145,472</u>	<u>\$16,150,000</u>	<u>\$ 5,037,477</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT
JUNE 30, 2018

<u>Tax Year</u>	<u>Outstanding Balance</u>
2016	\$ 4,849
2015	157
2014	1,890
2013	71
2012	1,116
2011	188
2009	-
2008	-
2007	-
2006	-
Total	<u>\$ 8,271</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF UTILITY RATES IN FORCE
 JUNE 30, 2018

GAS FUND				
Residential Rate	Minimum	Base Rate	+ PGA Rate	
First 500 cubic feet (minimum)	\$ 6.70			
Over 500 cubic feet: Inside city (per MCF)		\$ 1.85	+ current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 2.66	+ current PGA	= Rate Per MCF
Small Commercial Rate				
First 500 cubic feet (minimum)	\$ 7.50			
Over 500 cubic feet: Inside city (per MCF)		\$ 2.77	+ current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.70	+ current PGA	= Rate Per MCF
Medium Commercial Rate				
First 1,500 cubic feet (minimum)	\$ 24.85			
Over 1,500 cubic feet: Inside city (per MCF)		\$ 3.00	+ current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.93	+ current PGA	= Rate Per MCF
Large Commercial Rate				
First 10,000 cubic feet (minimum)	\$ 124.60			
Over 10,000 cubic feet: Inside city (per MCF)		\$ 3.12	+ current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.05	+ current PGA	= Rate Per MCF
Transport (Customer buys from 3rd party)		\$ 2.71		
Number of customers at year end:	<u>9,117</u>			

+ PGA (Purchased Gas Adjustment) - This Rate is set monthly from calculations based on the average total costs associated with natural gas purchases.

WATER RATES

INSIDE CITY LIMITS - Customer Charge 0-2,000 gallons

	Meter Charge	Maint Fee	2,000 gallons @ cons. Rate	Customer Charge
5/8"	\$8.77 +	\$1.00 +	\$5.00 =	\$14.77
1"	\$12.26 +	\$1.00 +	\$5.00 =	\$18.26
1.5"	\$15.76 +	\$1.00 +	\$5.00 =	\$21.76
2"	\$25.38 +	\$1.00 +	\$5.00 =	\$31.38
3"	\$96.20 +	\$1.00 +	\$5.00 =	\$102.20
4"	\$122.43 +	\$1.00 +	\$5.00 =	\$128.43
6"	\$183.63 +	\$1.00 +	\$5.00 =	\$189.63

Consumption Rate Over 2,000 gallons = \$2.51 Per 1,000 gallons

OUTSIDE CITY LIMITS - Customer Charge 0-2,000 gallons

	Meter Charge	Maint Fee	2,000 gallons @ cons. Rate	Customer Charge
5/8"	\$15.77 +	\$1.60 +	\$7.00 =	\$24.37
1"	\$22.07 +	\$1.60 +	\$7.00 =	\$30.67
1.5"	\$28.36 +	\$1.60 +	\$7.00 =	\$36.96
2"	\$45.66 +	\$1.60 +	\$7.00 =	\$54.26
3"	\$173.06 +	\$1.60 +	\$7.00 =	\$181.66
4"	\$220.25 +	\$1.60 +	\$7.00 =	\$228.85
6"	\$330.36 +	\$1.60 +	\$7.00 =	\$338.96

Consumption Rate Over 2,000 gallons = \$2.50 Per 1,000 gallons

BULK WATER - Consumption Rate = \$3.50 Per 1,000 gallons

NUMBER OF CUSTOMERS AT YEAR END: 9,946

SEWER RATES

LEXINGTON		PARKERS CROSSROADS	
Customer Charge 0-2,000 gallons		Customer Charge 0-2,000 gallons	
5/8"	\$15.05	5/8"	\$31.60
1"	\$15.05	1"	\$31.60
1.5"	\$37.12		
2"	\$37.12		
3"	\$62.19		
4"	\$62.19		
6"	\$62.19		

Usage Rate Over 2,000 gallons = \$4.10 Per 1,000 gallons

SEWER CUSTOMERS WITH WELLS
 Customer Charge (based on 5,000 gallons) = \$27.30 Flat Rate

NUMBER OF CUSTOMERS AT YEAR END: 3,757

GARBAGE RATES

Inside Residential and housing project	\$ 12.75	Class 1	\$ 78.50
Outside Residential	\$ 23.50	Class 2	\$ 137.50
		Class 3	\$ 196.50
		Class 4	\$ 255.25
NUMBER OF CUSTOMERS AT YEAR END:	<u>3,648</u>		

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED
JUNE 30, 2018

Electric Department

Residential Rate Schedule - RS	
Customer Charge - per delivery point per month	\$ 17.10
Energy Charges - cents per kWh	0.09716
General Power Rate Schedule - GSA	
GSA-1 (0.50 kw)	
Customer Charge - per delivery point per month	\$ 17.96
Energy Charges - per kWh	0.11001
GSA-2 (51-1,000 kw)	
Customer charge - per delivery point per month	\$ 89.03
Demand charge - per kw per month - First 50 kW	-
- Additional kW	13.76
Energy charge - per kw - First 15,000 kWh	0.11001
- Additional kWh	0.06454
GSA-3 (1,000-5,000 kw)	
Customer charge - per delivery point per month	\$ 223.58
Demand charge - per kw per month - First 1,000 kW	13.41
- Excess over 1,000 kW	15.85
Energy charge - per kW	0.06628
GSB	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 9.97
Energy charge - cents per kWh use of metered demand per month	0.09344
OffPeak:	
All kW - per kW per month	\$ 9.97
Energy charge - first 200 HUD	0.06158
Next 200 HUD	0.02171
Additional HUD	0.01880
GSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	10.61
Energy charge - cents per kWh use of metered demand per month	0.09255
OffPeak:	
All kW - per kW per month	\$ 4.58
Energy charge - first 200 HUD	0.06820
Next 200 HUD	0.02296
Additional HUD	0.01962
GSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.61
Energy charge - cents per kWh use of metered demand per month	0.09255
OffPeak:	
All kW - per kW per month	\$ 4.47
Energy charge - first 200 HUD	0.06820
Next 200 HUD	0.02184
Additional HUD	0.01962
MSB1	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 9.97
Energy charge - cents per kWh use of metered demand per month	0.07372
OffPeak:	
All kW - per kW per month	\$ 2.18
Energy charge - first 200 HUD	0.04938
Next 200 HUD	0.02046
Additional HUD	0.01798
MSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 9.97
Energy charge - cents per kWh use of metered demand per month	0.07263
OffPeak:	
All kW - per kW per month	\$ 1.67
Energy charge - first 200 HUD	0.04828
Next 200 HUD	0.02184
Additional HUD	0.02184
MSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 9.97
Energy charge - cents per kWh use of metered demand per month	0.07042
OffPeak:	
All kW - per kW per month	\$ 1.56
Energy charge - first 200 HUD	0.04808
Next 200 HUD	0.02019
Additional HUD	0.01962
OL	
Energy charge	0.06695

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
FEDERAL AWARDS			
Department of Defense			
State Department of General Services			
Law Enforcement Support Office - Program 1033 Non-cash Assistance	12.005	n/a	\$ 196,337
Total Department of Defense			<u>196,337</u>
Department of Agriculture			
Rural Business Development Grant	10.351	n/a	8,445
Department of Justice			
Cops Grant	N/A	2014UMWX0191	7,530
Bulletproof Vest Partnership Program	N/A	"unavailable"	275
Total Department of Justice			<u>7,805</u>
Department of Transportation - General Government			
West TN Distracted Driving Project 2018	20.600	Z-18-THS-178	15,216
Governor's Highway Safety Office - Network Coordinator	20.600	Z-18-THS-179	11,949
Governor's Highway Safety Office - Network Coordinator	20.600	Z-17-GHS-044	4,713
Total for CFDA #	20.600		<u>31,878</u>
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z-18-THS-177	12,156
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z-17-GHS-216	1,356
			<u>13,512</u>
Total Department of Transportation			<u>45,390</u>
TOTAL FEDERAL AWARDS			<u>257,977</u>
STATE FINANCIAL ASSISTANCE			
Tennessee Department of Transportation			
Lexington Multimodal Transportation Access Project	N/A	39LPLM-S3-025	332,872
SR -20 Community Access Transportation Plan Phase UU	N/A	39LPLM-S3-030	55,643
Tennessee Department of Agriculture			
Division of Forestry - Tree Grant			1,152
Tennessee Department of Environment and Conservation			
State Law Enforcement Supplement			14,400
State Fire Grant Supplement			<u>7,800</u>
TOTAL STATE AWARDS			<u>411,867</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 669,844</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Town of Lexington, Tennessee, and is presented on the accrual basis of accounting.

Note 2: Single Audit

Single Audit reports required by OMB Circular A-133 have been filed as part of the individual audit reports of Lexington City Schools. The awards that Lexington City Schools received have not been included in the above schedule.

Note 3: Lexington Electric System

The awards that Lexington Electric System received have not been included in the above schedule.

Note 4: Indirect Cost Rate

The City of Lexington has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
AWWA WLCC FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET - " Unaudited"
JUNE 30, 2018



Click to access definition
 Click to add a comment

Water Audit Report for: **Lexington Utilities (0000402)**
 Reporting Year: **2018** / **7/2017 - 6/2018**

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

Master Meter and Supply Error Adjustments

WATER SUPPLIED

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

Volume from own sources	<input type="text" value="10"/>	<input type="text" value="1,093.576"/>	MG/Yr	Pcnt:	<input type="text" value="5"/>	<input type="text" value="-2.19%"/>	<input checked="" type="radio"/>	<input type="radio"/>	Value:	<input type="text"/>	MG/Yr
Water imported	<input type="text" value="n/a"/>		MG/Yr				<input checked="" type="radio"/>	<input type="radio"/>		<input type="text"/>	MG/Yr
Water exported	<input type="text" value="n/a"/>		MG/Yr				<input checked="" type="radio"/>	<input type="radio"/>		<input type="text"/>	MG/Yr

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

WATER SUPPLIED: MG/Yr

AUTHORIZED CONSUMPTION

Billed metered	<input type="text" value="10"/>	<input type="text" value="771.275"/>	MG/Yr	Pcnt:	<input type="text" value="1.25%"/>	<input checked="" type="radio"/>	<input type="radio"/>	Value:	<input type="text"/>	MG/Yr
Billed unmetered	<input type="text" value="8"/>	<input type="text" value="0.271"/>	MG/Yr				<input checked="" type="radio"/>	<input type="radio"/>		
Unbilled metered	<input type="text" value="9"/>	<input type="text" value="36.597"/>	MG/Yr				<input checked="" type="radio"/>	<input type="radio"/>		
Unbilled unmetered	<input type="text" value="7"/>	<input type="text" value="13.976"/>	MG/Yr				<input checked="" type="radio"/>	<input type="radio"/>		

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: MG/Yr

Click here: for help using option buttons below

Use buttons to select percentage of water supplied OR value

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

Apparent Losses

Unauthorized consumption:	<input type="text" value="5"/>	<input type="text" value="2.795"/>	MG/Yr	Pcnt:	<input type="text" value="0.25%"/>	<input checked="" type="radio"/>	<input type="radio"/>	Value:	<input type="text"/>	MG/Yr
---------------------------	--------------------------------	------------------------------------	-------	-------	------------------------------------	----------------------------------	-----------------------	--------	----------------------	-------

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

Customer metering inaccuracies:	<input type="text" value="7"/>	<input type="text" value="8.160"/>	MG/Yr	<input type="text" value="1.00%"/>	<input checked="" type="radio"/>	<input type="radio"/>			<input type="text"/>	MG/Yr
Systematic data handling errors:	<input type="text" value="7"/>	<input type="text" value="1.928"/>	MG/Yr	<input type="text" value="0.25%"/>	<input checked="" type="radio"/>	<input type="radio"/>			<input type="text"/>	MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: MG/Yr

Real Losses (Current Annual Real Losses or CARL)

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

WATER LOSSES: MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="text" value="7"/>	<input type="text" value="680.0"/>	miles
Number of active AND inactive service connections:	<input type="text" value="7"/>	<input type="text" value="11,282"/>	
Service connection density:	<input type="text" value="7"/>	<input type="text" value="17"/>	conn./mile main

Are customer meters typically located at the curbside or property 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: psi

COST DATA

Total annual cost of operating water system:	<input type="text" value="10"/>	<input type="text" value="\$4,085,563"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="8"/>	<input type="text" value="\$7.65"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="8"/>	<input type="text" value="\$405.63"/>	\$/Million gallons u

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 87 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: Unauthorized consumption
 - 2: Systematic data handling errors
 - 3: Customer metering inaccuracies

CITY OF LEXINGTON, TENNESSEE
AWWA WLCC FREE WATER AUDIT SOFTWARE: SYSTEM ATTRIBUTES AND PERFORMANCE INDICATORS - "Unaudited"
JUNE 30, 2018

Water Audit Report for: Lexington Utilities (0000402)
 Reporting Year: 2018 | 7/2017 - 6/2018

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 ***

System Attributes:

	Apparent Losses:	12.884 MG/Yr
	+ Real Losses:	283.029 MG/Yr
	= <u>Water Losses:</u>	295.943 MG/Yr
<input checked="" type="checkbox"/>	Unavoidable Annual Real Losses (UARL):	127.43 MG/Yr
	Annual cost of Apparent Losses: \$	98,560
	Annual cost of Real Losses: \$	114,817 Valued at Variable Production Cost
		Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	31%
		Non-revenue water as percent by cost of operating system:	5.7% Real Losses valued at Variable Production Cost
Operational Efficiency:	{	1140	
		Apparent Losses per service connection per day:	3.13 gallons/connection/day
		Real Losses per service connection per day:	N/A gallons/connection/day
		Real Losses per length of main per day*:	1140.45 gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	283.06 million gallons/year
	<input checked="" type="checkbox"/>	Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.22

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

The accompanying notes are an integral part of these financial statements.



**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 Mayor and City Aldermen
Lexington, 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 Lexington, Tennessee (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements and have issued our report thereon dated December 21, 2018.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described below as SAF 2018-001 to be a material weakness.

SAF 2018-001 INADEQUATE SEGREGATION OF DUTIES

Schools Still Deficient from the Prior Audit Finding 2007-01: All schools.

Condition: The duties of receiving cash, reconciling bank statements, preparing checks, and posting all transactions are handled by each school's bookkeeper. At some schools, the person opening the mail does not prepare a collection log.

Criteria: The *Tennessee Internal School Uniform Accounting Policy Manual* Section 6, Title 5, Page 6-7 states, "When designing your transaction processes, there should be a clear segregation of duties and responsibilities performed by personnel such that no single person could initiate, approve, execute, and enter transactions into your system in a manner that would enable fraudulent actions to be perpetrated and concealed." In regards to the revenue/collection cycle, the *TISUAPM* Section 4, Title 2, Page 4-8 states, "To the extent possible, the following duties should not be performed by the same individual: receiving cash, making bank deposits, maintaining the accounting records, and reconciling bank accounts." In regards to the purchasing/disbursement cycle, the *TISUAPM* Section 4, Title 2, Page 4-10 states, "To the extent possible, the following duties should not be performed by the same person: approving requisitions, preparing purchase authorizations, receiving goods or services, approving payment, preparing checks, signing checks, and preparing bank reconciliations."

Cause: Not enough available staff.

Effect: Weakened internal controls.

Recommendation: An effective internal control system provides for adequate segregation of duties. Therefore, we recommend that the principals review the current level of control and modify where deemed necessary.

Managements' Responses: *Caywood Elementary School and Lexington Middle School*

The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties within the constraints of the limited office staff.

Compliance and Other Matters

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

City of Lexington, Tennessee's Response to Findings

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

Purpose of this Report

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

December 21, 2018



**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2017-001	Expenditures Exceeded Budget	Corrected
SAF 2017-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated/SAF 2018-001
SAF-2017-002	Closing of Graduating Class	Corrected

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
JUNE 30, 2018**

INTERNAL SCHOOL FUNDS

SAF FINDING 2018 – 001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned

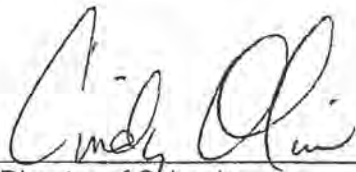
The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties within the constraints of the limited office staff.

Anticipated completion date

Immediately

Responsible party

Each individual school's principal



Director of Schools