

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

CITY OF LEXINGTON, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Roster of Publicly Elected Officials and Management Officials	1
FINANCIAL SECTION	
Independent Auditor's Report.	2 – 3
Management's Discussion and Analysis	4 – 9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Fund	16 - 21
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Purpose School Fund	22 - 28
Proprietary Funds:	
Statement of Net Position	29
Statement of Revenues, Expenses, and Changes in Net Position	30
Statement of Cash Flows	31
Fiduciary Funds:	
Statement of Fiduciary Net Position	32
Statement of Changes in Fiduciary Net Position	33
Notes to Basic Financial Statements	34 – 61

Required Supplementary Information:

Schedules of Funding Progress and Employer Contributions – Employee Retirement System	62
Notes to Required Supplemental Information	63

Other Supplemental Information:

Combining Financial Statements – Non-Major Governmental Funds:

Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65

Statement of Changes in Assets and Liabilities – All Agency Funds	66
--	-----------

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:

State Street Aid Fund	67
School Tax Fund	68
School Food Service Fund	69
Solid Waste Collection Fund	70
Dare Fund	71
Police Drug Fund	72
Debt Service – Sinking Fund	73
Debt Service – School Debt Fund	74
Capital Projects – Post Office Fund	75

Schedule of Changes in Property Taxes Receivable	76
---	-----------

Schedule of Long-Term Debt Requirements

General Long-Term Debt	77
Water Systems	78
Natural Gas Fund	79
Lexington Electric Department	80

Schedule of Outstanding Delinquent Taxes Filed With Chancery Court	81
---	-----------

Schedule of Utility Rates in Force	82 – 83
---	----------------

Schedule of Expenditures of Federal Awards and State Financial Assistance	84
--	-----------

AWWA WLCC Free Water Audit Software: Reporting Worksheet - "Unaudited"	85
---	-----------

INTERNAL CONTROL AND COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	86 – 88
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CITY OF LEXINGTON, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

JUNE 30, 2014

PUBLICLY ELECTED OFFICIALS

David Jowers	Mayor
Peggy Gilbert	Alderman
Gordon Wildridge	Alderman
John Casselberry	Alderman
Jeff Griggs	Alderman
Jack Johnson	Alderman
Sandra Wood	Alderman

MANAGEMENT OFFICIALS

Sue Wood	CMFOA Designee
Michael Harper	Utility General 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the the financial statements of the Lexington Electric System, which is both a major fund and 60%, 62%, and 78% 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%, 62%, and 78% 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, 2014, 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.F., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *The Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. 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 page 62 through 63 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 introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information 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 and the AWWA WLCC Free Water Audit Software: Reporting Worksheet – "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 a report dated October 15, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



October 15, 2014

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014. 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.

Reporting the City's Most Significant Funds

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 - 61.

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 62 - 63 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 64 - 66 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 exceeded liabilities and deferred inflows of resources by \$75,027,771 at June 30, 2014.

CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 7,519,456	\$ 7,002,045	\$ 23,488,589	\$ 25,232,151	\$ 31,008,045	\$ 32,234,196
Capital Assets	28,098,175	28,818,537	71,120,490	68,963,205	99,218,665	97,781,742
Total Assets	<u>35,617,631</u>	<u>35,820,582</u>	<u>94,609,079</u>	<u>94,195,356</u>	<u>130,226,710</u>	<u>130,015,938</u>
Long term liabilities	13,175,424	14,159,078	33,282,370	34,892,806	46,457,794	49,051,884
Other liabilities	370,940	407,683	6,242,933	6,597,171	6,613,873	7,004,854
Total liabilities	<u>13,546,364</u>	<u>14,566,761</u>	<u>39,525,303</u>	<u>41,489,977</u>	<u>53,071,667</u>	<u>56,056,738</u>
Deferred inflows of resources	<u>2,127,272</u>	<u>2,136,686</u>	<u>-</u>	<u>-</u>	<u>2,127,272</u>	<u>2,136,686</u>
Net Position:						
Net investment in capital assets	16,325,931	15,955,050	41,542,189	40,452,111	57,868,120	56,407,161
Restricted	256,285	245,029	1,257,873	1,252,039	1,514,158	1,497,068
Unrestricted	<u>3,361,779</u>	<u>2,917,056</u>	<u>12,283,714</u>	<u>11,001,229</u>	<u>15,645,493</u>	<u>13,918,285</u>
Total Net Position	<u>\$ 19,943,995</u>	<u>\$ 19,117,135</u>	<u>\$ 55,083,776</u>	<u>\$ 52,705,379</u>	<u>\$ 75,027,771</u>	<u>\$ 71,822,514</u>

There are prior period adjustments that affected both the Governmental and Business-Type Activities. For additional information see Note 4.G.

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 \$295,316 which is compared to an increase in the prior year of \$260,582.

- The City's Water Systems Fund operated at a profit of \$529,500 compared to a profit in the prior year of \$653,807.
- The City's Electric Department had a profit of \$1,664,265 compared to a profit in the prior year of \$1,553,201.

The following table provides a summary of the City's operations for the year ended June 30, 2014, with comparative totals for the year ended June 30, 2013.

CITY OF LEXINGTON'S CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		TOTAL	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,576,503	\$ 1,610,799	\$ 60,917,240	\$ 58,667,109	\$ 62,493,743	\$ 60,277,908
Operating grants and contributions	8,287,805	8,378,426	-	-	8,287,805	8,378,426
Capital grants and contributions	156,047	46,849	113,423	41,391	269,470	88,240
General revenues:						
Property taxes	2,171,798	2,128,436	-	-	2,171,798	2,128,436
In-lieu of property taxes	98,410	99,669	-	-	98,410	99,669
Public service taxes	133,521	125,151	-	-	133,521	125,151
Sales taxes	4,238,666	4,249,526	-	-	4,238,666	4,249,526
Investment earnings	46,376	50,706	97,105	110,750	143,481	161,456
Gain(loss) on sale of capital assets	17,100	9,667	(252)	(24,602)	16,848	(14,935)
Miscellaneous	350,432	143,985	122,342	188,279	472,774	332,264
Total revenues	17,076,658	16,843,214	61,249,858	58,982,927	78,326,516	75,826,141
Expenses:						
General government and administration						
Public safety	3,020,244	2,829,527	-	-	3,020,244	2,829,527
Public works	1,791,249	1,724,735	-	-	1,791,249	1,724,735
Health, Welfare and Recreation	10,760,582	10,557,079	-	-	10,760,582	10,557,079
Economic development	71,730	102,817	-	-	71,730	102,817
Interest on long-term debt	315,765	366,817	-	-	315,765	366,817
Bond issue costs	-	2,185	-	-	-	2,185
Paying agent fees	1,225	5,660	-	-	1,225	5,660
Water Systems	-	-	7,255,158	5,210,073	7,255,158	5,210,073
Natural Gas	-	-	5,327,468	5,840,925	5,327,468	5,840,925
Electric Department	-	-	45,183,343	44,535,987	45,183,343	44,535,987
Total expenses	17,343,737	16,834,093	57,765,969	55,586,985	75,109,706	72,421,078
Increase (decrease) in net position before transfers	(267,079)	9,121	3,483,889	3,395,942	3,216,810	3,405,063
Transfers	994,808	928,352	(994,808)	(928,352)	-	-
Increase (decrease) in net position	727,729	937,473	2,489,081	2,467,590	3,216,810	3,405,063
Net position at beginning of year, as originally stated	19,117,135	18,385,992	52,705,379	50,521,596	71,822,514	68,907,588
Prior period adjustment	99,401	(217,772)	(110,684)	(283,807)	(11,283)	(501,579)
Inventory adjustment	(270)	11,442	-	-	(270)	11,442
Net position at beginning of year, as restated	19,216,266	18,179,662	52,594,695	50,237,789	71,810,961	68,417,451
Net position at end of year	\$ 19,943,995	\$ 19,117,135	\$ 55,083,776	\$ 52,705,379	\$ 75,027,771	\$ 71,822,514

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 \$4,961,055 which is 12% above last year's total of \$4,415,810.

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, 2014, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2014	Percent of Total	Increase (Decrease) from June 30, 2013
Taxes	\$ 5,912,141	34.68%	\$ (55,609)
Intergovernmental	9,176,436	53.84%	67,360
Licenses and permits	6,104	0.04%	(6,659)
Charges for services	993,710	5.83%	(28,811)
Fines and forfeitures	255,910	1.50%	(2,094)
Other revenues	701,106	4.11%	203,409
Total Revenues	\$ 17,045,407	100.00%	\$ 177,596

Other revenues is inflated in the due to a large amount of insurance recoveries for storm damage.

Expenditures	June 30, 2014	Percent of Total	Increase (Decrease) from June 30, 2013
General government	\$ 1,035,147	5.91%	\$ 85,936
Public Safety	2,818,405	16.09%	196,917
Public Works	1,641,458	9.37%	69,122
Health, welfare, and recreation	10,004,283	57.12%	203,564
Economic development	71,730	0.41%	(31,087)
Capital outlay	530,814	3.03%	(838,730)
Debt Service	1,412,193	8.06%	16,668
Total Expenditures	\$ 17,514,030	100.00%	\$ (297,610)

Capital outlay in the prior year included significant building improvements to the schools.

General Fund Budgetary Highlights

Over the course of the year the School System revised the budget at various times during the year. The following funds had expenditures that exceeded budget appropriations: Sales Tax Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2014, the City had \$99,218,665 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 \$1,436,923, or 1.5% above the prior year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$45,466,989 in outstanding long-term debt compared to \$48,134,745 last year. Of the total outstanding debt 27% belongs to the Governmental funds, 7% to the Gas Fund, 25% to the Water Systems Fund, and 41% 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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,033,398	\$ 16,982,015	\$ 21,015,413
Investments	-	158,445	158,445
Receivables:			
Property taxes	2,239,027	-	2,239,027
Accounts receivable, net of allowance	2,051	3,826,769	3,828,820
Grant receivables	289,818	118,022	407,840
Other receivables	16,756	413,691	430,447
Internal balances	(2,339)	2,339	-
Due from other governments	767,131	-	767,131
Inventory	26,751	671,350	698,101
Natural gas storage	-	618,657	618,657
Prepaid expenses	146,863	127,986	274,849
Other assets	-	569,315	569,315
Capital assets:			
Land and construction in progress	2,166,471	8,779,789	10,946,260
Other capital assets, net of depreciation	25,931,704	62,240,701	88,172,405
TOTAL ASSETS	35,617,631	94,509,079	130,126,710
LIABILITIES			
Accounts payable and accrued expenses	358,989	4,554,844	4,913,833
Customer deposits	-	1,089,443	1,089,443
Unearned revenue	11,951	-	11,951
Compensated absences	-	598,646	598,646
Long-term liabilities:			
Advances from Home Installation Program	-	297,307	297,307
Other post employment benefits	-	762,889	762,889
Pension liability	-	529,255	529,255
Landfill closure costs	220,937	-	220,937
Compensated absences	1,182,243	1,624,240	2,806,483
Due within one year	1,046,469	1,844,292	2,890,761
Due in more than one year	10,725,775	28,224,387	38,950,162
TOTAL LIABILITIES	13,546,364	39,525,303	53,071,667
DEFERRED INFLOWS OF REVENUES			
Unavailable revenue - property taxes	2,127,272	-	2,127,272
NET POSITION			
Net investment in capital assets	16,325,931	41,542,189	57,868,120
Restricted for:			
State Street Aid Fund	42,871	-	42,871
Education	-	-	-
School Food Service	109,224	-	109,224
Solid Waste Collection	43,275	-	43,275
Police Drug Fund	60,915	-	60,915
Debt service	-	1,257,873	1,257,873
Unrestricted	3,361,779	12,283,714	15,645,493
TOTAL NET POSITION	\$ 19,943,995	\$ 55,083,776	\$ 75,027,771

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, 2014

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	\$ 1,382,942	\$ 105,267	\$ -	\$ -	\$ (1,277,675)	\$ -	\$ (1,277,675)
Public Safety	3,020,244	259,350	24,600	69,583	(2,666,711)	-	(2,666,711)
Public Works	1,791,249	906,610	306,316	-	(578,323)	-	(578,323)
Health, Welfare and Recreation	10,760,582	305,276	7,956,889	-	(2,498,417)	-	(2,498,417)
Economic Development	71,730	-	-	86,464	14,734	-	14,734
Interest on long-term debt	315,765	-	-	-	(315,765)	-	(315,765)
Paying agent fees on long-term debt	1,225	-	-	-	(1,225)	-	(1,225)
Business-type activities:							
Gas Fund	7,255,158	7,571,121	-	-	-	315,963	315,963
Water Systems Fund	5,327,468	5,839,073	-	113,423	-	625,028	625,028
Electric Department	45,183,343	47,507,046	-	-	-	2,323,703	2,323,703
Total business-type activities	57,765,969	60,917,240	-	113,423	-	3,264,694	3,264,694
Total government	\$ 75,109,706	\$ 62,493,743	\$ 8,287,805	\$ 269,470	(7,323,382)	3,264,694	(4,058,688)

General revenues:

Taxes:			
Property	2,171,798	-	2,171,798
In-lieu of taxes	98,410	-	98,410
Public service taxes	133,521	-	133,521
Sales	4,238,666	-	4,238,666
Investment earnings	46,376	97,105	143,481
Gain (loss) on sale/retirement of capital assets	17,100	(252)	16,848
Insurance recoveries	-	9,270	9,270
Miscellaneous	350,432	113,072	463,504
Transfer in- in lieu of taxes	994,808	(994,808)	-
Total general revenues and transfers	8,051,111	(775,613)	7,275,498
Change in net position	727,729	2,489,081	3,216,810
Net position - beginning, as originally stated	19,117,135	52,705,379	71,822,514
Prior period adjustment	99,401	(110,684)	(11,283)
Inventory adjustment - school food service fund	(270)	-	(270)
Net position - beginning, as restated	19,216,266	52,594,695	71,810,961
Net position - ending	\$ 19,943,995	\$ 55,083,776	\$ 75,027,771

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

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,073,178	\$ 1,309,943	\$ 650,277	\$ 4,033,398
Taxes receivable	2,239,027	-	-	2,239,027
Accounts receivable	2,051	-	-	2,051
Grant receivable	89,199	200,619	-	289,818
Other receivables	4,525	-	12,231	16,756
Inventory	-	-	26,751	26,751
Due from other governments	511,509	-	255,622	767,131
Due from other funds	25	-	207,685	207,710
Prepaid expenses	131,081	-	15,782	146,863
TOTAL ASSETS	<u>\$ 5,050,595</u>	<u>\$ 1,510,562</u>	<u>\$ 1,168,348</u>	<u>\$ 7,729,505</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 80,146	\$ -	\$ 2,237	\$ 82,383
Accrued expenses	120,929	98,151	5,959	225,039
Unearned revenue - other	-	-	11,951	11,951
Advance from other fund	50,598	-	-	50,598
Due to other funds	158,720	-	732	159,452
TOTAL LIABILITIES	<u>410,393</u>	<u>98,151</u>	<u>20,879</u>	<u>529,423</u>
DEFERRED INFLOWS OF REVENUES				
Unavailable revenue - property taxes	2,239,027	-	-	2,239,027
FUND BALANCE				
Nonspendable				
Inventory	-	-	26,751	26,751
Prepaid expenses	131,081	-	15,782	146,863
Restricted for:				
State street aid	-	-	42,871	42,871
School food authority	-	-	109,224	109,224
Drug fund	-	-	60,915	60,915
Solid Waste Collection	-	-	43,275	43,275
Assigned				
Special revenue funds	-	-	848,651	848,651
Education	-	290,000	-	290,000
Support services	-	6,500	-	6,500
Capital projects	-	103,500	-	103,500
Unassigned				
General fund	2,270,094	-	-	2,270,094
General purpose school fund	-	1,012,411	-	1,012,411
TOTAL FUND BALANCES	<u>2,401,175</u>	<u>1,412,411</u>	<u>1,147,469</u>	<u>4,961,055</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES	<u>\$ 5,050,595</u>	<u>\$ 1,510,562</u>	<u>\$ 1,168,348</u>	<u>\$ 7,729,505</u>

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

**CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET
POSITION
JUNE 30, 2014**

Total fund balance - total governmental funds	\$ 4,961,055
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.	28,098,175
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	111,755
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(51,566)
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>(13,175,424)</u>
Net position of governmental activities	<u><u>\$ 19,943,995</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, 2014

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 2,157,647	\$ -	\$ -	\$ 2,157,647
Penalty and interest	16,481	-	-	16,481
In lieu of taxes	13,552	-	-	13,552
Sales	1,554,227	-	1,295,190	2,849,417
Beer tax	416,940	-	-	416,940
Business	161,047	-	-	161,047
Liquour tax	-	-	130,090	130,090
Franchise	133,521	-	-	133,521
Hotel/motel tax	30,954	-	-	30,954
Privilege	2,492	-	-	2,492
Intergovernmental revenues	1,037,211	7,499,675	639,550	9,176,436
Licenses and permits	6,104	-	-	6,104
Charges for services	134,585	-	859,125	993,710
Fines, forfeits, and penalties	137,909	-	118,001	255,910
Other revenues	208,896	67,843	424,367	701,106
Total revenues	6,011,566	7,567,518	3,466,323	17,045,407
Expenditures				
Current:				
General government	1,035,147	-	-	1,035,147
Public safety	2,751,767	-	66,638	2,818,405
Public works	865,805	-	775,653	1,641,458
Health, welfare, and recreation	516,148	8,707,858	780,277	10,004,283
Economic development	71,730	-	-	71,730
Capital outlay	428,058	77,830	24,926	530,814
Debt service:				
Principal payments	81,763	110,232	898,776	1,090,771
Interest payments	54,895	13,548	251,754	320,197
Other debt costs	71	-	1,154	1,225
Total expenditures	5,805,384	8,909,468	2,799,178	17,514,030
Excess (deficiency) of revenues over (under) expenditures	206,182	(1,341,950)	667,145	(468,623)
Other financing sources (uses)				
Transfers in	1,081,073	1,063,000	1,147,480	3,291,553
Transfers out	(856,000)	-	(1,440,745)	(2,296,745)
Proceeds from sale of general capital assets	14,980	-	4,350	19,330
Total other financing sources (uses)	240,053	1,063,000	(288,915)	1,014,138
Net Change in Fund Balances	446,235	(278,950)	378,230	545,515
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	1,954,940	1,691,361	769,509	4,415,810
Inventory adjustment	-	-	(270)	(270)
FUND BALANCE AT BEGINNING OF YEAR, as restated	1,954,940	1,691,361	769,239	4,415,540
FUND BALANCE AT END OF YEAR	\$ 2,401,175	\$ 1,412,411	\$ 1,147,469	\$ 4,961,055

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, 2014

Net change in fund balances - total governmental funds	\$	545,515
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.		
		530,814
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.		
		(1,348,337)
Net effect of asset disposal		
		(2,230)
The repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net position.		
		1,090,771
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.		
		(102,955)
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.		
		14,151
Change in net position of governmental activities	\$	727,729

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, 2014**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Property taxes - current	\$ 2,158,000	\$ 2,145,000	\$ 2,070,261	\$ (74,739)
Property taxes - delinquent	-	-	87,386	87,386
Penalties and interest	10,000	15,500	16,481	981
In lieu of taxes:				
Lexington Housing Authority	12,000	13,552	13,552	-
Local sales tax	1,549,445	1,554,600	1,554,227	(373)
Local beer tax	412,000	412,000	416,940	4,940
Business tax	225,661	170,000	161,047	(8,953)
Franchise tax	125,660	132,250	133,521	1,271
Hotel/motel tax	30,900	31,000	30,954	(46)
Privilege tax	2,375	2,475	2,492	17
Total taxes	4,526,041	4,476,377	4,486,861	10,484
Intergovernmental				
TVA payments in lieu of taxes	84,170	86,675	84,858	(1,817)
State fire education	7,800	7,800	7,800	-
State law enforcement grant	15,600	15,600	15,600	-
Police safety grant - alcohol saturation	10,290	10,290	10,291	1
Police safety grant - alcohol saturation	-	-	17,902	17,902
Police - COPS	60,000	-	-	-
Police - vest grant	13,000	1,700	1,719	19
Police grant -network coordinator 2013	8,415	7,948	7,949	1
Police grant -network coordinator 2014	20,000	17,940	11,731	(6,209)
Police grant -high visibility	-	5,000	4,991	(9)
Police grant - DUI traffic	36,000	24,999	-	(24,999)
Police grant - JAG	15,000	15,000	15,000	-
Police grant - other	17,500	-	-	-
Safe routes to school grant	-	100,000	86,464	(13,536)
State of Tennessee				
- Sales tax allocation	535,640	535,640	546,714	11,074
- Telecommunication tax	-	-	773	773
- Income tax allocation	30,000	56,863	65,070	8,207
- Beer tax allocation	3,820	3,620	3,621	1
- Petroleum special	15,680	15,665	15,659	(6)
- Street maintenance	92,684	92,684	92,684	-
- Excise tax	5,000	31,548	31,548	-
Grants from Local Governments				
- Crimestoppers	1,200	1,200	1,200	-
- County recreation grant	10,000	10,000	10,000	-
- Other miscellaneous grants	5,000	5,000	5,637	637
Total intergovernmental revenues	986,799	1,045,172	1,037,211	(7,961)
Licenses and permits				
Beer licenses	1,000	750	750	-
Building permits	10,300	4,850	5,019	169
Other permits	500	335	335	-
Total licenses and permits	11,800	5,935	6,104	169

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, 2014

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (continued)				
Charges for services				
Clerk's fees - business tax	30,000	27,000	25,962	(1,038)
Accident report filing fees	3,400	3,400	3,440	40
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	150	450	750	300
Mowing and lot cleanup	1,000	1,000	1,002	2
Street repair charges	7,500	10,000	10,212	212
Parks and recreation charges	7,200	7,600	8,219	619
Total charges for services	134,250	134,450	134,585	135
City court fines and costs	145,000	137,500	137,909	409
Other revenues				
Interest income	12,000	6,500	6,868	368
Community center revenue	12,000	15,000	15,307	307
Rent income	74,400	74,400	73,201	(1,199)
Sales of cemetery lots	8,000	11,700	11,700	-
Insurance recoveries	15,000	-	46,293	46,293
Sales of other materials	24,000	24,000	24,571	571
Donations	-	-	24,891	24,891
Miscellaneous income	8,000	7,680	6,065	(1,615)
Total other revenue	153,400	139,280	208,896	69,616
Total revenues	5,957,290	5,938,714	6,011,566	72,852
Expenditures				
General government				
General				
Salaries	70,111	67,400	67,293	107
Employee benefits	348,210	328,100	326,406	1,694
Memberships	2,300	2,300	2,164	136
Election payroll	-	7,500	7,301	199
Operating expenses	4,500	2,000	1,760	240
Other operating expenses	23,250	20,750	15,646	5,104
Insurance	135,200	135,200	131,630	3,570
Total general	583,571	563,250	552,200	11,050
Judicial				
Salaries	9,128	9,129	9,128	1
Total Judicial	9,128	9,129	9,128	1

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, 2014**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	209,918	209,500	209,332	168
Employee benefits	31,300	31,300	30,287	1,013
Insurance	360	364	361	3
Office expense	10,900	12,500	10,164	2,336
Professional fees	49,500	47,450	47,316	134
Membership and dues	400	450	402	48
Repair and maintenance	9,300	5,850	34,667	(28,817)
Other operating expenses	132,198	127,850	127,155	695
Capital outlay	346,950	228,250	-	228,250
Total city recorder	790,826	663,514	459,684	203,830
City Hall				
Utilities	16,080	14,680	14,135	545
Total general government	1,399,605	1,250,573	1,035,147	215,426
Public safety				
Police department				
Salary	1,419,122	1,322,600	1,294,512	28,088
Employee benefits	257,350	242,250	236,729	5,521
Utilities	32,000	33,000	29,086	3,914
Repair and maintenance	28,800	28,800	21,210	7,590
Memberships and dues	700	800	750	50
Supplies	32,650	32,250	24,124	8,126
Small items of equipment	-	-	6,138	(6,138)
Uniforms and clothing	11,200	11,200	8,509	2,691
Gas, oil, and diesel	90,000	81,500	79,425	2,075
Insurance	2,970	3,000	2,993	7
Equipment rental	7,750	8,250	7,663	587
Office expense	44,750	40,850	36,095	4,755
Other grant expenses	91,455	84,883	61,074	23,809
Capital outlay	21,300	-	201,322	(201,322)
Total police department	2,040,047	1,889,383	2,009,630	(120,247)
Fire department				
Salaries	639,501	640,801	633,661	7,140
Employee benefits	104,650	103,250	101,920	1,330
Volunteer firemen	5,000	4,140	4,140	-
Volunteer firemen benefits	4,853	4,853	4,254	599
Utilities	40,000	35,100	34,094	1,006
Memberships	170	170	120	50
Repair and maintenance	34,600	34,100	35,731	(1,631)
Supplies	4,300	5,500	4,274	1,226
Clothing and uniforms	4,800	4,900	4,848	52
Gas, oil, diesel	10,000	10,000	9,961	39
Insurance	1,220	1,220	1,176	44
Public relations	500	-	-	-
Travel	2,000	2,000	1,256	744
Equipment rent	3,000	3,000	2,871	129
Small items of equipment	15,175	25,205	34,802	(9,597)
Capital outlay	9,750	-	2,470	(2,470)
Total fire department	879,519	874,239	875,578	(1,339)
Building inspector				
Salaries	57,873	57,960	57,837	123
Employee benefits	9,200	9,600	9,287	313
Insurance	90	90	90	-
Other operating expenses	5,750	5,300	3,137	2,163
Total building inspector	72,913	72,950	70,351	2,599
Total public safety	2,992,479	2,836,572	2,955,559	(118,987)

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, 2014**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	419,600	378,460	377,711	749
Payroll taxes	36,424	31,700	30,811	889
Employee education	500	500	-	500
Employee insurance	84,700	77,000	76,416	584
Utilities	11,500	11,300	11,076	224
Street lighting	26,500	33,500	9,933	23,567
Repair and maintenance	240,500	231,000	212,990	18,010
Repair and maintenance - equipment	8,000	13,000	14,259	(1,259)
Clothing and uniforms	4,200	3,850	2,836	1,014
Gas, oil, diesel	45,000	44,000	42,295	1,705
Culverts	1,000	1,000	550	450
Gravel and sand	1,000	1,000	-	1,000
Operating supplies	11,800	10,000	5,541	4,459
Small items of equipment	-	-	565	(565)
Insurance	990	1,100	1,069	31
Office supplies	2,700	2,700	2,520	180
Capital outlay	-	-	22,844	(22,844)
Total highways and streets	894,414	840,110	811,416	28,694
Garage				
Repair and maintenance	5,000	2,500	1,141	1,359
Supplies	23,150	21,250	14,595	6,655
Utilities	4,500	5,000	4,802	198
Fuel purchases	17,000	23,000	20,556	2,444
Total garage	49,650	51,750	41,094	10,656
Animal control				
Contract labor	36,312	35,850	35,833	17
Total animal control	36,312	35,850	35,833	17
Sanitation				
Landfill closure	5,500	5,500	306	5,194
Total public works	985,876	933,210	888,649	44,561
Health, welfare, and recreation				
Appropriations				
Library	31,000	31,000	31,000	-
Library utilities	12,000	12,000	11,275	725
RSVP	3,000	3,000	-	3,000
Senior Citizens	11,450	11,450	11,450	-
Rescue Squad utilities	1,000	1,000	737	263
Christmas parade	500	500	500	-
Carl Perkins	1,725	1,725	1,725	-
Lexington scholarship	500	500	500	-
JACO A	1,900	1,900	1,900	-
Hope utilities	6,300	6,300	6,285	15
Project graduation	1,200	1,200	1,045	155
Airport	27,500	27,500	27,500	-
Veterans cemetery	10,000	10,000	10,000	-
Other appropriations	4,100	4,100	1,906	2,194
Total appropriations	112,175	112,175	105,823	6,352

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, 2014

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Museum				
Salaries	18,800	18,800	18,541	259
Employee benefits	1,438	1,438	1,418	20
Unemployment insurance	90	100	95	5
Public relations	500	500	-	500
Utilities	6,600	5,500	5,346	154
Repair and maintenance	1,000	1,000	125	875
Telephone	650	800	792	8
Security system	550	550	534	16
Operating costs	500	500	107	393
Janitorial costs	200	350	268	82
Total museum	30,328	29,538	27,226	2,312
Civic center				
Salaries	13,200	10,000	8,583	1,417
Employee benefits	1,010	765	657	108
Unemployment insurance	90	90	82	8
Utilities	24,000	22,000	21,894	106
Repair and maintenance	35,500	60,500	9,807	50,693
Operating costs	500	500	317	183
Janitorial costs	2,000	2,000	1,557	443
Capital outlay	-	-	36,961	(36,961)
Total civic center	76,300	95,855	79,858	15,997
Parks				
Salaries	200,337	200,337	172,392	27,945
Employee benefits	38,500	34,800	34,715	85
Repair and maintenance	58,600	61,600	59,702	1,898
Utilities	64,200	102,200	50,757	51,443
Insurance	1,170	850	805	45
Other operating expenses	24,075	26,275	21,831	4,444
Capital outlay	-	-	77,446	(77,446)
Total parks	386,882	426,062	417,648	8,414
Total health, welfare, and recreation	605,685	663,630	630,555	33,075
Economic development				
State plan service	15,000	15,000	14,407	593
Professional fees	37,734	37,984	33,700	4,284
Tourism advertising	-	-	1,550	(1,550)
Travel	3,000	1,000	768	232
Maintenance	30,766	24,766	11,728	13,038
Miscellaneous	8,500	13,750	9,577	4,173
Capital outlay	-	100,000	87,015	12,985
Total economic development	95,000	192,500	158,745	33,755
Debt service				
Principal payments	131,761	131,762	81,763	49,999
Interest payments	54,956	54,900	54,895	5
Paying agent fees	1,000	1,000	71	929
Total debt service	187,717	187,662	136,729	50,933
Total expenditures	6,266,362	6,064,147	5,805,384	258,763

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	<u>(309,072)</u>	<u>(125,433)</u>	<u>206,182</u>	<u>331,615</u>
Other financing sources (uses)				
Transfers in	950,088	1,057,706	1,081,073	23,367
Transfers out	(700,000)	(700,000)	(856,000)	(156,000)
Sale of general fixed assets	5,000	15,000	14,980	(20)
Total other financing sources (uses)	<u>255,088</u>	<u>372,706</u>	<u>240,053</u>	<u>(132,653)</u>
Net change in fund balance	<u>(53,984)</u>	<u>247,273</u>	<u>446,235</u>	<u>198,962</u>
Fund Balance at Beginning of Year	<u>1,954,940</u>	<u>1,954,940</u>	<u>1,954,940</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,900,956</u>	<u>\$ 2,202,213</u>	<u>\$ 2,401,175</u>	<u>\$ 198,962</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, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Wheel tax	\$ 85,000	\$ 78,600	\$ 78,632	\$ -	\$ -	\$ 78,632	\$ 32
Current year tax levy	463,000	423,000	423,551	-	-	423,551	551
Prior year tax receipts	33,000	24,780	24,843	-	-	24,843	63
Mixed drink tax	1,200	593	594	-	-	594	1
Local sales tax	761,000	708,800	708,851	-	-	708,851	51
Interstate telecommunication taxes	500	500	502	-	-	502	2
Bank excise tax	1,300	1,300	3,204	-	-	3,204	1,904
Marriage licenses	500	393	393	-	-	393	-
Other	8,000	8,000	7,309	-	-	7,309	(691)
State funds							
Basic education	4,783,000	4,783,000	4,792,000	-	-	4,792,000	9,000
Early childhood education	202,114	202,114	202,114	-	-	202,114	-
Career ladder	35,000	35,000	32,844	-	-	32,844	(2,156)
ACT reimbursement	-	-	723	-	-	723	723
Tech fund	-	59,905	59,905	-	-	59,905	-
Career ladder extended	-	17,620	17,620	-	-	17,620	-
Coordinated School Health	92,000	92,000	92,000	-	-	92,000	-
Internet Connectivity	3,500	3,500	2,841	-	-	2,841	(659)
Student Management	2,600	2,600	2,620	-	-	2,620	20
Safe schools grant	-	5,800	5,800	-	-	5,800	-
Other State education funds	48,600	49,706	51,606	-	-	51,606	1,900
Other State grants	-	2,775	2,775	-	-	2,775	-
Federal funds							
Title I grants	236,994	260,598	256,177	-	-	256,177	(4,421)
Other Federal through State	-	234,377	172,794	-	-	172,794	(61,583)
Special education grants to state	186,497	190,373	190,373	-	-	190,373	-
Special education preschool - idea	3,673	4,481	4,481	-	-	4,481	-
English language acquisition grant	2,125	2,125	2,125	-	-	2,125	-
IDEA inclusion grant	17,797	20,066	13,578	-	-	13,578	(6,488)
Title IIA - improving teach quality	47,590	50,350	46,950	-	-	46,950	(3,400)
First to the top	408,126	439,195	302,470	-	-	302,470	(136,725)
Total Intergovernmental revenues	<u>7,423,116</u>	<u>7,701,551</u>	<u>7,499,675</u>	<u>-</u>	<u>-</u>	<u>7,499,675</u>	<u>(201,876)</u>
Other revenues							
Interest income	6,300	4,800	4,780	-	-	4,780	(20)
Contributions	-	3,000	3,000	-	-	3,000	-
Receipts from individual schools	1,000	1,000	1,516	-	-	1,516	516
On-behalf payments	-	75,000	56,575	-	-	56,575	(18,425)
Miscellaneous revenues	2,500	1,900	1,972	-	-	1,972	72
Total other revenues	<u>9,800</u>	<u>85,700</u>	<u>67,843</u>	<u>-</u>	<u>-</u>	<u>67,843</u>	<u>(17,857)</u>
Total Revenues	<u>7,432,916</u>	<u>7,787,251</u>	<u>7,567,518</u>	<u>-</u>	<u>-</u>	<u>7,567,518</u>	<u>(219,733)</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, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures							
Instruction							
Regular instruction program							
Teachers	2,408,983	2,349,826	2,291,357	-	-	2,291,357	58,469
Career ladder program	19,000	19,000	15,333	-	-	15,333	3,667
Career ladder program - extended	-	19,187	19,188	-	-	19,188	(1)
Homebound teachers	-	1,609	1,609	-	-	1,609	-
Educational assistants	148,886	134,339	134,115	-	-	134,115	224
Bonus payments	21,000	33,768	33,768	-	-	33,768	-
Other salaries and wages	61,324	120,110	89,090	-	-	89,090	31,020
Certified substitute teachers	30,000	30,000	25,815	-	-	25,815	4,185
Non-certified substitute teachers	32,000	33,505	33,505	-	-	33,505	-
Social security	163,917	158,450	150,652	-	-	150,652	7,798
State retirement	212,001	219,944	213,648	-	-	213,648	6,296
Life insurance	6,120	6,120	5,497	-	-	5,497	623
Medical insurance	389,670	402,551	401,912	-	-	401,912	639
Dental insurance	6,546	6,888	6,876	-	-	6,876	12
Unemployment compensation	4,000	7,331	7,281	-	-	7,281	50
Local retirement	2,515	2,519	1,938	-	-	1,938	581
Employer medicare	37,656	40,136	35,570	-	-	35,570	4,566
On-behalf payments	-	75,000	56,575	-	-	56,575	18,425
Maintenance and repair - equipment	3,000	3,000	-	-	-	-	3,000
Other contracted services	35,275	35,325	32,386	-	-	32,386	2,939
Instructional supplies	59,200	71,239	59,525	-	-	59,525	11,714
Textbooks	40,500	40,500	37,665	-	-	37,665	2,835
Other supplies and materials	9,513	10,386	9,229	-	-	9,229	1,157
Indirect costs	2,273	2,273	1,959	-	-	1,959	314
Other charges	6,000	6,000	4,042	-	-	4,042	1,958
Regular instruction equipment	182,000	242,044	229,671	-	-	229,671	12,373
Total regular instruction program	3,881,379	4,071,050	3,898,206	-	-	3,898,206	172,844
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	370,555	352,893	348,334	-	-	348,334	4,559
Career ladder program	2,000	2,000	1,000	-	-	1,000	1,000
Educational assistants	98,863	94,622	94,618	-	-	94,618	4
Speech pathology	46,798	45,943	45,375	-	-	45,375	568
Certified substitute teachers	1,000	4,160	4,160	-	-	4,160	-
Non-certified substitute teachers	1,000	8,105	8,105	-	-	8,105	-
Social security	32,253	28,382	28,065	-	-	28,065	317
State retirement	37,062	35,506	35,050	-	-	35,050	456
Medical insurance	56,376	88,493	88,493	-	-	88,493	-
Dental insurance	966	1,036	1,036	-	-	1,036	-
Unemployment compensation	920	1,080	1,080	-	-	1,080	-
Local retirement	1,068	450	450	-	-	450	-
Employer medicare	7,543	6,648	6,566	-	-	6,566	82
Contracts with other schools	9,000	1,600	1,600	-	-	1,600	-
Other contracted services	200	-	-	-	-	-	200
Instructional supplies	249	104	104	-	-	104	-
Other supplies and materials	100	58	24	-	-	24	34
Special education equipment	100	-	-	-	-	-	100
Total special education	666,053	671,080	664,060	-	-	664,060	7,020
Student body education							
Other salaries and wages	74,316	74,316	72,076	-	-	72,076	2,240
Social security	4,607	4,607	4,366	-	-	4,366	241
State retirement	6,599	6,599	6,400	-	-	6,400	199
Medical insurance	10,976	11,689	11,689	-	-	11,689	-
Dental insurance	276	281	281	-	-	281	-
Unemployment compensation	100	114	114	-	-	114	-
Employer medicare	1,078	1,078	1,021	-	-	1,021	57
Travel	500	500	-	-	-	-	500
Other contracted services	12,000	12,000	11,000	-	-	11,000	1,000
Other charges	10,000	11,269	10,900	-	-	10,900	369
Total student body education	120,452	122,453	117,847	-	-	117,847	4,606
Total instruction	4,693,884	4,890,583	4,706,113	-	-	4,706,113	184,470

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, 2014

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	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	4,800	14,438	13,975	-	-	13,975	463
Other supplies and materials	500	480	-	-	-	-	480
Inservice/staff development	2,000	2,000	1,838	-	-	1,838	162
Other charges	500	500	-	-	-	-	500
Total attendance	8,100	17,718	16,113	-	-	16,113	1,605
Health instruction program							
Supervisor/director	46,871	46,871	45,981	-	-	45,981	890
Medical personnel	60,825	59,825	59,653	-	-	59,653	172
Other salaries	21,000	15,727	15,727	-	-	15,727	-
Social security	7,979	6,856	6,761	-	-	6,761	95
State retirement	4,162	4,162	4,083	-	-	4,083	79
Health insurance	13,666	16,646	16,646	-	-	16,646	-
Dental insurance	329	240	135	-	-	135	105
Unemployment insurance	200	287	287	-	-	287	-
Employer medicare	1,866	1,674	1,581	-	-	1,581	93
Postal charges	200	236	237	-	-	237	(1)
Other contracted services	12,000	11,000	9,276	-	-	9,276	1,724
Other supplies and materials	6,978	16,720	13,527	-	-	13,527	3,193
Inservice/staff development	3,000	4,164	4,164	-	-	4,164	-
Total health instruction program	179,076	184,408	178,058	-	-	178,058	6,350
Other student support							
Career ladder program	6,000	6,000	6,000	-	-	6,000	-
Guidance personnel	111,200	111,200	106,404	-	-	106,404	4,796
Social workers	53,325	53,325	51,040	-	-	51,040	2,285
Assessment personnel	87,579	167,899	133,197	-	-	133,197	34,702
Other salaries	1,150	1,100	275	-	-	275	825
Social security	16,074	20,702	16,668	-	-	16,668	4,034
State retirement	23,022	30,116	26,366	-	-	26,366	3,750
Medical insurance	32,980	44,177	40,398	-	-	40,398	3,779
Dental insurance	601	761	696	-	-	696	65
Unemployment compensation	271	329	283	-	-	283	46
Employer medicare	3,760	4,842	3,899	-	-	3,899	943
Contracts with government agencies	60,000	85,959	85,959	-	-	85,959	-
Evaluation and testing	12,000	10,114	5,275	-	-	5,275	4,839
Other charges	1,000	267	110	-	-	110	157
Other equipment	3,000	3,000	3,000	-	-	3,000	-
Total other student support	411,962	539,791	479,570	-	-	479,570	60,221
Regular instruction program							
Supervisor/Director	144,950	143,750	142,470	-	-	142,470	1,280
Career ladder program	5,500	5,500	4,000	-	-	4,000	1,500
Libraries	84,562	82,962	82,402	-	-	82,402	560
Other salaries	221,775	190,845	175,650	-	-	175,650	15,195
Certified substitute teachers	636	1,636	1,220	-	-	1,220	416
In-service training	25,000	41,800	38,350	-	-	38,350	3,450
Non-certified substitute teachers	1,664	3,947	2,720	-	-	2,720	1,227
Social security	30,026	27,671	25,103	-	-	25,103	2,568
State retirement	38,228	40,119	37,991	-	-	37,991	2,128

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, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services(continued)							
Regular instruction program(continued)							
Medical insurance	35,589	42,247	42,247	-	-	42,247	-
Dental insurance	552	553	553	-	-	553	-
Unemployment compensation	375	505	462	-	-	462	43
Employer medicare	7,023	6,672	6,063	-	-	6,063	609
Consultants	3,000	3,400	3,400	-	-	3,400	-
Dues and memberships	1,000	1,069	1,069	-	-	1,069	-
Travel	500	534	534	-	-	534	-
Other contracted services	34,242	30,209	27,662	-	-	27,662	2,547
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Instructional supplies	150	263	263	-	-	263	-
Other supplies and materials	21,302	13,684	12,545	-	-	12,545	1,139
Inservice/staff development	79,081	87,640	53,051	-	-	53,051	34,589
Other equipment	7,000	7,830	7,830	-	-	7,830	-
Total regular instruction program	<u>751,355</u>	<u>741,836</u>	<u>674,585</u>	<u>-</u>	<u>-</u>	<u>674,585</u>	<u>67,251</u>
Special Education							
Supervisor/director	29,303	30,407	30,407	-	-	30,407	-
Psychological personnel	29,303	30,238	30,238	-	-	30,238	-
Social security	3,203	3,294	3,294	-	-	3,294	-
State retirement	5,204	5,385	5,385	-	-	5,385	-
Medical insurance	9,568	9,898	9,898	-	-	9,898	-
Dental insurance	138	148	148	-	-	148	-
Unemployment compensation	50	56	56	-	-	56	-
Employer medicare	840	770	770	-	-	770	-
Other contracted services	13,050	11,500	11,289	-	-	11,289	211
Other supplies and materials	2,050	700	483	-	-	483	217
Inservice/staff development	50	38	38	-	-	38	-
Other equipment	100	100	-	-	-	-	100
Total special education	<u>92,879</u>	<u>92,534</u>	<u>92,006</u>	<u>-</u>	<u>-</u>	<u>92,006</u>	<u>528</u>
Total support services	<u>1,443,372</u>	<u>1,576,287</u>	<u>1,440,332</u>	<u>-</u>	<u>-</u>	<u>1,440,332</u>	<u>135,955</u>
General administration							
Board of education							
Medical insurance	-	11,461	11,461	-	-	11,461	-
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	9,000	9,000	7,556	-	-	7,556	1,444
Legal services	6,000	6,700	6,700	-	-	6,700	-
Printing, stationery, etc	3,600	3,600	52	-	-	52	3,548
Travel	1,000	1,000	-	-	-	-	1,000
Other contracted services	7,000	7,000	4,506	-	-	4,506	2,494
Other supplies and materials	100	126	126	-	-	126	-
Liability insurance	12,102	12,102	12,101	-	-	12,101	1
Surety bonds	510	510	510	-	-	510	-
Trustee's commission	19,000	19,000	18,471	-	-	18,471	529
Workmans compensation	16,612	16,936	16,936	-	-	16,936	-
Inservice/staff development	4,000	2,951	1,422	-	-	1,422	1,529
Refunds to applicants	500	500	174	-	-	174	326
Other charges	9,000	9,000	7,203	-	-	7,203	1,797
Total board of education	<u>113,424</u>	<u>124,886</u>	<u>112,218</u>	<u>-</u>	<u>-</u>	<u>112,218</u>	<u>12,668</u>
Office of education							
County officials	99,500	99,500	95,482	-	-	95,482	4,018
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	6,231	6,223	5,710	-	-	5,710	513
Medical insurance	8,384	8,384	8,043	-	-	8,043	341
Dental insurance	138	146	146	-	-	146	-
Unemployment compensation	50	75	59	-	-	59	16
Employer medicare	1,457	1,457	1,335	-	-	1,335	122
Communication	12,000	14,500	14,404	-	-	14,404	96
Dues and memberships	1,000	1,000	904	-	-	904	96
Postage	1,500	1,000	883	-	-	883	117
Travel	2,000	1,049	506	-	-	506	543
Other contracted services	2,000	-	-	-	-	-	-
Office supplies	3,000	3,000	2,636	-	-	2,636	364
Inservice/staff development	3,000	5,125	3,866	-	-	3,866	1,259
Other charges	6,000	6,801	6,492	-	-	6,492	309
Administrative equipment	2,000	-	-	-	-	-	-
Total office of education	<u>149,260</u>	<u>149,260</u>	<u>141,466</u>	<u>-</u>	<u>-</u>	<u>141,466</u>	<u>7,794</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, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of principal							
Principals	212,034	208,634	204,647	-	-	204,647	3,987
Career ladder program	3,000	3,000	3,000	-	-	3,000	-
Accountants and bookkeepers	44,563	44,563	44,561	-	-	44,561	2
Assistant principal	123,446	121,331	118,332	-	-	118,332	2,999
Clerical personnel	37,305	37,408	37,408	-	-	37,408	-
Social security	26,062	24,362	23,843	-	-	23,843	519
State retirement	30,057	29,951	28,947	-	-	28,947	1,004
Medical insurance	33,876	43,994	43,994	-	-	43,994	-
Dental insurance	790	815	815	-	-	815	-
Unemployment compensation	450	520	515	-	-	515	5
Local retirement	1,937	2,205	2,205	-	-	2,205	-
Employer medicare	6,095	8,095	5,576	-	-	5,576	519
Dues and memberships	2,000	2,000	1,500	-	-	1,500	500
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	92	92	-	-	92	-
Other contracted services	1,200	1,735	1,735	-	-	1,735	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	3,000	3,500	3,218	-	-	3,218	284
Other charges	2,000	3,575	3,291	-	-	3,291	284
Indirect costs	11,318	11,318	5,803	-	-	5,803	5,515
Administrative equipment	1,000	3,310	3,307	-	-	3,307	3
Total office of principal	543,633	551,408	535,787	-	-	535,787	15,621
Fiscal services							
Accountants and bookkeepers	95,319	95,883	94,170	-	-	94,170	1,713
Purchasing personnel	43,511	43,512	43,512	-	-	43,512	-
Clerical personnel	22,446	22,446	22,446	-	-	22,446	-
Other salaries and wages	1,000	-	-	-	-	-	-
Social security	10,061	8,661	8,592	-	-	8,592	69
Medical insurance	10,454	21,723	21,723	-	-	21,723	-
Dental insurance	276	414	414	-	-	414	-
Unemployment compensation	300	300	292	-	-	292	8
Local retirement	4,000	4,000	3,585	-	-	3,585	415
Employer medicare	2,353	2,353	2,120	-	-	2,120	233
Dues and memberships	300	300	-	-	-	-	300
Other contracted services	6,800	6,800	6,779	-	-	6,779	21
Data processing supplies	1,000	728	320	-	-	320	408
Office supplies	2,000	700	647	-	-	647	53
Inservice/staff development	3,000	3,000	2,718	-	-	2,718	282
Administration equipment	3,000	-	-	-	-	-	-
Total fiscal services	205,820	210,820	207,318	-	-	207,318	3,502
Plant operations							
Janitorial services	324,812	324,813	317,145	-	-	317,145	7,668
Disposal fees	4,000	4,000	3,204	-	-	3,204	796
Permits	500	500	165	-	-	165	335
Other contracted services	25,000	21,000	20,852	-	-	20,852	148
Electricity	305,000	305,609	305,609	-	-	305,609	-
Natural gas	33,000	41,290	41,290	-	-	41,290	-
Water	30,000	25,600	25,523	-	-	25,523	77
Other supplies and materials	1,000	500	-	-	-	-	500
Boiler insurance	1,289	1,289	1,289	-	-	1,289	-
Building and contents insurance	28,656	28,656	28,656	-	-	28,656	-
Vehicle and equipment	8,446	8,446	8,446	-	-	8,446	-
Total plant operations	761,703	761,703	752,179	-	-	752,179	9,524

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, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Plant maintenance							
Part time personnel	10,000	10,000	8,277	-	-	8,277	1,723
Social security	620	620	513	-	-	513	107
Unemployment compensation	50	50	27	-	-	27	23
Employer medicare	145	145	120	-	-	120	25
Contracts with government agencies	110,000	110,000	99,191	-	-	99,191	10,809
Maintenance and repair - buildings	65,000	71,967	71,967	(600)	-	71,367	600
Maintenance and repair - equipment	25,000	14,686	11,733	-	-	11,733	2,953
Maintenance and repair - other equipment	500	500	-	-	-	-	500
Other contracted services	95,000	95,000	93,454	-	-	93,454	1,546
Gasoline	3,000	3,000	2,426	-	-	2,426	574
Vehicle parts	1,000	1,000	518	-	-	518	482
Other supplies and materials	25,000	34,882	34,882	-	-	34,882	-
Inservice/staff development	1,000	1,165	1,165	-	-	1,165	-
Other charges	500	500	189	-	-	189	311
Building improvements	-	-	8,849	-	-	8,849	(8,849)
Maintenance equipment	6,000	6,000	-	-	-	-	6,000
Total plant maintenance	342,815	349,515	333,311	(600)	-	332,711	16,804
Central and other							
Supervisor/director	43,310	43,310	42,356	-	-	42,356	954
Data processing personnel	45,150	69,954	69,356	-	-	69,356	598
Social security	5,484	6,884	6,520	-	-	6,520	364
Medical insurance	9,147	18,419	18,419	-	-	18,419	-
Dental insurance	415	415	406	-	-	406	9
Unemployment compensation	150	250	250	-	-	250	-
Local retirement	2,200	2,246	2,246	-	-	2,246	-
Employer medicare	1,283	1,610	1,525	-	-	1,525	85
Dues and memberships	200	200	30	-	-	30	170
Maintenance and repair - equipment	17,000	4,692	1,690	-	-	1,690	3,002
Travel	1,000	1,000	407	-	-	407	593
Other contracted services	94,000	94,000	86,910	-	-	86,910	7,090
Other supplies and materials	18,000	18,000	12,705	-	-	12,705	5,295
Inservice/staff development	4,000	4,000	2,128	-	-	2,128	1,872
Other charges	2,000	2,000	1,528	-	-	1,528	472
Data processing equipment	8,000	8,668	8,668	-	-	8,668	-
Other equipment	22,000	22,000	21,875	-	-	21,875	125
Total central and other	273,339	297,648	277,019	-	-	277,019	20,629
Total general administration	2,389,994	2,445,240	2,359,298	(600)	-	2,358,698	86,542
Early childhood education							
Teachers	87,651	87,769	87,769	-	-	87,769	-
Educational assistants	42,400	44,316	44,316	-	-	44,316	-
Other salaries and wages	5,827	583	583	-	-	583	-
Certified substitute teachers	3,200	2,840	2,840	-	-	2,840	-
Non-certified substitute teachers	1,200	1,130	1,130	-	-	1,130	-
Social security	8,337	7,765	7,765	-	-	7,765	-
State retirement	7,783	7,518	7,518	-	-	7,518	-
Medical insurance	15,394	15,428	15,428	-	-	15,428	-
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	350	342	342	-	-	342	-
Local retirement	1,035	1,092	1,092	-	-	1,092	-
Employer medicare	2,034	1,841	1,841	-	-	1,841	-
Travel	100	-	-	-	-	-	-
Instructional supplies	3,232	5,778	5,778	-	-	5,778	-
Other supplies and materials	2,000	2,702	2,702	-	-	2,702	-
Indirect costs	9,014	8,804	8,804	-	-	8,804	-
Inservice/staff development	3,500	2,204	2,204	-	-	2,204	-
Other charges	781	1,093	1,093	-	-	1,093	-
Regular instruction equipment	8,000	10,634	10,634	-	-	10,634	-
Total early childhood education	202,114	202,115	202,115	-	-	202,115	-

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, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Debt service							
Principal payments	110,232	110,232	110,232	-	-	110,232	-
Interest payments	13,548	13,548	13,548	-	-	13,548	-
Total debt service	123,780	123,780	123,780	-	-	123,780	-
Capital outlay							
Building improvements	52,500	116,443	77,830	(50,797)	30,341	57,374	59,069
Total capital outlay	52,500	116,443	77,830	(50,797)	30,341	57,374	59,069
Total Expenditures	8,905,644	9,354,448	8,909,468	(51,397)	30,341	8,888,412	466,036
Excess (deficiency) of revenues over (under) expenditures	(1,472,728)	(1,567,197)	(1,341,950)	51,397	(30,341)	(1,320,894)	246,303
Other financing sources and (uses)							
Transfers in	1,072,728	1,072,728	1,063,000	-	-	1,063,000	(9,728)
Total other financing sources and (uses)	1,072,728	1,072,728	1,063,000	-	-	1,063,000	(9,728)
Net change in fund balance	(400,000)	(494,469)	(278,950)	51,397	(30,341)	(257,894)	236,575
Fund balance - beginning of year	1,639,964	1,639,964	1,691,361	(51,397)	-	1,639,964	-
Fund balance - end of year	\$ 1,239,964	\$ 1,145,495	\$ 1,412,411	\$ -	\$ (30,341)	\$ 1,382,070	\$ 236,575

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,924,126	\$ 1,084,415	\$ 8,785,815	\$ 14,794,356
Cash and cash equivalents - restricted	-	-	2,187,659	2,187,659
Investments	-	58,445	-	58,445
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	782,748	-	3,044,021	3,826,769
Note receivable	-	-	-	-
Current portion of advance to other funds	50,597	-	-	50,597
Grant receivables	151	117,871	-	118,022
Other receivables	135,871	114,305	163,515	413,691
Due from other funds	23,059	520,042	-	543,101
Inventory	225,730	188,752	258,868	671,350
Natural gas storage	618,657	-	-	618,657
Prepaid expenses	31,518	74,016	22,452	127,986
TOTAL CURRENT ASSETS	6,792,457	2,157,846	14,560,330	23,510,633
PROPERTY, PLANT AND EQUIPMENT				
Land	118,227	76,153	-	192,380
Buildings	527,839	411,584	-	939,423
Equipment	1,554,257	1,940,935	-	3,495,192
General plant	-	-	5,262,790	5,262,790
Distribution plant	14,388,993	36,204,626	50,919,509	101,511,128
Construction in progress	48,757	269,272	8,236,826	8,554,855
TOTAL PROPERTY, PLANT AND EQUIPMENT	16,634,073	38,902,570	64,419,125	119,955,768
Less accumulated depreciation	(8,852,040)	(17,143,829)	(22,839,409)	(48,835,278)
NET PROPERTY, PLANT AND EQUIPMENT	7,782,033	21,758,741	41,579,716	71,120,490
OTHER ASSETS				
Note receivable - TVA Home Insulation Program	-	-	296,870	296,870
Noncurrent portion of notes receivable	-	-	-	-
Deposits	-	65	-	65
Other deferred costs	-	-	106,656	106,656
Bond issue costs, net of accumulated amortization	-	-	165,724	165,724
TOTAL OTHER ASSETS	0	65	569,250	569,315
TOTAL ASSETS	14,574,490	23,916,652	56,709,296	95,200,438
CURRENT LIABILITIES				
Accounts payable	264,298	261,036	3,431,203	3,956,537
Accrued expenses	57,746	68,560	216,157	342,463
Accrued interest	29,126	88,995	137,723	255,844
Bond premium	-	-	-	-
Compensated absences	-	-	598,646	598,646
Customer deposits	384,010	160,783	544,650	1,089,443
Due to other funds	569,032	22,327	-	591,359
Current portion of long-term debt	361,077	958,215	525,000	1,844,292
TOTAL CURRENT LIABILITIES	1,665,289	1,559,916	5,453,379	8,678,584
LONG-TERM LIABILITIES				
Compensated absences	291,045	401,685	931,510	1,624,240
Bonds and notes payable	2,844,980	10,534,407	14,845,000	28,224,387
Pension liability	-	-	529,255	529,255
Other post employment benefits	-	-	762,889	762,889
Advances from Home Installation Program	-	-	297,307	297,307
TOTAL LONG-TERM LIABILITIES	3,136,025	10,936,092	17,365,961	31,438,078
TOTAL LIABILITIES	4,801,314	12,496,008	22,819,340	40,116,662
NET POSITION				
Net investment in capital assets	4,575,976	10,266,119	27,101,779	41,943,874
Restricted for debt service	-	-	1,257,873	1,257,873
Unrestricted net position	5,197,200	1,154,525	5,530,304	11,882,029
TOTAL NET POSITION	\$ 9,773,176	\$ 11,420,644	\$ 33,889,956	\$ 55,083,776

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, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
OPERATING REVENUES				
Charges for services	\$ 7,564,309	\$ 5,829,804	\$ 46,716,060	\$ 60,110,173
Miscellaneous	6,812	9,269	790,986	807,067
TOTAL OPERATING REVENUES	<u>7,571,121</u>	<u>5,839,073</u>	<u>47,507,046</u>	<u>60,917,240</u>
OPERATING EXPENSES				
Natural gas purchases	4,926,646	-	-	4,926,646
Water purchases	-	105,721	-	105,721
Purchased for resale	-	-	36,164,104	36,164,104
Personnel expenses	1,257,219	2,176,166	-	3,433,385
Supplies	-	424,924	-	424,924
Utilities	23,497	431,289	-	454,786
Repairs and maintenance	137,796	546,834	1,476,714	2,161,344
Professional fees	12,129	31,414	-	43,543
Operating expenses	52,156	43,543	4,924,911	5,020,610
Rent	46,800	24,620	-	71,420
Office expense	140,591	75,243	-	215,834
Transportation expense	49,512	78,071	-	127,583
Insurance	28,737	89,162	-	117,899
Taxes and tax equivalents	-	-	258,635	258,635
Memberships and subscriptions	-	55,786	-	55,786
Miscellaneous	-	1,877	-	1,877
Depreciation and amortization	473,037	896,057	1,743,239	3,112,333
TOTAL OPERATING EXPENSES	<u>7,148,120</u>	<u>4,980,707</u>	<u>44,567,603</u>	<u>56,696,430</u>
OPERATING INCOME (LOSS)	<u>423,001</u>	<u>858,366</u>	<u>2,939,443</u>	<u>4,220,810</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	18,591	1,672	76,842	97,105
Sale of materials	-	2,936	-	2,936
Miscellaneous revenue	-	-	7,571	7,571
Amortization of bond issue costs	504	3,797	(8,309)	(4,008)
Miscellaneous expense	-	-	(30,747)	(30,747)
TEAC settlement	102,564	-	-	102,564
Gain (loss) on sale of asset	90	(342)	-	(252)
Insurance reimbursements	9,270	-	-	9,270
Interest expense	(106,367)	(350,558)	(576,684)	(1,033,609)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>24,652</u>	<u>(342,495)</u>	<u>(531,327)</u>	<u>(849,170)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	447,653	515,871	2,408,116	3,371,640
Transfers to other funds	(151,162)	(103,936)	(743,851)	(998,949)
Transfers from other funds	-	4,142	-	4,142
Capital contributions	(1,175)	113,423	-	112,248
CHANGE IN NET POSITION	<u>295,316</u>	<u>529,500</u>	<u>1,664,265</u>	<u>2,489,081</u>
NET POSITION - BEGINNING OF YEAR, as originally stated	9,477,860	11,001,828	32,225,691	52,705,379
Prior period adjustment	-	(110,684)	-	(110,684)
NET POSITION - BEGINNING OF YEAR	<u>9,477,860</u>	<u>10,891,144</u>	<u>32,225,691</u>	<u>52,594,695</u>
NET POSITION - END OF YEAR	<u>\$ 9,773,176</u>	<u>\$ 11,420,644</u>	<u>\$ 33,889,956</u>	<u>\$ 55,083,776</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, 2014**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 7,575,169	\$ 5,803,215	\$ 47,435,916	\$ 60,814,300
Cash received from other funds for services	-	3,076	-	3,076
Other operating cash receipts	6,812	9,269	-	16,081
Cash payments to city - tax equivalents	-	-	(743,851)	(743,851)
Cash payments to suppliers for goods and services	(5,684,076)	(1,883,760)	(41,763,546)	(49,331,382)
Cash payments to employees for services	(1,204,552)	(2,135,750)	(1,503,791)	(4,844,093)
Other operating cash payments	(135,871)	-	-	(135,871)
Customer deposits received	-	-	226,028	226,028
Customer deposits refunded	-	-	(211,096)	(211,096)
Cash payments to other funds for services	(4,187)	(2,590)	-	(6,777)
NET CASH PROVIDED BY OPERATING ACTIVITIES	553,295	1,793,460	3,439,660	5,786,415
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	102,564	-	-	102,564
Amounts paid to other funds	(147,020)	(103,936)	-	(250,956)
Sale of materials	-	2,936	-	2,936
Advances from Home Insulation Program	-	-	29,217	29,217
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(44,456)	(101,000)	29,217	(116,239)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(63,680)	(636,556)	(4,487,985)	(5,188,221)
Plant removal cost	-	-	(171,049)	(171,049)
Materials salvaged from retirements	-	-	89,033	89,033
Gain on sale of capital assets	-	367	-	367
Grant proceeds	34,626	130,710	-	165,336
Insurance recoveries	9,270	-	-	9,270
Payments received on advances to other funds	49,998	-	-	49,998
Payments received on notes receivable	65,000	-	-	65,000
Principal payments on long-term debt	(351,029)	(938,962)	(510,000)	(1,799,991)
Interest paid on long-term debt	(108,749)	(356,152)	(580,893)	(1,045,794)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(364,564)	(1,800,593)	(5,660,894)	(7,826,051)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	220,429	(100,000)	120,429
Proceeds from sale of investments	-	-	100,000	100,000
Notes receivable - TVA Home Insulation Program	-	-	(29,368)	(29,368)
Interest on cash and investments	18,591	1,672	76,842	97,105
Miscellaneous revenues	-	-	7,571	7,571
Miscellaneous expenses	-	-	(30,747)	(30,747)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	18,591	222,101	24,298	264,990
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	162,866	113,968	(2,167,719)	(1,890,885)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,761,260	970,447	13,141,193	18,872,900
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,924,126	\$ 1,084,415	\$ 10,973,474	\$ 16,982,015
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 423,001	\$ 858,366	\$ 2,939,443	\$ 4,220,810
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	473,037	896,057	1,743,239	3,112,333
Amounts paid to City - tax equivalents	-	-	(743,851)	(743,851)
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(255)	-	(71,130)	(71,385)
(Increase) decrease in other receivables	(135,871)	4,882	-	(130,989)
(Increase) decrease in notes receivable	-	-	-	-
(Increase) decrease in inventory	14,536	(794)	10,867	24,809
(Increase) decrease in prepaid assets	-	-	869	869
(Increase) decrease in due from other funds	27	(2,590)	-	(2,563)
(Increase) decrease in prepaid expenses	(22,543)	(50,508)	-	(73,051)
(Increase) decrease in natural gas storage	(261,131)	-	-	(261,131)
Increase (decrease) in accounts payable	2,928	37,059	(545,667)	(505,682)
Increase (decrease) in due to other funds	(4,214)	3,076	-	(1,138)
Increase (decrease) in pension liability	-	-	(79,207)	(79,207)
Increase (decrease) in OPEB	-	-	170,165	170,165
Increase (decrease) in customer deposits	11,115	(3,800)	14,932	22,247
Increase (decrease) in compensated absences	33,265	40,418	-	73,681
Increase (decrease) in accrued liabilities	19,402	11,296	-	30,698
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 553,295	\$ 1,793,460	\$ 3,439,660	\$ 5,786,415
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
OPEB	\$ -	\$ -	\$ 170,166	\$ 170,166
Capital assets transferred to other fund	\$ (107,928)	\$ -	\$ -	\$ (107,928)
Book value of assets transferred to other fund	103,786	-	-	103,786
Amount shown as operating transfer to other fund	\$ (4,142)	\$ -	\$ -	\$ (4,142)
Capital asset transferred from other fund at net book value	\$ -	\$ 4,142	\$ -	\$ 4,142
Disposition of capital assets	\$ (132,192)	\$ (313,821)	\$ -	\$ (446,013)
Proceeds from sale of capital asset	1,200	367	-	1,567
Book value of capital assets disposed	131,082	313,112	-	444,194
Gain on disposal of capital assets	\$ 90	\$ (342)	\$ -	\$ (252)

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	<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	\$ 63,902	\$ -	\$ -
Other receivables	27	-	-
Investments:			
Mutual funds (market value)	-	9,358,784	6,900,138
Annuities (market value)	-	236,851	-
TOTAL ASSETS	<u>63,929</u>	<u>9,595,635</u>	<u>6,900,138</u>
LIABILITIES			
Accrued liabilities	<u>63,929</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension benefits	<u>-</u>	<u>9,595,635</u>	<u>6,900,138</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 9,595,635</u>	<u>\$ 6,900,138</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, 2014**

	<u>Pension Trust Funds</u>		<u>Total</u>
	<u>Municipal Employees</u>	<u>Electric Employees</u>	
Additions			
Contributions and other additions	\$ 777,943	\$ 811,995	\$ 1,589,938
Investment income	5,233	-	5,233
Net investment gain/(loss)	1,301,134	1,088,227	2,389,361
Total Additions	<u>2,084,310</u>	<u>1,900,222</u>	<u>3,984,532</u>
Deductions			
Fees	33,416	505	33,921
Benefits	206,863	1,402,188	1,609,051
Total Deductions	<u>240,279</u>	<u>1,402,693</u>	<u>1,642,972</u>
Net increase in net position	1,844,031	497,529	2,341,560
NET POSITION - BEGINNING OF YEAR	<u>7,751,604</u>	<u>6,402,609</u>	<u>14,154,213</u>
NET POSITION - END OF YEAR	<u><u>\$ 9,595,635</u></u>	<u><u>\$ 6,900,138</u></u>	<u><u>\$ 16,495,773</u></u>

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014

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 is used to pay the debt of the post office building. The building is rented to the U.S. Postal Service. Rental payments are used for the payment of principal and interest.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014**

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.
Police Drug Fund	Accounts for revenues and expenditures on drug fines and enforcement 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.

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;

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014**

The capitalization policy is as listed below:

1. Real property – Land	
a. Land – non depreciable	\$1
b. Land Improvements	\$5,000
2. Real property – Buildings	\$10,000
3. Motor Vehicles	
a. Cars/Light Trucks/Jeeps	\$10,000
b. Trucks/Heavy	\$25,000
c. Buses	\$10,000
d. Vans	\$10,000
4. Equipment	\$30,000
5. Personal Property	\$5,000

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	10-50
Equipment	5-17
Vehicles	5-7
Plant	15-50

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 does not have any items that qualify for this reporting category as of June 30, 2014.

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 only one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the government-wide Statement of Net Position and the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

- 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.

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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
Police Drug Fund	State Law

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

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

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, 2014.

2.E. BUDGET

Lexington City Schools

The System's 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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, 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, 2014, 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).

Water Systems

As of June 30, 2014, 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, 2014, 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.

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, 2014, is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 13,429	\$ 4,100,978	\$ 4,114,407
Allowance for doubtful accounts	(11,378)	(274,209)	(285,587)
Net accounts receivable	<u>\$ 2,051</u>	<u>\$ 3,826,769</u>	<u>\$ 3,828,820</u>

3.C. CAPITAL ASSETS

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

	<u>Balance 7/1/13</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/14</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,142,838	\$ -	\$ -	\$ 2,142,838
Construction in Progress	146,532	23,633	146,532	23,633
Total Capital assets not being depreciated	<u>2,289,370</u>	<u>23,633</u>	<u>146,532</u>	<u>2,166,471</u>
Capital assets being depreciated				
Buildings	27,504,685	5,416	-	27,510,101
Equipment	6,793,422	251,562	155,585	6,889,399
Equipment under capital lease	-	-	-	-
Infrastructure	16,096,825	109,615	-	16,206,440
Improvements	6,459,487	386,521	-	6,846,008
Total Capital assets being depreciated	<u>56,854,419</u>	<u>753,114</u>	<u>155,585</u>	<u>57,451,948</u>
Less accumulated depreciation for:				
Buildings	10,245,571	541,648	-	10,787,219
Equipment	5,462,203	415,668	153,345	5,724,526
Infrastructure	11,604,990	38,445	-	11,643,435
Improvements	3,012,488	352,576	-	3,365,064
Total accumulated depreciation	<u>30,325,252</u>	<u>1,348,337</u>	<u>153,345</u>	<u>31,520,244</u>
Total capital assets, being depreciated, net	<u>26,529,167</u>			<u>25,931,704</u>
Governmental activities capital assets, net	<u>\$ 28,818,537</u>			<u>\$ 28,098,175</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 224,934	\$ -	\$ -	\$ 224,934
Construction in Progress	7,677,721	3,277,136	2,400,002	8,554,855
Total Capital assets not being depreciated	<u>7,902,655</u>	<u>3,277,136</u>	<u>2,400,002</u>	<u>8,779,789</u>
Capital assets being depreciated				
Buildings	1,721,927	-	6,681	1,715,246
Equipment	7,833,320	488,822	567,434	7,754,708
Plant	98,237,414	4,056,180	587,569	101,706,025
Total Capital assets being depreciated	<u>107,792,661</u>	<u>4,545,002</u>	<u>1,161,684</u>	<u>111,175,979</u>
Less accumulated depreciation for:				
Buildings	904,850	31,817	(7,420)	944,087
Equipment	5,479,163	406,764	516,234	5,369,693
Plant	40,348,098	2,850,405	677,005	42,521,498
Total accumulated depreciation	<u>46,732,111</u>	<u>3,288,986</u>	<u>1,185,819</u>	<u>48,835,278</u>
Total capital assets, being depreciated, net	<u>61,060,550</u>			<u>62,340,701</u>
Business-type activities capital assets, net	<u>\$ 68,963,205</u>			<u>\$ 71,120,490</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 239,900
Public safety	201,839
Public works	150,097
Health, recreation and welfare	<u>756,501</u>
Total depreciation expense	<u>\$1,348,337</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 DEBT

The reporting entity's long-term debt 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, 2014, the governmental long-term debt of the financial reporting entity consisted of the following:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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%. \$ 2,390,000

2003 General Obligation Refunding Bonds dated March 12, 2003, due December 1, 2003, through December 1, 2016, bearing interest rates of 1.75% to 5.40%. 500,000

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%. 6,325,000

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%, 1,260,000

2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest. 528,702

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%. 297,752

Capital Outlay Notes

2005 capital outlay note. Interest 4.05% with final payment due September 1, 2017. 190,000

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest. 273,060

11,764,514

Other Debt

Compensated absences 1,182,243

Unamortized debt premiums 7,730

Landfill closure costs 220,937

Total Government Activity Debt \$ 13,175,424

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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%	\$ 1,595,000
2011 Gas Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	1,585,000
2011 Water Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	1,755,000
2009 Water and Sewer Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	5,740,000
2007 Electric Department Revenue Bonds, dated April 24, 2007, due November 1, 2007 through May 1, 2032, bearing an interest rate of 4.09%.	7,580,000
2011 Electric Plant Revenue Bonds, variable interest of 2.0% to 4.0% due serially through 2037	7,790,000

General Obligatoin Bonds

2012 General Obligation Bonds - Gas portion, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	20,412
2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	3,946,835

Other liabilities

Compensated absences	2,222,886
Unamortized debt premiums	<u>56,432</u>

Total Business-type Activites	<u><u>\$ 32,291,565</u></u>
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Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

	Balance 7/1/2013	Issues or Additions	Retirements	Balance 6/30/2014	Due within one year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 12,246,993	\$ -	\$ 945,539	\$ 11,301,454	\$ 966,237
Notes Payable	608,292	-	145,232	463,060	80,232
Landfill Closure Costs	221,243	-	306	220,937	-
Compensated Absences	1,074,348	107,895	-	1,182,243	-
Unamortized debt premiums	8,202	-	472	7,730	-
Total governmental type activities	<u>14,159,078</u>	<u>107,895</u>	<u>1,091,549</u>	<u>13,175,424</u>	<u>1,046,469</u>
<u>Business Type Activities</u>					
Revenue Bonds	27,645,000	-	1,600,000	26,045,000	1,635,000
General Obligation Bonds	4,167,238	-	199,991	3,967,247	209,292
Compensated Absences	2,102,696	781,193	661,003	2,222,886	598,646
Unamortized debt premiums	60,733	-	4,301	56,432	-
Total business type activities	<u>33,975,667</u>	<u>781,193</u>	<u>2,465,295</u>	<u>32,291,565</u>	<u>2,442,938</u>
Total government	<u>\$ 48,134,745</u>	<u>\$ 889,088</u>	<u>\$ 3,556,844</u>	<u>\$ 45,466,989</u>	<u>\$ 3,489,407</u>

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, 2014 are as follows:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

General Obligation Bonds

Year Ending June 30,	Governmental Activities		Business-type Activities		Principal and Interest Total
	Principal	Interest	Principal	Interest	
2015	\$ 966,237	\$ 287,806	\$ 209,292	\$ 64,076	\$ 1,527,411
2016	987,633	267,059	227,896	61,983	1,544,571
2017	1,019,030	243,627	246,499	59,704	1,568,860
2018	850,077	223,411	260,452	57,240	1,391,180
2019	870,775	206,012	269,754	54,634	1,401,175
2020-2024	2,627,759	802,969	1,488,298	212,677	5,131,703
2025-2029	2,299,943	505,029	1,265,056	60,463	4,130,491
2030-2034	1,680,000	138,898	-	-	1,818,898
Total	\$ 11,301,454	\$ 2,674,811	\$ 3,967,247	\$ 570,777	\$ 18,514,289

Notes Payable

Revenue Bonds

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 80,232	\$ 6,784	\$ 1,635,000	\$ 937,964
2016	80,232	4,961	1,680,000	896,503
2017	85,232	3,038	1,295,000	856,350
2018	85,232	1,013	1,335,000	818,289
2019	35,232	-	1,370,000	776,525
2020-2024	96,900	-	5,075,000	3,306,962
2025-2029	-	-	6,010,000	2,296,710
2030-2034	-	-	6,190,000	987,771
2035-2039	-	-	1,455,000	88,900
	\$ 463,060	\$ 15,796	\$ 26,045,000	\$ 10,965,974

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	TRANSFER TO							Totals
	General	Water	School Tax Fund	DARE	Capital Projects	School Debt	General Purpose School	
TRANSFER FROM								
General	\$ -	\$ -	\$ 20,000	\$ -	\$ 156,000	\$ -	\$ 680,000	\$ 856,000
Police Drug Fund	-	-	-	2,000	-	-	-	2,000
Solid Waste	86,266	-	-	-	-	-	-	86,266
School Tax	-	-	-	-	-	969,480	383,000	1,352,480
Electric	743,851	-	-	-	-	-	-	743,851
Water	103,936	-	-	-	-	-	-	103,936
Gas	147,020	4,142	-	-	-	-	-	151,162
GRAND TOTALS	\$ 1,081,073	\$ 4,142	\$ 20,000	\$ 2,000	\$ 156,000	\$ 969,480	\$ 1,063,000	\$ 3,295,695

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. The transfer from the General Fund to the Capital Project Fund was for future projects.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

Interfund Receivables and Payables

	DUE TO:					Totals
	General	Capital Projects	Solid Waste	Water Systems	Gas	
DUE FROM:						
General	\$ -	\$ 157,819	\$ -	\$ 901	\$ -	\$ 158,720
Solid Waste	-	-	-	-	732	732
Gas	25	-	49,866	519,141	-	569,032
Water Systems	-	-	-	-	22,327	22,327
	<u>\$ 25</u>	<u>\$ 157,819</u>	<u>\$ 49,866</u>	<u>\$ 520,042</u>	<u>\$ 23,059</u>	<u>\$ 750,811</u>

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. The amount due to the Capital Projects Fund from the General Fund is for liquor tax receipts.

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, 2014 were \$46,040 and \$10,535, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

NOTE 4. OTHER NOTES

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.

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/14

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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Normal Retirement Date: First day of the month coinciding with or next following attainment of age 60. As of January 1, 1999, all new participants must attain age 60 with 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 life annuity with 120 months certain.

Maximum Annual Benefit: \$ 210,000 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. Effective, July 1, 1999, these contributions will be made with pre-tax dollars.

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:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

<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%

Actuarial Valuation

An actuarial valuation was performed on the plan as of January 1, 2014. The actuarial cost method used was the projected unit credit cost method. Under this method, annual contributions consist of normal cost plus amortization of the unfunded actuarial accrued liability (UL) over a fixed period of years, selected within the minimum (10 years) and maximum (30 years) periods. Each year the maximum contribution is determined by 10-year amortization of the UL. The minimum contribution is determined by amortization over the remaining period at date of valuation. This period is 20 years as of January 1, 2014.

The present value of the participant's projected retirement, death and withdrawal benefits, including those expected to be earned in the future, based on projected future service and compensation, is calculated. The normal cost for an active participant is equal to that present value, divided by his total prior and expected future service. The actuarial accrued liability for an individual is that present value, multiplied by the ratio of his prior service to his expected total service.

The unfunded accrued liability is the excess, if any, of the accrued liability over the plan assets.

Actuarial assumptions used for post-retirement, mortality from the 2014 Combined Static Mortality Table with investment return of 7.0% per annum. For pre-retirement the mortality used was from the 2014 Combined Static Mortality Table with investment return of 7.5% per annum, salary projection of 4.0% per annum, retirement age of age 62 or current age if later.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

<u>Actuarial Present Values of Accumulated Plan Benefits</u>	<u>January 1, 2014</u>
Vested Benefits	
Participants currently receiving payments	\$ 234,806
Other Participants	
Active Employees	6,465,103
Deceased and Disabled Employees	83,289
Deferred Vested Terminated Employees	534,060
Total - Other Participants	<u>7,082,452</u>
Total Vested Benefits	<u>7,317,258</u>
Nonvested Benefits	<u>1,002,236</u>
Total Actuarial Present Values of Accumulated Plan Benefits	<u>\$ 8,319,494</u>

Statement of Changes in Accumulated Plan Benefits

Actuarial Present Value of Accumulated Plan Benefits at Beginning of Year	\$ 7,685,677
Increase (decrease) during the year attributable to:	
Benefits paid	(459,145)
Interest due to change in the discount period	576,426
Assumption change	24,278
Plan amendment	-
Benefits accumulated and actuarial gains and losses	<u>492,258</u>
Actuarial Present Value of Accumulated Plan Benefits at End of Year	<u>\$ 8,319,494</u>

Discount Assumption:

Pre-retirement	7.50%
Post-retirement	7.00%

The City began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The City 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. The City's current year contributions to the plan were \$31,057.

Electric System

Plan Description

The Board provides all retirement benefits for employees through a single-employer, defined benefit plan. Under the plan, all full-time employees are eligible. The System's payroll for employees covered by the plan for the year ended June 30, 2014, was \$2,628,452 and the total payroll for the year was \$3,139,729.

All employees of the System become participants on the first day of the calendar month on or immediately after completion of one year of service and attainment of age 20. The Plan provides normal retirement benefits at age 60. 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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 \$195,000. A reduced retirement benefit is available to employees upon early retirement.

Funding Policy

System employees are required to contribute 6% of their monthly earnings on a monthly basis. Recommended contributions to the plan are determined each year as part of the Actuarial Valuation process. The Projected Unit cost method is used under this plan. Under this method, annual contributions consist of normal cost plus amortization of the unfunded actuarial accrued liability over a fixed period of years, selected within the minimum (10 years) and maximum (5 to 30 years) periods permitted by law.

Annual Pension Cost

For the year ended June 30, 2014, the System's annual pension cost of \$671,883 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2012. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.5% a year and (b) 4.0% projected salary increases.

<u>Year Ended June 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 291,565	105.82%	\$ 76,928
2006	355,927	86.13%	125,010
2007	393,254	93.06%	148,825
2008	411,050	79.52%	227,954
2009	434,982	89.07%	266,054
2010	577,370	68.94%	433,557
2011	634,550	80.41%	536,915
2012	615,170	71.49%	687,302
2013	625,883	107.48%	608,462
2014	618,726	107.23%	529,255

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. The System's current year contributions to the plan were \$8,397.

School Department

Professional Staff:

Plan Description

The Lexington City School System contributes to the State Employee, Teachers, and Higher Education Employees Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or 25 years of service. Disability benefits are

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury while the member was in performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The maximum annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

Most teachers are required by state statute to contribute 5% of salary to the plan. The employer contribution rate for Lexington City School System is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2014, was 8.88% of annual covered payroll. The employer contribution requirement for Lexington City School System is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013, and 2012, were \$365,390, \$357,940, and \$365,668, respectively, equal to the required contributions for each year.

Non-Professional Staff:

The non-professional staff members of the System may elect a retirement plan option. The Lexington City School Board authorized funds for a 403-b tax sheltered individual annuity plan for each of the 25 qualifying individuals. The system would match a minimum of \$300 for the individual staff's \$300, for a total of \$600 required as a minimum contribution by Horace Mann authorized carriers to provide the plan. The system would match 3.5% of staff total yearly salary, with minimum match of \$300. Total contributions by the system amounted to \$ 14,701 for the 13-14 school year.

4.B. POST EMPLOYMENT HEALTHCARE PLAN – Electric System

Plan Description – Lexington Electric System sponsors a single-employer post-retirement benefit plan. The plan provides medical, dental, cancer and death benefits to eligible retirees and their spouses.

Funding Policy – The System intends to continue its policy of funding OPEB liabilities on a pay-go basis and to not pre-fund any unfunded annual required contributions as determined under GASB 45.

Annual OPEB Cost and Net OPEB Obligation – The System's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the System's net OPEB obligation.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

Components of Net OPEB Obligation

Annual required contribution	\$ 272,624
Interest on Net OPEB obligation	23,709
Adjustment to annual required contribution	<u>(29,035)</u>
Annual OPEB cost (expense)	267,298
Contributions and subsidy	<u>(97,133)</u>
Increase in net obligation	170,165
Net OPEB obligation (BOY)	<u>592,724</u>
Net OPEB (asset) obligation (EOY)	<u><u>\$ 762,889</u></u>

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 267,299	20.10%	\$ 762,889
6/30/2013	255,272	21.51%	592,724
6/30/2012	242,722	20.12%	392,360
6/30/2011	261,396	73.00%	198,464
6/30/2010	252,905	73.00%	146,868

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,942,183 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAT) of \$2,942,183. The covered payroll (annual payroll of active employees covered by the plan) was \$2,298,159 and the ratio of the UAAL to the covered payroll was 128.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5% after ten years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2011 was 30 years.

4.C. 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, 2014 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.D. 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 \$220,937 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.E. 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.

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.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

4.F. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Electric Department

In June 2011, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources and deferred inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. The System will continue to report bond issue costs as an asset and amortize those over the life of the bonds instead of expensing those costs in the current year in accordance with certain provisions included in GASB 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*. This regulatory option as part of GASB 65 is available due to the above mentioned costs being used for rate setting by the System. As of June 30, 2014 the System had no deferred outflows or inflows of resources to report.

All Departments of the City

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulated and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations.

4.G. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made on the Water System to record a payable to a customer that had been overbilled in prior years for water and sewer in the amount of \$110,684.

A prior period adjustment was made to the Governmental Activities on the Government-Wide Statement of Activities for construction in progress at June 30, 2013 that was not properly recorded in the amount of \$99,401.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

4.H. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Lexington Gas System

The System has a bypass project with estimated costs of \$134,903. As of June 30, 2014, there is approximately \$86,146 remaining to complete this project. The System has \$31,392 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, 2014. Commitments for these projects are described below.

The System has a sewer bypass project with estimated costs of \$157,205. As of June 30, 2014, there is approximately \$136,899 remaining to complete this project. The System has \$39,338 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

The System has a water bypass project with estimated costs of \$165,550. As of June 30, 2014, there is approximately \$109,086 remaining to complete this project. The System has \$40,468 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

The System has a sewer disaster recovery project with costs of \$967,940. As of June 30, 2014 there is \$808,374 remaining to complete this project which is to be fully funded with grant funds.

The System has a sewer improvement project with costs of \$823,300. As of June 30, 2014 there is \$794,155 remaining to complete this project. The System has been approved for a \$500,000 grant to help fund this project.

City of Lexington

The General Fund has an upcoming sidewalk/multimodal project with costs of \$664,775. The City has been approved for a \$631,536 grant to help fund this project.

The city is a defendant in a lawsuit brought against it. The City cannot predict the outcome of this case and it is possible a loss could be incurred. The amount of such a possible loss cannot be determined.

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2014

GENERAL GOVERNMENT

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
1/1/2014	\$ 7,753,920	\$ 9,584,178	\$ 1,830,258	80.90%	\$4,075,748	44.91%
1/1/2013	6,654,311	8,882,526	2,228,215	74.91%	4,306,398	51.74%
1/1/2012	5,645,217	8,077,844	2,432,627	69.89%	4,318,514	56.33%
1/1/2011	5,263,575	7,416,172	2,152,597	70.97%	4,595,481	46.84%
1/1/2010	4,474,711	6,579,039	2,104,328	68.01%	4,628,511	45.46%
1/1/2009	3,364,586	5,714,387	2,349,801	58.88%	4,221,025	55.67%
1/1/2008	3,450,120	4,708,371	1,258,251	73.28%	3,644,686	34.52%
1/1/2007	2,721,571	4,206,514	1,484,943	64.70%	3,541,656	41.93%
1/1/2006	2,186,366	3,609,216	1,422,850	60.58%	3,108,489	45.77%
1/1/2005	3,665,785	4,636,744	970,959	79.06%	3,239,833	29.97%
1/1/2004	3,254,596	4,145,005	890,409	78.52%	3,006,230	29.62%

Schedule of Employer Contribution

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 487,406	\$ 512,722	105.19%
2013	501,948	811,119	161.59%
2012	427,381	289,500	67.74%
2011	398,640	269,407	67.58%
2010	386,982	320,248	82.76%
2009	261,914	381,582	145.69%
2008	290,636	242,848	83.56%
2007	247,300	267,291	108.08%
2006	213,923	213,923	100.00%
2005	195,826	232,628	118.79%
2004	185,129	185,129	100.00%

ELECTRIC DEPARTMENT RETIREMENT SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
7/1/2013	\$ 6,050,953	\$ 10,059,855	\$ 4,008,902	60.15%	\$2,412,526	166.17%
7/1/2012	4,903,892	9,039,638	4,135,746	54.25%	2,367,840	174.66%
7/1/2011	4,498,615	8,639,525	4,140,910	52.07%	2,243,050	184.61%
7/1/2010	4,048,748	7,645,387	3,596,639	52.96%	2,380,389	151.09%
7/1/2009	3,735,311	7,168,167	3,432,856	52.11%	2,280,295	150.54%
7/1/2008	3,548,113	6,140,101	2,591,988	57.79%	2,058,102	125.94%
7/1/2007	2,926,987	5,279,482	2,352,495	55.44%	2,085,068	112.83%
7/1/2006	2,300,623	4,840,881	2,540,258	47.52%	1,965,177	129.26%
7/1/2005	1,783,470	4,273,195	2,489,725	41.74%	1,886,617	131.97%
7/1/2004	4,768,022	6,281,761	1,513,739	75.90%	2,304,175	65.70%

ELECTRIC DEPARTMENT POST-EMPLOYMENT SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
7/1/2011	\$ -	\$ 2,942,183	\$ 2,942,183	0.00%	\$2,298,159	128.02%
7/1/2008	-	3,355,294	3,355,294	0.00%	2,192,591	153.03%

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2014

Schedule of Funding Progress

Information relating to the City's pension can be found in the Notes to Financial Statements at Note 4.A. The schedule of funding progress is designed to reflect the pension plan's success over time in setting aside assets sufficient to cover its actuarial accrued liability.

CITY OF LEXINGTON, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue										Debt Service		Capital Projects	Total
	State Street Aid	School Tax Fund	School Food Service Fund	School Collection Fund	Dare Fund	Police Drug Fund	General Sinking Fund	School Debt Fund	Post Office Fund	Governmental Funds				
ASSETS														
Cash and cash equivalents	6,990	64,565	113,983	100	1,301	69,844	53,747	-	339,747	650,277				
Other receivables	-	-	-	49,866	-	-	-	-	12,231	12,231				
Due from other funds	-	-	-	15,782	-	-	-	-	157,819	207,685				
Prepaid insurance	-	-	-	-	-	-	-	-	-	15,782				
Inventory	-	-	26,751	-	-	-	-	-	-	26,751				
Due from other governments	35,881	219,741	-	-	-	-	-	-	-	255,622				
TOTAL ASSETS	42,871	284,306	140,734	65,748	1,301	69,844	53,747	-	509,797	1,168,348				
LIABILITIES AND FUND BALANCES														
LIABILITIES														
Accounts payable	-	500	-	-	-	1,737	-	-	-	2,237				
Accrued liabilities	-	-	-	5,959	-	-	-	-	-	5,959				
Unearned revenues - other	-	-	4,759	-	-	7,192	-	-	-	11,951				
Due to other funds	-	-	-	732	-	-	-	-	-	732				
TOTAL LIABILITIES	-	500	4,759	6,691	-	8,929	-	-	-	20,879				
FUND BALANCES														
Nonspendable	-	-	26,751	15,782	-	-	-	-	-	26,751				
Inventory	-	-	-	-	-	-	-	-	-	15,782				
Prepaid expenses	-	-	-	-	-	-	-	-	-	-				
Restricted	42,871	-	-	-	-	-	-	-	-	42,871				
State street aid	-	-	109,224	-	-	-	-	-	-	109,224				
School food authority	-	-	-	-	-	60,915	-	-	-	60,915				
Drug fund	-	-	-	43,275	-	-	-	-	-	43,275				
Solid waste	-	-	-	-	-	-	-	-	-	-				
Assigned	-	-	-	-	1,301	-	-	-	-	1,301				
DARE fund	-	283,806	-	-	-	-	-	-	-	283,806				
Debt service	-	-	-	-	-	-	53,747	-	-	53,747				
Capital projects	-	283,806	135,975	59,057	1,301	60,915	53,747	-	509,797	1,147,469				
TOTAL FUND BALANCES	42,871	283,806	135,975	59,057	1,301	60,915	53,747	-	509,797	1,147,469				
TOTAL LIABILITIES AND FUND BALANCES	42,871	284,306	140,734	65,748	1,301	69,844	53,747	-	509,797	1,168,348				

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, 2014

	State Street Aid Fund	School Tax Fund	School Food Fund	School Service Fund	Solid Waste Collection Fund	Dare Fund	Police Drug Fund	Debt Service			Capital Projects Post Office Fund	Total Other Governmental Funds
								General City Sinking Fund	School Debt Fund			
Revenues:												
Taxes	\$ 197,973	\$ 1,295,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,090	\$ 1,425,280	
Intergovernmental	-	-	441,577	-	-	-	-	-	-	-	639,560	
Charges for services	-	-	202,062	-	657,063	-	-	-	-	-	859,125	
Fines, forfeitures, and penalties	-	-	-	-	-	-	118,001	-	-	-	118,001	
Other revenue	4	17,300	948	-	6,349	147	526	-	-	185,829	424,367	
Total Revenues	197,977	1,312,490	644,587	-	663,412	147	118,527	213,264	213,264	315,919	3,466,323	
Expenditures:												
Current:												
Public works	190,931	-	-	-	584,722	-	-	-	-	-	775,653	
Public safety	-	5,337	612,414	-	-	2,072	64,566	7,278	-	155,248	66,638	
Health, welfare and recreation	-	-	-	-	-	-	24,926	-	-	-	780,277	
Capital outlay	-	-	-	-	-	-	-	182,204	-	-	24,926	
Debt Service	190,931	5,337	612,414	-	584,722	2,072	69,492	189,482	969,480	155,248	1,151,684	
Total Expenditures	7,046	1,307,153	32,173	-	78,690	(1,925)	29,035	23,782	(969,480)	160,671	667,145	
Revenues over Expenditures												
Other Financing Sources (Uses)												
Sale of capital assets	-	-	-	-	-	-	4,350	-	-	-	4,350	
Operating transfer in	-	20,000	-	-	-	2,000	-	-	969,480	156,000	1,147,480	
Operating transfer (out)	-	(1,352,480)	-	-	(86,265)	-	(2,000)	-	-	-	(1,440,745)	
Total Other Financing Sources and (Uses)	-	(1,332,480)	-	-	(86,265)	2,000	2,350	-	969,480	156,000	(286,915)	
Net Change in Fund Balances	7,046	(25,327)	32,173	(270)	(7,575)	75	31,385	23,782	-	316,671	378,230	
Fund Balance at Beginning of Year, as originally stated	35,825	309,133	104,072	-	66,632	1,226	29,530	29,965	-	193,126	769,509	
Change in reserve for inventory	-	-	(270)	-	-	-	-	-	-	-	(270)	
Fund Balance at Beginning of Year, as restated	35,825	309,133	103,802	-	66,632	1,226	29,530	29,965	-	193,126	769,239	
Fund Balance at End of Year	\$ 42,871	\$ 283,806	\$ 135,975	\$ -	\$ 59,057	\$ 1,301	\$ 60,915	\$ 53,747	\$ -	\$ 509,797	\$ 1,147,469	

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, 2014

STUDENT ACTIVITY FUND	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
ASSETS				
Cash	\$ 55,751	\$ 218,970	\$ 210,819	\$ 63,902
Accounts receivable	-	27	-	27
	<u>\$ 55,751</u>	<u>\$ 218,997</u>	<u>\$ 210,819</u>	<u>\$ 63,929</u>
 Liabilities				
Due to student groups	\$ 55,202	\$ 218,997	\$ 210,270	\$ 63,929
Accounts Payable	549	-	549	-
	<u>\$ 55,751</u>	<u>\$ 218,997</u>	<u>\$ 210,819</u>	<u>\$ 63,929</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, 2014**

	<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	\$ 198,260	\$ 195,000	\$ 135,761	\$ (59,239)
State gas 1989 tax	-	-	21,783	21,783
State gas three cent tax	-	-	40,429	40,429
Other revenues				
Interest income	-	-	4	4
Total revenues	<u>198,260</u>	<u>195,000</u>	<u>197,977</u>	<u>2,977</u>
Expenditures:				
Public Works:				
Street lighting	198,000	191,500	190,931	569
Total expenditures	<u>198,000</u>	<u>191,500</u>	<u>190,931</u>	<u>569</u>
Revenues over (under) Expenditures	<u>260</u>	<u>3,500</u>	<u>7,046</u>	<u>3,546</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	260	3,500	7,046	3,546
Fund Balance at Beginning of Year	<u>35,825</u>	<u>35,825</u>	<u>35,825</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 36,085</u>	<u>\$ 39,325</u>	<u>\$ 42,871</u>	<u>\$ 3,546</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,320,965	\$ 1,295,000	\$ 1,295,190	\$ 190
Other revenues:				
Interest income	16,350	16,850	17,300	450
Total Revenues	<u>1,337,315</u>	<u>1,311,850</u>	<u>1,312,490</u>	<u>640</u>
Expenditures:				
Health, Welfare and Recreation				
Operating costs	2,500	3,000	2,905	95
Paying agent fees	2,000	2,500	2,432	68
Total Expenditures	<u>4,500</u>	<u>5,500</u>	<u>5,337</u>	<u>163</u>
 Revenues over (under) Expenditures	 <u>1,332,815</u>	 <u>1,306,350</u>	 <u>1,307,153</u>	 <u>803</u>
Other financing sources and uses:				
Transfers in	20,000	20,000	20,000	-
Transfers out	(1,352,481)	(1,352,481)	(1,352,480)	1
Total Other financing sources and uses	<u>(1,332,481)</u>	<u>(1,332,481)</u>	<u>(1,332,480)</u>	<u>1</u>
 Net Change in Fund Balances	 334	 (26,131)	 (25,327)	 804
 Fund Balance at Beginning of Year	 <u>309,133</u>	 <u>309,133</u>	 <u>309,133</u>	 <u>-</u>
 Fund Balance at End of Year	 <u>\$ 309,467</u>	 <u>\$ 283,002</u>	 <u>\$ 283,806</u>	 <u>\$ 804</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
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenue/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Payment for lunches							
Student	\$ 100,000	\$ 75,500	\$ 75,602	\$ -	\$ -	\$ 75,602	\$ 102
Adult	21,000	15,700	15,761	-	-	15,761	61
Payment for breakfast							
Student	35,000	35,000	36,285	-	-	36,285	1,285
USDA - lunch programs	258,000	258,000	253,779	-	-	253,779	(4,221)
USDA - breakfast programs	118,000	118,000	134,884	-	-	134,884	16,884
USDA - commodities	42,000	42,000	37,859	-	-	37,859	(4,141)
USDA - other	8,000	8,000	7,278	-	-	7,278	(722)
State matching funds	5,884	5,884	5,777	-	-	5,777	(107)
Other grant revenues	2,000	2,000	2,000	-	-	2,000	-
A La Carte sales	31,000	31,000	44,411	-	-	44,411	13,411
Revenues from individual schools	36,000	36,000	30,003	-	-	30,003	(5,997)
Interest income	500	500	356	-	-	356	(144)
Other revenues	-	-	592	-	-	592	592
Total Revenues	657,384	627,584	644,587	-	-	644,587	17,003
Expenditures							
Food supplies	312,000	277,187	262,350	-	-	262,350	14,837
Personnel expenditures							
Supervisor/director	27,640	27,640	27,639	-	-	27,639	1
Accountants and bookkeepers	17,520	17,520	17,519	-	-	17,519	1
Cafeteria personnel	191,915	191,946	184,212	-	-	184,212	7,734
Other salaries and wages	4,000	4,000	-	-	-	-	4,000
Inservice training	1,650	1,799	1,293	-	-	1,293	506
Social security	14,235	14,235	13,027	-	-	13,027	1,208
Medical insurance	47,070	49,641	49,597	-	-	49,597	44
Dental insurance	1,242	1,361	1,224	-	-	1,224	137
Unemployment compensation	975	1,037	967	-	-	967	70
Retirement	3,200	3,203	3,186	-	-	3,186	17
Employer medicare	3,300	3,300	3,047	-	-	3,047	253
Dues and memberships	240	240	81	-	-	81	159
Operations and maintenance							
Maintenance and repair	10,000	6,500	3,868	-	-	3,868	2,632
Nonfood supplies							
Food preparation supplies	20,000	20,000	15,099	-	-	15,099	4,901
Office supplies	2,035	2,035	1,557	-	-	1,557	478
Uniforms	1,000	1,000	911	-	-	911	89
Other supplies and materials	5,000	5,822	5,822	-	-	5,822	-
Other							
Travel	100	100	-	-	-	-	100
Other contracted services	10,000	10,000	9,001	-	-	9,001	999
Other transportation	2,500	6,000	4,403	-	-	4,403	1,597
Inservice/staff development	4,920	5,965	5,965	-	-	5,965	-
Other charges	100	313	312	-	-	312	1
Equipment	2,500	2,500	1,334	-	-	1,334	1,166
Total Expenditures	683,142	653,344	612,414	-	-	612,414	40,930
Excess (deficiency) of revenues over (under) expenditures	(25,758)	(25,760)	32,173	-	-	32,173	57,933
Fund Balance at Beginning of Year, as originally stated	104,072	104,072	104,072	-	-	104,072	-
Change in reserve for inventory	-	-	(270)	-	-	(270)	(270)
Fund Balance at Beginning of Year, as restated	104,072	104,072	103,802	-	-	103,802	(270)
Fund Balance at End of Year	\$ 78,314	\$ 78,312	\$ 135,975	\$ -	\$ -	\$ 135,975	\$ 57,663

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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services:				
Collection charges	\$ 600,000	\$ 601,500	\$ 604,138	\$ 2,638
Landfill use fees	55,000	53,000	52,925	(75)
Other revenues:				
Miscellaneous income	11,000	6,500	6,349	(151)
Total revenues	666,000	661,000	663,412	2,412
Expenditures				
Public Works:				
Salaries	250,750	237,500	237,399	101
Payroll taxes	19,182	17,150	17,097	53
Hospital and health insurance	53,900	50,000	49,546	454
Workers compensation insurance	24,300	14,500	13,896	604
Unemployment insurance	630	750	703	47
Utilities	1,900	2,300	2,202	98
Telephone	500	500	491	9
Consultant's services	1,000	1,000	-	1,000
Tires, flats, etc.	8,000	8,000	7,483	517
R&M vehicles	10,000	13,000	11,784	1,216
R&M machinery and equipment	5,000	5,000	3,363	1,637
R&M grounds	500	500	60	440
R&M buildings	500	500	54	446
R&M other	500	1,500	1,322	178
Office supplies	1,000	750	499	251
Operating supplies	1,500	750	206	544
Other operating	33,550	28,000	27,015	985
Janitorial supplies	200	200	80	120
Clothing and uniforms	2,450	2,450	2,296	154
Fuel supplies	44,000	41,000	39,368	1,632
Consumable tools	250	500	167	333
Small items of equipment	-	1,000	380	620
Safety supplies	1,500	1,500	1,417	83
Insurance	8,000	8,100	7,880	220
Tipping fees	150,000	145,500	144,933	567
Permit fees	3,300	3,300	3,075	225
Soil testing	3,500	3,500	3,326	174
Bad debt expense	10,000	7,000	8,680	(1,680)
New cell	5,000	2,350	-	2,350
Total expenditures	640,912	598,100	584,722	13,378
Revenues over (under) expenditures	25,088	62,900	78,690	15,790
Other financing sources and uses:				
Transfers in (out)	(25,088)	(62,900)	(86,265)	(23,365)
Net change in fund balances	-	-	(7,575)	(7,575)
Fund Balance at Beginning of Year	66,632	66,632	66,632	-
Fund Balance at End of Year	\$ 66,632	\$ 66,632	\$ 59,057	\$ (7,575)

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, 2014**

	<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	\$ -	\$ 100	\$ 147	\$ 47
Total revenues	<u>-</u>	<u>100</u>	<u>147</u>	<u>47</u>
Expenditures:				
Public Safety:				
Public relations	2,000	2,100	2,072	28
Total expenditures	<u>2,000</u>	<u>2,100</u>	<u>2,072</u>	<u>28</u>
Revenues over (under) expenditures	<u>(2,000)</u>	<u>(2,000)</u>	<u>(1,925)</u>	<u>75</u>
Other financing sources and uses:				
Transfers in	2,000	2,000	2,000	-
Net change in fund balances	-	-	75	75
Fund Balance at Beginning of Year	<u>1,226</u>	<u>1,226</u>	<u>1,226</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,226</u>	<u>\$ 1,226</u>	<u>\$ 1,301</u>	<u>\$ 75</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, 2014**

	<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	\$ 20,000	\$ 17,440	\$ 17,443	\$ 3
Forfeitures	37,500	41,800	42,295	495
Sale of seized property	55,000	62,600	58,263	(4,337)
Other revenues:				
Interest income	200	325	351	26
Miscellaneous income	-	175	175	-
Total revenues	<u>112,700</u>	<u>122,340</u>	<u>118,527</u>	<u>(3,813)</u>
Expenditures:				
Public Safety:				
Salaries	34,400	34,400	34,400	-
Vehicle tow (seized property)	1,000	1,000	675	325
Telephone	1,700	1,850	1,746	104
Repair and maintenance	2,000	1,000	212	788
Operating costs	12,000	14,000	12,264	1,736
Educational costs	2,000	2,000	50	1,950
Small items of equipment	-	-	15,219	(15,219)
Capital outlay	57,600	66,090	24,926	41,164
Total expenditures	<u>110,700</u>	<u>120,340</u>	<u>89,492</u>	<u>30,848</u>
Revenues over (under) expenditures	<u>2,000</u>	<u>2,000</u>	<u>29,035</u>	<u>27,035</u>
Other financing sources and uses:				
Sale of capital assets	-	-	4,350	4,350
Transfer out	(2,000)	(2,000)	(2,000)	-
Total other financing sources and uses	<u>(2,000)</u>	<u>(2,000)</u>	<u>2,350</u>	<u>4,350</u>
Net change in fund balances	-	-	31,385	31,385
Fund Balance at Beginning of Year	<u>29,530</u>	<u>29,530</u>	<u>29,530</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 29,530</u>	<u>\$ 29,530</u>	<u>\$ 60,915</u>	<u>\$ 31,385</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, 2014

	<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:				
Rent - U. S. Post Office	\$ 196,000	\$ 196,000	\$ 196,000	\$ -
Interest income	-	-	20	20
Insurance recoveries	-	17,244	17,244	-
Total revenues	<u>196,000</u>	<u>213,244</u>	<u>213,264</u>	<u>20</u>
Expenditures:				
Health, Welfare and Recreation:				
Repair and maintenance	5,000	25,000	2,302	22,698
Insurance	4,500	5,000	4,976	24
Debt Service:				
Principal payments	150,000	150,000	150,000	-
Interest payments	31,050	31,050	31,050	-
Paying agent fees	1,500	1,500	1,154	346
Total expenditures	<u>192,050</u>	<u>212,550</u>	<u>189,482</u>	<u>23,068</u>
Revenues over (under) expenditures	<u>3,950</u>	<u>694</u>	<u>23,782</u>	<u>23,088</u>
Other financing sources and uses:				
Transfer out	-	-	-	-
Net change in fund balances	<u>3,950</u>	<u>694</u>	<u>23,782</u>	<u>23,088</u>
Fund Balance at Beginning of Year	<u>29,965</u>	<u>29,965</u>	<u>29,965</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 33,915</u>	<u>\$ 30,659</u>	<u>\$ 53,747</u>	<u>\$ 23,088</u>

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

CITY OF LEXINGTON, TENNESSEE
DEBT SERVICE - SCHOOL DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014

	<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	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt Service:				
Principal payments	740,529	750,000	748,776	1,224
Interest payments	217,979	221,000	220,704	296
Paying agent fees	-	-	-	-
Total expenditures	<u>958,508</u>	<u>971,000</u>	<u>969,480</u>	<u>1,520</u>
Revenues over (under) expenditures	<u>(958,508)</u>	<u>(971,000)</u>	<u>(969,480)</u>	<u>1,520</u>
Other financing sources and uses:				
Transfers in	<u>958,508</u>	<u>971,000</u>	<u>969,480</u>	<u>(1,520)</u>
Total other financing sources and uses	<u>958,508</u>	<u>971,000</u>	<u>969,480</u>	<u>(1,520)</u>
Net change in fund balances	-	-	-	-
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2014**

	<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	\$ 137,000	\$ 126,000	\$ 130,090	\$ 4,090
Other revenues:				
Interest income	150	150	216	66
Donations	-	500	500	-
Fireworks contributions	11,100	11,100	10,550	(550)
Insurance recoveries	-	136,985	139,039	2,054
Miscellaneous income	-	35,520	35,524	4
Total Revenues	<u>148,250</u>	<u>310,255</u>	<u>315,919</u>	<u>5,664</u>
Expenditures:				
Health, welfare and recreation:				
Fireworks	11,100	11,100	10,314	786
Public functions	3,300	2,800	632	2,168
Museum exhibits	-	500	250	250
Museum improvements	12,970	-	-	-
General computer and lighting	27,680	60,000	-	60,000
Repair and maintenance	-	141,000	140,999	1
Repairs - storm damage	-	3,055	3,053	2
Capital projects	112,750	132,750	-	132,750
Total Expenditures	<u>167,800</u>	<u>351,205</u>	<u>155,248</u>	<u>195,957</u>
Revenues over (under) Expenditures	(19,550)	(40,950)	160,671	201,621
Other financing sources and uses:				
Transfers in	-	156,000	156,000	-
Net Change in Fund Balances	(19,550)	115,050	316,671	201,621
Fund Balance at Beginning of Year	<u>193,126</u>	<u>193,126</u>	<u>193,126</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 173,576</u>	<u>\$ 308,176</u>	<u>\$ 509,797</u>	<u>\$ 201,621</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, 2014

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2014	\$1.23	\$ 173,711,509	\$ 2,127,272	\$ -	\$ 2,127,272	\$ -	\$ -	\$ 2,127,272
2013	1.23	176,525,774	2,171,302	2,136,686	34,616	(185)	2,070,297	100,820
2012	1.23	176,045,704	2,165,379	83,572	-	3,718	76,619	10,671
2011	1.23	172,560,623	2,122,526	14,089	-	(5)	13,896	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	128	-	(128)	-	-
2001	0.75	129,764,140	1,018,037	75	-	-	-	75
				<u>\$ 2,234,550</u>	<u>\$ 2,161,888</u>	<u>\$ 3,400</u>	<u>\$ 2,160,812</u>	<u>\$ 2,239,026</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, 2014

Year Ending June 30	Capital Outlay - 2005		EESI Loan		2004 - OZAB Bonds		Refunding Bond Series 2003		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	Principal	Interest	Principal	Interest
2015	\$ 45,000	\$ 6,784	\$ 35,232	-	\$ 75,529	\$ -	\$ 155,000	\$ 22,815	\$ 295,000	\$ 152,636	\$ 45,000	\$ 52,654	\$ 380,000	\$ 54,092	\$ 15,708	\$ 4,809	\$ 1,046,469	\$ 294,590
2016	45,000	4,961	35,232	-	75,529	-	165,000	14,175	300,000	149,686	45,000	51,304	395,000	47,242	17,104	4,652	1,067,865	272,020
2017	50,000	3,038	35,232	-	75,529	-	180,000	4,860	305,000	145,186	45,000	49,954	395,000	39,146	18,501	4,481	1,104,262	246,665
2018	50,000	1,013	35,232	-	75,529	-	-	-	310,000	140,612	45,000	48,664	400,000	29,960	19,548	4,295	935,309	224,424
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	-	75,528	-	-	-	325,000	123,260	55,000	42,698	-	-	21,642	3,596	512,402	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	-	90,000	4,162	-	-	-	-	90,000	4,162
	\$ 190,000	\$ 15,795	\$ 273,060	\$ -	\$ 528,702	\$ -	\$ 500,000	\$ 41,850	\$ 6,325,000	\$ 1,738,717	\$ 1,260,000	\$ 655,176	\$ 2,330,000	\$ 196,230	\$ 297,752	\$ 42,838	\$ 11,764,514	\$ 2,690,607

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, 2014

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 208,215	\$ 63,746	\$ 195,000	\$ 239,758	\$ 555,000	\$ 33,808	\$ 958,215	\$ 337,312
2016	226,723	61,664	205,000	233,908	565,000	22,607	996,723	318,179
2017	245,231	59,397	210,000	227,758	155,000	15,290	610,231	302,445
2018	259,112	56,945	215,000	221,458	155,000	11,687	629,112	290,090
2019	268,366	54,353	220,000	214,740	160,000	7,350	648,366	276,443
2020	277,620	51,401	230,000	203,740	165,000	2,475	672,620	257,616
2021	286,874	47,653	235,000	194,540	-	-	521,874	242,193
2022	296,128	43,494	245,000	185,140	-	-	541,128	228,634
2023	305,382	37,571	255,000	175,340	-	-	560,382	212,911
2024	314,636	31,464	265,000	165,140	-	-	579,636	196,604
2025	328,517	25,171	280,000	154,540	-	-	608,517	179,711
2026	342,398	18,601	295,000	142,990	-	-	637,398	161,591
2027	356,279	11,753	305,000	130,452	-	-	661,279	142,205
2028	231,354	4,627	320,000	117,108	-	-	551,354	121,735
2029	-	-	335,000	103,109	-	-	335,000	103,109
2030	-	-	350,000	88,368	-	-	350,000	88,368
2031	-	-	365,000	72,618	-	-	365,000	72,618
2032	-	-	380,000	56,194	-	-	380,000	56,194
2033	-	-	405,000	38,618	-	-	405,000	38,618
2034	-	-	430,000	19,888	-	-	430,000	19,888
	<u>\$ 3,946,835</u>	<u>\$ 567,840</u>	<u>\$ 5,740,000</u>	<u>\$ 2,985,407</u>	<u>\$ 1,755,000</u>	<u>\$ 93,217</u>	<u>\$ 11,441,835</u>	<u>\$ 3,646,464</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, 2014

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,077	\$ 330	\$ 55,000	\$ 66,711	\$ 305,000	\$ 34,047	\$ 361,077	\$ 101,088
2016	1,173	319	55,000	65,061	310,000	27,898	366,173	93,278
2017	1,268	307	55,000	63,411	315,000	21,411	371,268	85,129
2018	1,340	295	60,000	61,761	325,000	13,962	386,340	76,018
2019	1,388	281	60,000	59,886	330,000	4,950	391,388	65,117
2020	1,436	266	60,000	56,886	-	-	61,436	57,152
2021	1,484	246	65,000	54,486	-	-	66,484	54,732
2022	1,532	225	70,000	51,886	-	-	71,532	52,111
2023	1,579	194	70,000	49,086	-	-	71,579	49,280
2024	1,627	163	75,000	46,286	-	-	76,627	46,449
2025	1,699	130	75,000	43,286	-	-	76,699	43,416
2026	1,771	96	80,000	40,192	-	-	81,771	40,288
2027	1,843	61	85,000	36,792	-	-	86,843	36,853
2028	1,195	24	90,000	33,073	-	-	91,195	33,097
2029	-	-	95,000	29,136	-	-	95,000	29,136
2030	-	-	100,000	24,956	-	-	100,000	24,956
2031	-	-	100,000	20,456	-	-	100,000	20,456
2032	-	-	110,000	15,956	-	-	110,000	15,956
2033	-	-	115,000	10,868	-	-	115,000	10,868
2034	-	-	120,000	5,550	-	-	120,000	5,550
	<u>\$ 20,412</u>	<u>\$ 2,937</u>	<u>\$ 1,595,000</u>	<u>\$ 835,725</u>	<u>\$ 1,585,000</u>	<u>\$ 102,268</u>	<u>\$ 3,200,412</u>	<u>\$ 940,930</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, 2014

Year Ending June 30,	Series 2007 Revenue Bonds		Series 2011 Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 290,000	\$ 310,022	\$ 235,000	\$ 253,618	\$ 525,000	\$ 563,640
2016	305,000	298,161	240,000	248,868	545,000	547,029
2017	315,000	285,687	245,000	242,793	560,000	528,480
2018	330,000	272,803	250,000	236,618	580,000	509,421
2019	345,000	259,306	255,000	230,293	600,000	489,599
2020	355,000	245,195	265,000	223,156	620,000	468,351
2021	370,000	230,676	270,000	216,806	640,000	447,482
2022	390,000	215,543	280,000	210,268	670,000	425,811
2023	405,000	199,592	290,000	202,962	695,000	402,554
2024	420,000	183,028	295,000	194,731	715,000	377,759
2025	440,000	165,849	310,000	185,656	750,000	351,505
2026	455,000	147,854	320,000	176,006	775,000	323,860
2027	475,000	129,244	335,000	165,562	810,000	294,806
2028	495,000	109,817	345,000	154,297	840,000	264,114
2029	515,000	89,571	360,000	142,176	875,000	231,747
2030	535,000	68,507	375,000	129,079	910,000	197,586
2031	560,000	46,626	390,000	114,969	950,000	161,595
2032	580,000	23,722	405,000	100,062	985,000	123,784
2033	-	-	425,000	84,234	425,000	84,234
2034	-	-	445,000	67,100	445,000	67,100
2035	-	-	465,000	48,900	465,000	48,900
2036	-	-	485,000	29,900	485,000	29,900
2037	-	-	505,000	10,100	505,000	10,100
	<u>\$ 7,580,000</u>	<u>\$ 3,281,203</u>	<u>\$ 7,790,000</u>	<u>\$ 3,668,154</u>	<u>\$ 15,370,000</u>	<u>\$ 6,949,357</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, 2014

<u>Tax Year</u>	<u>Outstanding Balance</u>
2012	\$ 10,671
2011	188
2009	-
2008	-
2007	-
2006	-
2005	-
2004	-
2003	-
2002	-
2001	75
Total	<u>\$ 10,934</u>

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

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2014**

GAS FUND					
Residential Rate	<u>Minimum</u>	<u>Base Rate</u>	+	<u>PGA Rate</u>	
First 500 cubic feet (minimum)	\$ 6.70				
Over 500 cubic feet: Inside city (per MCF)		\$ 1.60	+	current PGA	= Rate Per Cubic Foot
Outside city (per MCF)		\$ 2.30	+	current PGA	= Rate Per Cubic Foot
Small Commercial Rate					
First 500 cubic feet (minimum)	\$ 7.50				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.40	+	current PGA	= Rate Per Cubic Foot
Outside city (per MCF)		\$ 3.20	+	current PGA	= Rate Per Cubic Foot
Medium Commercial Rate					
First 500 cubic feet (minimum)	\$ 24.85				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.60	+	current PGA	= Rate Per Cubic Foot
Outside city (per MCF)		\$ 3.40	+	current PGA	= Rate Per Cubic Foot
Large Commercial Rate					
First 500 cubic feet (minimum)	\$ 124.60				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.70	+	current PGA	= Rate Per Cubic Foot
Outside city (per MCF)		\$ 3.50	+	current PGA	= Rate Per Cubic Foot
Transport (Customer buys from 3rd party)		\$ 1.88			
Number of customers at year end:	<u>8,957</u>				

+ PGA (Purchased Gas Adjustment) - This Rate is set monthly from calculations based on the average total costs associated with natural gas purchases. During the 2012/2013 fiscal year the PGA varied from a low of \$4.66 to a high of \$6.43

WATER SYSTEMS

INSIDE CITY LIMITS	
WATER RATES - RESIDENTIAL	
0-2,000 gallons	\$ 12.50
All over 2,000 gallons	\$2.00 per 1,000 gallons
WATER RATES - COMMERCIAL RATES	
Small Commercial Rate 0-2,000 gallons	\$ 14.00
All over 2,000 gallons	\$2.15 per 1,000 gallons
Medium Commercial Rate 0-2,000 gallons	\$ 16.00
All over 2,000 gallons	\$2.25 per 1,000 gallons
Large Commercial Rate	\$ 18.00
All over 2,000 gallons	\$2.35 per 1,000 gallons
OUTSIDE CITY LIMITS	
WATER RATES - RESIDENTIAL	
0-2,000 gallons	\$ 21.00
All over 2,000 gallons	\$3.50 per 1,000 gallons
WATER RATES - COMMERCIAL RATES	
Small Commercial Rate 0-2,000 gallons	\$ 22.50
All over 2,000 gallons	\$3.75 per 1,000 gallons
Medium Commercial Rate 0-2,000 gallons	24.50
All over 2,000 gallons	\$3.90 per 1,000 gallons
Large Commercial Rate	26.50
All over 2,000 gallons	\$4.05 per 1,000 gallons
NUMBER OF CUSTOMERS AT YEAR END:	<u>9,717</u>
SEWER RATES - RESIDENTIAL	
0-2,000 gallons	\$ 15.00
All over 2,000 gallons	\$4.00 per 1,000 gallons
SEWER RATES - COMMERCIAL RATES	
Small Commercial Rate	\$ 15.00
Medium Commercial Rate	37.00
Large Commercial Rate	62.00
All over 2,000 gallons	\$4.00 per 1,000 gallons
NUMBER OF CUSTOMERS AT YEAR END:	<u>3,402</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, 2014

Electric Department	
Residential Rate Schedule - RS	
Customer Charge - per delivery point per month	\$ 13 10
Energy Charges - cents per kWh	0 09475
General Power Rate Schedule - GSA	
GSA-1 (0.50 kw)	
Customer Charge - per delivery point per month	\$ 12 96
Energy Charges - per kWh	0 10603
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	12 10
Energy charge - per kw - First 15 000 kWh	0 10603
- Additional kWh	0 06473
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	11 99
- Excess over 1,000 kW	14 12
Energy charge - per kW	0 06647
GSA	
Customer charge - per delivery point per month	\$ 1,500 00
Administrative charge	350 00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16 45
Energy charge - cents per kWh use of metered demand per month	0 09683
OffPeak:	
All kW - per kW per month	\$ 4 00
Energy charge - cents per kWh for up to 425 hours	0 06215
Next 195 kWh	0 04349
Over 620 kWh	0 02764
GSC	
Customer charge - per delivery point per month	\$ 1,500 00
Administrative charge	350 00
Demand charges	
Onpeak:	
All kW - per kW per month	15 49
Energy charge - cents per kWh use of metered demand per month	0 09323
OffPeak:	
All kW - per kW per month	\$ 3 49
Energy charge - cents per kWh for up to 425 hours	0 05954
Next 195 kWh	0 04086
Over 620 kWh	0 02501
GSD	
Customer charge - per delivery point per month	\$ 1,500 00
Administrative charge	\$ 350 00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15 83
Energy charge - cents per kWh use of metered demand per month	0 09170
OffPeak:	
All kW - per kW per month	\$ 3 38
Energy charge - cents per kWh for up to 425 hours	0 05696
Next 195 kWh	0 03290
Over 620 kWh	0 02244
MSB1	
Customer charge - per delivery point per month	\$ 1,500 00
Administrative charge	\$ 350 00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16 45
Energy charge - cents per kWh use of metered demand per month	0 08166
OffPeak:	
All kW - per kW per month	\$ 4 00
Energy charge - cents per kWh for up to 425 hours	0 04737
Next 195 kWh	0 02871
Over 620 kWh	0 01286
MSC	
Customer charge - per delivery point per month	\$ 1,500 00
Administrative charge	\$ 350 00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15 94
Energy charge - cents per kWh use of metered demand per month	0 08248
OffPeak:	
All kW - per kW per month	\$ 3 49
Energy charge - cents per kWh for up to 425 hours	0 04723
Next 195 kWh	0 02857
Over 620 kWh	0 01273
MSD	
Customer charge - per delivery point per month	\$ 1,500 00
Administrative charge	\$ 350 00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15 83
Energy charge - cents per kWh use of metered demand per month	0 08080
OffPeak:	
All kW - per kW per month	\$ 3 38
Energy charge - cents per kWh for up to 425 hours	0 04558
Next 195 kWh	0 02691
Over 620 kWh	0 01108
OL	
Energy charge	0 06804

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, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
FEDERAL AWARDS			
Department of Justice			
JAG Law Enforcement Equipment Grant	13 738	"unavailable"	\$ 15,000
Bulletproof Vest Partnership Program	N/A	"unavailable"	<u>1,719</u>
Total Department of Justice			<u>16,719</u>
Department of Transportation - Gas System			
Lexington Bypass	N/A	STP-459(1)	<u>121</u>
Department of Transportation - Water Systems			
Lexington Bypass	N/A	STP-459(1)	<u>628</u>
Department of Transportation - General Government			
Governor's Highway Safety Office - High Visibility	20 600	Z-12-GHS-203	4,991
Governor's Highway Safety Office - Network Coordinator	20 600	Z-14-GHS205	11,731
Governor's Highway Safety Office - Network Coordinator	20 600	Z-13-GHS182	<u>7,949</u>
Total for CFDA #	20 600		<u>24,671</u>
Governor's Highway Safety Office - Crash Intervention	20 607	Z-13-GHS183	10,291
Governor's Highway Safety Office - Crash Intervention	20 607	Z-14-GHS204	<u>17,902</u>
			<u>28,193</u>
Safe Routes to School	20 205	Contract #090236	<u>86,464</u>
Total Department of Transportation			<u>140,077</u>
Department of Economic and Community Development			
CDBG DRG Sewer Line Realignment, contract #34878	14 228	"unavailable"	<u>119,541</u>
TOTAL FEDERAL AWARDS			<u>276,337</u>
STATE FINANCIAL ASSISTANCE			
Tennessee Department of Transportation - Gas System			
Lexington Bypass	N/A	STP-459(1)	30
Tennessee Department of Transportation - Water Systems			
Lexington Bypass	N/A	STP-459(1)	157
State Law Enforcement Supplement	-	-	15,600
State Fire Grant Supplement	-	-	<u>7,800</u>
TOTAL STATE AWARDS			<u>23,587</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 299,924</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.

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

AWWA WLCC Free Water Audit Software: Reporting Worksheet

Water Audit Report For: Lexington Utilities
 Reporting Year: 2014 7/2013 - 6/2014

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

WATER SUPPLIED << Enter grading in column "E"

Volume from own sources:	1	1,140.565	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	4	42.310	over-registered MG/Yr
Water imported:	8/9	0.000	MG/Yr
Water exported:	8/9	0.000	MG/Yr
WATER SUPPLIED:		1,098.255	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	1	747.706	MG/Yr
Billed unmetered:	1	0.211	MG/Yr
Unbilled metered:	1	23.787	MG/Yr
Unbilled unmetered:	1	17.510	MG/Yr
AUTHORIZED CONSUMPTION:		789.222	MG/Yr

Perct: 1.25% Value: 17.510

WATER LOSSES (Water Supplied - Authorized Consumption) 309.033 MG/Yr

Apparent Losses

Unauthorized consumption:	1	2.746	MG/Yr	Perct: <u>0.25%</u>	Value: <u></u>
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed					
Customer metering inaccuracies:	1	7.793	MG/Yr	Perct: <u>1.00%</u>	Value: <u></u>
Systematic data handling errors:	1	3.739	MG/Yr		
Apparent Losses:		14.277			

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Real Losses (Current Annual Real Losses or CARL)
 Real Losses = Water Losses - Apparent Losses: 294.756 MG/Yr

WATER LOSSES: 309.033 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 350.338 MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	1	376.0	miles
Number of active AND inactive service connections:	1	10,931	
Connection density:	10	29	conn./mile main
Average length of customer service line:	10	0.0	ft
Average operating pressure:	1	87.2	psi

COST DATA

Total annual cost of operating water system:	1	\$3,694,694	\$/Year
Customer retail unit cost (applied to Apparent Losses):	1	\$7.73	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	1	\$763.06	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	<u>31.9%</u>
Non-revenue water as percent by cost of operating system:	<u>9.9%</u>
Annual cost of Apparent Losses:	<u>\$110,365</u>
Annual cost of Real Losses:	<u>\$224,916</u>

Operational Efficiency Indicators

Apparent Losses per service connection per day: 3.58 gallons/connection/day

Real Losses per service connection per day*: N/A gallons/connection/day

Real Losses per length of main per day*: 2.14774 gallons/mile/day

Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

Unavoidable Annual Real Losses (UARL): 116.93 million gallons/year

From Above, Real Losses = Current Annual Real Losses (CARL): 294.76 million gallons/year

Infrastructure Leakage Index (ILI) (CARL/UARL): 2.52

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 82 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: Master meter error adjustment
- 2: Volume from own sources
- 3: Unauthorized consumption



**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, 2014, 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 October 15, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described below as Internal School Funds' finding SAF 2007-01 to be a material weakness.

LEXINGTON GAS SYSTEM

NONE

LEXINGTON WATER SYSTEMS

NONE

GENERAL PURPOSE SCHOOL FUND

NONE

SCHOOL FOOD AUTHORITY

NONE

INTERNAL SCHOOL FUNDS

FINDING SAF 2007 – 01 INADEQUATE SEGREGATION OF DUTIES

The duties of receiving cash, reconciling bank statements, preparing checks, and posting all transactions are handled by each individual school's bookkeeper.

Section 4, Title 2, Page 4-6 of the TISUAPM details the minimum recommended internal controls. It explains that a good internal control structure cannot exist when the same person who receives cash also prepares the deposit slips, makes deposits, and reconciles the bank statement. Someone other than the person recording the cash receipts and preparing the deposit slips should make the deposit and reconcile the bank statement.

Schools Still Deficient From the Prior Period Audit Finding: Caywood Elementary and Lexington Middle School.

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. At a minimum, a second person should be selected to make deposits and reconcile the bank statements.

Management's Response:

School System has employed full-time bookkeeper at each school and provided training program through attendance at workshops, accounting system vendor and in-house support from central finance office. 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

City of Lexington, Tennessee's response to the findings identified in our audit is described above. 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.

PRIOR YEAR DISPOSITIONS

LEXINGTON GAS SYSTEM

2007-01 No Inventory of Capital Assets – corrected.

LEXINGTON WATER SYSTEMS

2007-01 No Inventory of Capital Assets – corrected.

SCHOOL DEBT SERVICE FUND

2013-01 Expenditures Exceeded Budget – corrected.

GENERAL GOVERNMENT

2004-06 Expenditures Exceeded Budget – corrected

Hodwin & Associates, PLLC

October 15, 2014

