

**CITY OF LEXINGTON,  
TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2015**

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
Roster of Publicly Elected Officials and Management Officials . . . . .	1
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report.</b> . . . .	2 – 3
<b>Management's Discussion and Analysis</b> . . . . .	4 – 9
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position . . . . .	10
Statement of Activities . . . . .	11
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
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
<b>Proprietary Funds:</b>	
Statement of Net Position . . . . .	29
Statement of Revenues, Expenses, and Changes in Net Position . . . . .	30
Statement of Cash Flows . . . . .	31
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position . . . . .	32
Statement of Changes in Fiduciary Net Position . . . . .	33
<b>Notes to Basic Financial Statements</b> . . . . .	34 – 69
<b>Required Supplementary Information:</b>	
Schedules of Changes in Net Pension Liability and Related Ratios . . . . .	70
Schedules of Plan Contributions . . . . .	71
Notes to Required Supplemental Information . . . . .	72

**Other Supplemental Information:**

**Combining Financial Statements – Non-Major Governmental Funds:**

Combining Balance Sheet . . . . .	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances . . . . .	74

<b>Statement of Changes in Assets and Liabilities – All Agency Funds . . . . .</b>	<b>75</b>
--	-----------

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

State Street Aid Fund . . . . .	76
School Tax Fund . . . . .	77
School Food Service Fund . . . . .	78
Solid Waste Collection Fund . . . . .	79
Dare Fund . . . . .	80
E-citation Fund . . . . .	81
Police Drug Fund . . . . .	82
Debt Service – Sinking Fund . . . . .	83
Debt Service – School Debt Fund . . . . .	84
Capital Projects – Post Office Fund . . . . .	85

<b>Schedule of Changes in Property Taxes Receivable . . . . .</b>	<b>86</b>
---	-----------

**Schedule of Long-Term Debt Requirements**

General Long-Term Debt . . . . .	87
Water Systems . . . . .	88
Natural Gas Fund . . . . .	89
Lexington Electric Department . . . . .	90

<b>Schedule of Outstanding Delinquent Taxes Filed With Chancery Court . . . . .</b>	<b>91</b>
---	-----------

<b>Schedule of Utility Rates in Force . . . . .</b>	<b>92 – 93</b>
---	----------------

<b>Schedule of Expenditures of Federal Awards and State Financial Assistance . . . . .</b>	<b>94</b>
--	-----------

<b>AWWA WLCC Free Water Audit Software: Reporting Worksheet - “Unaudited” . . . . .</b>	<b>95</b>
---	-----------

<b>AWWA WLCC Free Water Audit Software: System Attributes and Performance Indicators - “Unaudited” . . . . .</b>	<b>96</b>
--	-----------

**INTERNAL CONTROL AND COMPLIANCE SECTION**

<b>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> . . . . .</b>	<b>97 – 98</b>
--	----------------

<b>Independent Auditor’s Report On Compliance for Each Major Program And On Internal Control Over Compliance Required by OMB Circular A-133 . . . . .</b>	<b>99 – 100</b>
---	-----------------

<b>Schedule of Prior Audit Findings . . . . .</b>	<b>101</b>
---	------------

<b>Schedule of Findings and Questioned Costs. . . . .</b>	<b>102 – 103</b>
---	------------------

<b>Corrective Action Plan . . . . .</b>	<b>104</b>
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**CITY OF LEXINGTON, TENNESSEE**

**ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS**

**JUNE 30, 2015**

**PUBLICLY ELECTED OFFICIALS**

David Jowers	Mayor
Jeff Griggs	Vice-mayor
Emmitt Blankenship	Alderman
John Casselberry	Alderman
Peggy Gilbert	Alderman
Jack Johnson	Alderman
Gordon Wildridge	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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the the financial statements of the Lexington Electric System, which is both a major fund and 60%, 60%, and 79% respectively, of the assets, net position, and revenues of the business-type activities.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Electric System, which represent 60%, 60%, and 79% respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included for Lexington Electric System, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

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

### Emphasis of Matter

As described in Note 4.G., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*. The City also adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement 68*. Our opinion is not modified with respect to this matter.

As described in Note 4.J., the City's previously issued financial statements have been restated for the correction of a material misstatement in the respective period.

**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 pages 70 through 72 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that which has been marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and other supplemental information, except for that which has been marked "unaudited", are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated May 23, 2016, except for Note 4.J. as to which the date is August 9, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Godwin & Associates, PLLC*

May 23, 2016, except for Note 4.J. as to which the date is August 9, 2016

**CITY OF LEXINGTON, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

**USING THIS ANNUAL REPORT**

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

**Reporting the City as a Whole**

**The Statement of Net Position and the Statement of Activities**

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows of future fiscal periods.

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

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

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 - 69.

**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 70 - 72 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 73 - 85 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 \$74,599,284 at June 30, 2015.

### CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 8,248,221	\$ 7,519,456	\$ 25,200,275	\$ 23,488,589	\$ 33,448,496	\$ 31,008,045
Capital Assets	27,799,361	28,098,175	70,916,267	71,120,490	98,715,628	99,218,665
Total Assets	<u>36,047,582</u>	<u>35,617,631</u>	<u>96,116,542</u>	<u>94,609,079</u>	<u>132,164,124</u>	<u>130,226,710</u>
Deferred outflows of resources	421,272	-	688,791	-	1,110,063	-
Long term liabilities	13,167,697	13,175,424	34,472,741	33,282,370	47,640,438	46,457,794
Other liabilities	403,689	370,940	6,745,702	6,242,933	7,149,391	6,613,873
Total liabilities	<u>13,571,386</u>	<u>13,546,364</u>	<u>41,218,443</u>	<u>39,525,303</u>	<u>54,789,829</u>	<u>53,071,667</u>
Deferred inflows of resources	3,859,991	2,127,272	752,958	-	4,612,949	2,127,272
Net Position:						
Net investment in capital assets	17,074,058	16,325,931	43,208,326	41,542,189	60,282,384	57,868,120
Restricted	281,891	256,285	1,265,269	1,257,873	1,547,160	1,514,158
Unrestricted	1,681,528	3,361,779	10,122,932	12,283,714	11,804,460	15,645,493
Total Net Position	<u>\$ 19,037,477</u>	<u>\$ 19,943,995</u>	<u>\$ 54,596,527</u>	<u>\$ 55,083,776</u>	<u>\$ 73,634,004</u>	<u>\$ 75,027,771</u>

There were restatements of net position that affected both the Governmental and Business-Type Activities. For additional information see Note 4.H.

### 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 \$523,192 which is compared to an increase in the prior year of \$295,316.
- The City's Water Systems Fund had an increase of net position of \$1,167,129 compared to an increase in the prior year of \$529,500.

- The City's Electric Department had an increase in net position of \$1,293,111 compared to an increase in the prior year of \$1,664,265.

The following table provides a summary of the City's operations for the year ended June 30, 2015, with comparative totals for the year ended June 30, 2014.

**CITY OF LEXINGTON'S CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>TOTAL</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>						
<b>Program Revenues</b>						
Fees, fines and charges for services	\$ 1,571,514	\$ 1,576,503	\$ 59,272,550	\$ 60,917,240	\$ 60,844,064	\$ 62,493,743
Operating grants and contributions	8,117,664	8,287,805	-	-	8,117,664	8,287,805
Capital grants and contributions	140,049	156,047	833,641	113,423	973,690	269,470
<b>General revenues:</b>						
Property taxes	2,167,712	2,171,798	-	-	2,167,712	2,171,798
In-lieu of property taxes	101,860	98,410	-	-	101,860	98,410
Public service taxes	138,976	133,521	-	-	138,976	133,521
Sales taxes	4,529,820	4,238,666	-	-	4,529,820	4,238,666
Pension income	12,391	-	-	-	12,391	-
Investment earnings	55,924	46,376	119,512	97,105	175,436	143,481
Gain(loss) on sale of capital assets	221,825	17,100	5,031	(252)	226,856	16,848
Insurance recoveries	6,106	-	52,451	-	58,557	-
Miscellaneous	112,163	350,432	105,524	122,342	217,687	472,774
<b>Total revenues</b>	<b>17,176,004</b>	<b>17,076,658</b>	<b>60,388,709</b>	<b>61,249,858</b>	<b>77,564,713</b>	<b>78,326,516</b>
<b>Expenses:</b>						
<b>General government and administration</b>						
Public safety	2,947,037	3,020,244	-	-	2,947,037	3,020,244
Public works	1,870,586	1,791,249	-	-	1,870,586	1,791,249
Health, Welfare and Recreation	9,974,979	10,760,582	-	-	9,974,979	10,760,582
Economic development	85,921	71,730	-	-	85,921	71,730
Interest on long-term debt	292,956	315,765	-	-	292,956	315,765
Bond issue costs	-	-	-	-	-	-
Paying agent fees	1,246	1,225	-	-	1,246	1,225
Water Systems	-	-	5,377,228	7,255,158	5,377,228	7,255,158
Natural Gas	-	-	6,108,478	5,327,468	6,108,478	5,327,468
Electric Department	-	-	44,859,605	45,183,343	44,859,605	45,183,343
<b>Total expenses</b>	<b>16,287,258</b>	<b>17,343,737</b>	<b>56,345,311</b>	<b>57,765,969</b>	<b>72,632,569</b>	<b>75,109,706</b>
Increase (decrease) in net position before transfers	888,746	(267,079)	4,043,398	3,483,889	4,932,144	3,216,810
Transfers	1,059,966	994,808	(1,059,966)	(994,808)	-	-
<b>Increase (decrease) in net position</b>	<b>1,948,712</b>	<b>727,729</b>	<b>2,983,432</b>	<b>2,489,081</b>	<b>4,932,144</b>	<b>3,216,810</b>
Net position at beginning of year, as originally stated	19,943,995	19,117,135	55,083,776	52,705,379	75,027,771	71,822,514
Restatement - GASB 68	(2,852,788)	99,401	(3,470,681)	(110,684)	(6,323,469)	(11,283)
Inventory adjustment	(2,442)	(270)	-	-	(2,442)	(270)
Net position at beginning of year, as restated	17,088,765	19,216,266	51,613,095	52,594,695	68,701,860	71,810,961
<b>Net position at end of year</b>	<b>\$ 19,037,477</b>	<b>\$ 19,943,995</b>	<b>\$ 54,596,527</b>	<b>\$ 55,083,776</b>	<b>\$ 73,634,004</b>	<b>\$ 75,027,771</b>

**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 \$5,642,902 which is 13.7% above last year's total of \$4,961,055.

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, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

<b>Revenues</b>	<b>June 30, 2015</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from June 30, 2014</b>
Taxes	\$ 6,182,775	36.48%	\$ 270,634
Intergovernmental	9,045,007	53.37%	(131,429)
Licenses and permits	9,607	0.06%	3,503
Charges for services	986,921	5.82%	(6,789)
Fines and forfeitures	260,329	1.54%	4,419
Other revenues	464,428	2.74%	(236,678)
<b>Total Revenues</b>	<b>\$ 16,949,067</b>	<b>100.00%</b>	<b>\$ (96,340)</b>

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

<b>Expenditures</b>	<b>June 30, 2015</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from June 30, 2014</b>
General government	\$ 1,028,474	5.83%	\$ (6,673)
Public Safety	2,753,265	15.60%	(65,140)
Public Works	1,685,266	9.55%	43,808
Health, welfare, and recreation	9,638,195	54.61%	(366,088)
Economic development	85,921	0.49%	14,191
Capital outlay	1,114,810	6.32%	583,996
Debt Service	1,344,604	7.62%	(67,589)
<b>Total Expenditures</b>	<b>\$ 17,650,535</b>	<b>100.00%</b>	<b>\$ 136,505</b>

Capital outlay is increased due to the purchase of a fire truck and a garbage truck.

**General Fund Budgetary Highlights**

Over the course of the year the School System revised the budget at various times during the year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 2015, the City had \$98,715,628 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 decrease (including additions and deductions) of \$503,037, or 0.5% below the prior year. Additional information on capital assets is in Note 3.C.

**Debt**

At year-end, the City had \$38,945,388 in outstanding long-term debt compared to \$41,776,761 last year. Of the total outstanding debt 28% belongs to the Governmental funds, 7% to the Gas Fund, 27% to the Water Systems Fund, and 38% 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 1<sup>st</sup> Street, Lexington, Tennessee.

Sue Wood  
City Recorder

**CITY OF LEXINGTON, TENNESSEE**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,037,459	\$ 18,818,803	\$ 23,856,262
Investments	-	158,523	158,523
Receivables:			
Property taxes	2,250,263	-	2,250,263
Accounts receivable, net of allowance	11,786	3,444,439	3,456,225
Grant receivables	67,618	82,266	149,884
Other receivables	16,876	188,176	205,052
Internal balances	(248,779)	248,779	-
Due from other governments	913,387	-	913,387
Inventory	24,309	704,289	728,598
Natural gas storage	-	514,629	514,629
Prepaid expenses	175,302	143,134	318,436
Other assets	-	897,237	897,237
Net pension assets	17,035	-	17,035
Capital assets:			
Land and construction in progress	2,203,742	2,394,252	4,597,994
Other capital assets, net of depreciation	25,595,619	68,522,015	94,117,634
<b>TOTAL ASSETS</b>	<b>36,064,617</b>	<b>96,116,542</b>	<b>132,181,159</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension contributions	421,272	688,791	1,110,063
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	391,548	4,971,775	5,363,323
Customer deposits	-	1,124,409	1,124,409
Unearned revenue	11,141	-	11,141
Compensated absences	-	649,518	649,518
Long-term liabilities:			
Advances from Home Installation Program	-	360,438	360,438
Other post employment benefits	-	950,756	950,756
Pension liability	1,043,991	3,286,580	4,330,571
Landfill closure costs	218,577	-	218,577
Compensated absences	1,198,861	1,654,882	2,853,743
Due within one year	1,067,865	1,907,896	2,975,761
Due in more than one year	9,657,438	26,312,189	35,969,627
<b>TOTAL LIABILITIES</b>	<b>13,589,421</b>	<b>41,218,443</b>	<b>54,807,864</b>
<b>DEFERRED INFLOWS OF REVENUES</b>			
Unavailable revenue - property taxes	2,155,335	-	2,155,335
Deferred inflows - pensions	1,704,656	752,958	2,457,614
	3,859,991	752,958	4,612,949
<b>NET POSITION</b>			
Net investment in capital assets	17,074,058	43,208,326	60,282,384
Restricted for:			
State Street Aid Fund	44,899	-	44,899
E-citation	4,061	-	4,061
School Food Service	126,245	-	126,245
Solid Waste Collection	43,275	-	43,275
Police Drug Fund	63,411	-	63,411
Debt service	-	1,265,269	1,265,269
Unrestricted	1,680,528	10,122,932	11,803,460
<b>TOTAL NET POSITION</b>	<b>\$ 19,036,477</b>	<b>\$ 54,596,527</b>	<b>\$ 73,633,004</b>

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, 2015**

	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
<b>Program Activities</b>							
<b>Governmental activities:</b>							
General Government	\$ 1,114,533	\$ 114,005	\$ -	\$ -	\$ (1,000,528)	\$ -	\$ (1,000,528)
Public Safety	2,947,037	263,608	23,400	104,930	(2,555,099)	-	(2,555,099)
Public Works	1,870,586	896,735	309,347	-	(664,504)	-	(664,504)
Health, Welfare and Recreation	9,974,979	297,166	7,784,917	10,609	(1,882,287)	-	(1,882,287)
Economic Development	85,921	-	-	24,510	(61,411)	-	(61,411)
Interest on long-term debt	292,956	-	-	-	(292,956)	-	(292,956)
Paying agent fees on long-term debt	1,246	-	-	-	(1,246)	-	(1,246)
<b>Business-type activities:</b>							
Gas Fund	6,108,478	6,652,627	-	384	-	544,533	544,533
Water Systems Fund	5,377,228	5,754,695	-	833,257	-	1,210,724	1,210,724
Electric Department	44,859,605	46,865,228	-	-	-	2,005,623	2,005,623
<b>Total business-type activities</b>	<b>56,345,311</b>	<b>59,272,550</b>	<b>-</b>	<b>833,641</b>	<b>-</b>	<b>3,760,880</b>	<b>3,760,880</b>
<b>Total government</b>	<b>\$ 72,632,569</b>	<b>\$ 60,844,064</b>	<b>\$ 8,117,664</b>	<b>\$ 973,690</b>	<b>(6,458,031)</b>	<b>3,760,880</b>	<b>(2,697,151)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property					2,166,712	-	2,166,712
In-lieu of taxes					101,860	-	101,860
Public service taxes					138,976	-	138,976
Sales					4,529,820	-	4,529,820
Pension income					12,391	-	12,391
Investment earnings					55,924	119,512	175,436
Gain (loss) on sale/retirement of capital assets					221,825	5,031	226,856
Insurance recoveries					6,106	52,451	58,557
Miscellaneous					112,163	105,524	217,687
Transfer in- in lieu of taxes					1,059,966	(1,059,966)	-
Total general revenues and transfers					8,405,743	(777,448)	7,628,295
Change in net position					1,947,712	2,983,432	4,931,144
Restatement - beginning, as originally stated					19,943,995	55,083,776	75,027,771
Restatement - GASB 68					(2,852,788)	(3,470,681)	(6,323,469)
Inventory adjustment - school food service fund					(2,442)	-	(2,442)
Net position - beginning, as restated					17,088,765	51,613,095	68,701,860
Net position - ending					19,036,477	\$ 54,596,527	\$ 73,633,004

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

**CITY OF LEXINGTON, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General	General Purpose School Fund	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,543,685	\$ 1,209,914	\$ 1,283,860	\$ 5,037,459
Taxes receivable	2,250,263	-	-	2,250,263
Accounts receivable	11,786	-	-	11,786
Grant receivable	57,009	-	10,609	67,618
Other receivables	4,386	-	12,490	16,876
Inventory	-	-	24,309	24,309
Due from other governments	560,244	73,538	279,605	913,387
Due from other funds	6,185	-	49,776	55,961
Prepaid expenses	155,264	-	20,038	175,302
<b>TOTAL ASSETS</b>	<b><u>\$ 5,588,822</u></b>	<b><u>\$ 1,283,452</u></b>	<b><u>\$ 1,680,687</u></b>	<b><u>\$ 8,552,961</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 131,655	\$ -	\$ 657	\$ 132,312
Accrued expenses	112,270	92,996	6,337	211,603
Unearned revenue - other	-	-	11,141	11,141
Advance from other fund	295,000	-	-	295,000
Due to other funds	9,476	-	264	9,740
<b>TOTAL LIABILITIES</b>	<b><u>548,401</u></b>	<b><u>92,996</u></b>	<b><u>18,399</u></b>	<b><u>659,796</u></b>
<b>DEFERRED INFLOWS OF REVENUES</b>				
Unavailable revenue - property taxes	2,250,263	-	-	2,250,263
<b>FUND BALANCE</b>				
Nonspendable				
Inventory	-	-	24,309	24,309
Prepaid expenses	155,264	-	20,038	175,302
Restricted for:				
State street aid	-	-	44,899	44,899
E-citation	-	-	4,061	4,061
School food authority	-	-	126,245	126,245
Drug fund	-	-	63,411	63,411
Solid Waste Collection	-	-	43,275	43,275
Assigned				
Special revenue funds	-	-	410,710	410,710
Education	-	200,000	-	200,000
Support services	-	94,000	-	94,000
Capital projects	-	-	925,340	925,340
Unassigned				
General fund	2,634,894	-	-	2,634,894
General purpose school fund	-	896,456	-	896,456
<b>TOTAL FUND BALANCES</b>	<b><u>2,790,158</u></b>	<b><u>1,190,456</u></b>	<b><u>1,662,288</u></b>	<b><u>5,642,902</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES</b>	<b><u>\$ 5,588,822</u></b>	<b><u>\$ 1,283,452</u></b>	<b><u>\$ 1,680,687</u></b>	<b><u>\$ 8,552,961</u></b>

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, 2015**

Total fund balance - total governmental funds	\$	5,642,902
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.		27,799,361
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		94,928
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes		17,035
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes		(1,043,991)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		(1,283,384)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.		(47,633)
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>(12,142,741)</u>
Net position of governmental activities	\$	<u><u>19,036,477</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, 2015**

	<u>General</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes				
Property taxes	\$ 2,181,097	\$ -	\$ -	\$ 2,181,097
Penalty and interest	18,316	-	-	18,316
In lieu of taxes	12,973	-	-	12,973
Sales	1,644,526	-	1,370,439	3,014,965
Beer tax	400,413	-	-	400,413
Business	245,625	-	-	245,625
Liquour tax	-	-	138,354	138,354
Franchise	138,976	-	-	138,976
Hotel/motel tax	29,556	-	-	29,556
Privilege	2,500	-	-	2,500
Intergovernmental revenues	1,062,782	7,288,956	693,269	9,045,007
Licenses and permits	9,607	-	-	9,607
Charges for services	147,088	-	839,833	986,921
Fines, forfeits, and penalties	163,387	-	96,942	260,329
Other revenues	154,608	73,421	236,399	464,428
<b>Total revenues</b>	<u>6,211,454</u>	<u>7,362,377</u>	<u>3,375,236</u>	<u>16,949,067</u>
<b>Expenditures</b>				
Current:				
General government	1,028,474	-	-	1,028,474
Public safety	2,694,793	-	58,472	2,753,265
Public works	882,168	-	803,098	1,685,266
Health, welfare, and recreation	494,087	8,451,741	692,367	9,638,195
Economic development	85,921	-	-	85,921
Capital outlay	212,823	139,711	762,276	1,114,810
Debt service:				
Principal payments	87,078	45,232	914,159	1,046,469
Interest payments	53,255	10,648	232,986	296,889
Other debt costs	92	-	1,154	1,246
<b>Total expenditures</b>	<u>5,538,691</u>	<u>8,647,332</u>	<u>3,464,512</u>	<u>17,650,535</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>672,763</u>	<u>(1,284,955)</u>	<u>(89,276)</u>	<u>(701,468)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,059,966	1,063,000	1,947,161	4,070,127
Transfers out	(1,655,831)	-	(1,354,330)	(3,010,161)
Insurance recoveries	-	-	6,106	6,106
Proceeds from sale of general capital assets	312,085	-	7,600	319,685
<b>Total other financing sources (uses)</b>	<u>(283,780)</u>	<u>1,063,000</u>	<u>606,537</u>	<u>1,385,757</u>
<b>Net Change in Fund Balances</b>	<u>388,983</u>	<u>(221,955)</u>	<u>517,261</u>	<u>684,289</u>
<b>FUND BALANCE AT BEGINNING OF YEAR, as originally stated</b>	2,401,175	1,412,411	1,147,469	4,961,055
<b>Inventory adjustment</b>	<u>-</u>	<u>-</u>	<u>(2,442)</u>	<u>(2,442)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR, as restated</b>	<u>2,401,175</u>	<u>1,412,411</u>	<u>1,145,027</u>	<u>4,958,613</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 2,790,158</u>	<u>\$ 1,190,456</u>	<u>\$ 1,662,288</u>	<u>\$ 5,642,902</u>

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

**CITY OF LEXINGTON, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds	\$	684,289
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.		
		1,114,810
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.		
		(1,315,764)
Net effect of asset disposal		
		(97,860)
Governmental funds do not record net pension liabilities, deferred inflows/outflows of resources related to pensions. However, the government-wide statement of activities and changes in net assets reports the effects of these items.		
		542,448
The repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net position.		
		1,046,469
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.		
		(12,295)
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.		
		(12,385)
Change in net position of governmental activities	\$	1,949,712

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, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amount</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Taxes</b>				
Property taxes - current	\$ 2,170,000	\$ 2,160,000	\$ 2,074,533	\$ (85,467)
Property taxes - delinquent	-	-	106,564	106,564
Penalties and interest	14,000	16,500	18,316	1,816
In lieu of taxes:				
Lexington Housing Authority	13,500	12,972	12,973	1
Local sales tax	1,520,000	1,590,000	1,644,526	54,526
Local beer tax	412,000	395,000	400,413	5,413
Business tax	220,000	205,000	245,625	40,625
Franchise tax	130,000	138,700	138,976	276
Hotel/motel tax	32,000	29,800	29,556	(244)
Privilege tax	2,475	2,500	2,500	-
<b>Total taxes</b>	<b>4,513,975</b>	<b>4,550,472</b>	<b>4,673,982</b>	<b>123,510</b>
<b>Intergovernmental</b>				
TVA payments in lieu of taxes	84,631	86,500	88,887	2,387
State fire education	7,800	7,200	7,200	-
State law enforcement grant	15,600	15,600	15,000	(600)
Police safety grant - alcohol saturation	-	7,096	7,097	1
Police - COPS	-	-	15,919	15,919
Police - vest grant	13,000	1,600	1,194	(406)
Police grant -network coordinator 2014	-	4,817	4,817	-
Police grant -network coordinator 2014	20,000	14,989	6,032	(8,957)
Police grant -high visibility	5,000	5,000	5,000	-
Police grant - DUI traffic	35,000	32,780	20,101	(12,679)
Fire assistance grant	166,250	-	-	-
Surface transportation grant	-	30,000	43,353	13,353
Downtown grant	-	-	1,417	1,417
Sidewalk grant	631,536	95,000	24,510	(70,490)
State of Tennessee				
- Sales tax allocation	554,770	570,000	579,537	9,537
- Telecommunication tax	-	-	749	749
- Income tax allocation	50,000	50,000	80,408	30,408
- Beer tax allocation	3,826	3,600	3,660	60
- Petroleum special	15,687	15,600	15,610	10
- Street maintenance	92,684	92,684	91,710	(974)
- Excise tax	5,000	34,053	34,053	-
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	5,328	328
<b>Total intergovernmental revenues</b>	<b>1,716,984</b>	<b>1,082,719</b>	<b>1,062,782</b>	<b>(19,937)</b>
<b>Licenses and permits</b>				
Beer licenses	1,000	250	250	-
Building permits	10,000	8,000	9,007	1,007
Other permits	500	500	350	(150)
<b>Total licenses and permits</b>	<b>11,500</b>	<b>8,750</b>	<b>9,607</b>	<b>857</b>

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, 2015

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues (continued)</b>				
<b>Charges for services</b>				
Clerk's fees - business tax	30,000	26,500	31,198	4,698
Accident report filing fees	3,400	3,350	3,279	(71)
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	450	450	950	500
Mowing and lot cleanup	1,000	390	595	205
Street repair charges	7,500	18,000	23,105	5,105
Parks and recreation charges	7,600	2,961	2,961	-
<b>Total charges for services</b>	<b>134,950</b>	<b>136,651</b>	<b>147,088</b>	<b>10,437</b>
<b>City court fines and costs</b>	<b>145,000</b>	<b>153,175</b>	<b>163,387</b>	<b>10,212</b>
<b>Other revenues</b>				
Interest income	6,000	10,000	12,084	2,084
Community center revenue	12,000	14,000	12,255	(1,745)
Rent income	74,400	74,400	73,200	(1,200)
Sales of cemetery lots	10,000	7,000	11,700	4,700
Insurance recoveries	10,000	24,000	18,409	(5,591)
Sales of other materials	26,500	18,000	21,502	3,502
Miscellaneous income	8,000	8,000	5,458	(2,542)
<b>Total other revenue</b>	<b>146,900</b>	<b>155,400</b>	<b>154,608</b>	<b>(792)</b>
<b>Total revenues</b>	<b>6,669,309</b>	<b>6,087,167</b>	<b>6,211,454</b>	<b>124,287</b>
<b>Expenditures</b>				
<b>General government</b>				
<b>General</b>				
Salaries	70,111	70,361	70,318	43
Employee benefits	339,900	372,810	358,448	14,362
Memberships	2,300	2,300	2,164	136
Election payroll	-	500	330	170
Operating expenses	4,500	2,250	1,570	680
Other operating expenses	14,250	12,900	10,236	2,664
Insurance	140,000	141,005	136,327	4,678
Capital outlay	260,552	5,950	3,206	2,744
<b>Total general</b>	<b>831,613</b>	<b>608,076</b>	<b>582,599</b>	<b>25,477</b>
<b>Judicial</b>				
Salaries	9,128	9,128	9,128	-
<b>Total judicial</b>	<b>9,128</b>	<b>9,128</b>	<b>9,128</b>	<b>-</b>

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
<b>City recorder</b>				
Salaries	211,661	211,661	211,593	68
Employee benefits	30,820	29,804	29,811	(7)
Insurance	360	375	356	19
Office expense	13,000	12,500	10,793	1,707
Professional fees	48,700	48,700	45,053	3,647
Membership and dues	450	450	393	57
Repair and maintenance	9,450	5,550	4,306	1,244
Other operating expenses	142,650	155,700	124,727	30,973
<b>Total city recorder</b>	<u>457,091</u>	<u>464,740</u>	<u>427,032</u>	<u>37,708</u>
<b>City Hall</b>				
Utilities	13,900	13,400	12,921	479
<b>Total general government</b>	<u>1,311,732</u>	<u>1,095,344</u>	<u>1,031,680</u>	<u>63,664</u>
<b>Public safety</b>				
<b>Police department</b>				
Salary	1,348,053	1,359,969	1,328,842	31,127
Employee benefits	254,810	242,750	242,030	720
Utilities	30,500	30,150	28,204	1,946
Repair and maintenance	28,800	26,700	30,227	(3,527)
Memberships and dues	700	700	450	250
Supplies	32,650	32,800	24,489	8,311
Uniforms and clothing	11,550	10,700	8,252	2,448
Gas, oil, and diesel	88,000	65,000	61,552	3,448
Insurance	2,970	3,100	3,070	30
Equipment rental	8,000	7,780	7,325	455
Office expense	45,750	44,450	40,535	3,915
Other grant expenses	68,000	23,520	14,660	8,860
Capital outlay	5,000	122,400	121,772	628
<b>Total police department</b>	<u>1,924,783</u>	<u>1,970,019</u>	<u>1,911,408</u>	<u>58,611</u>
<b>Fire department</b>				
Salaries	659,216	659,216	644,588	14,628
Employee benefits	103,715	101,800	101,214	586
Volunteer firemen	-	-	-	-
Volunteer firemen benefits	5,000	6,000	4,656	1,344
Utilities	36,200	40,900	39,061	1,839
Memberships	170	170	100	70
Repair and maintenance	28,750	19,250	12,865	6,385
Supplies	5,350	12,650	8,788	3,862
Clothing and uniforms	6,000	6,000	4,986	1,014
Gas, oil, diesel	10,500	7,550	6,982	568
Insurance	1,220	1,220	1,170	50
Public relations	500	-	-	-
Travel	2,000	2,000	1,297	703
Fees	250	250	50	200
Small equipment	7,500	7,500	7,500	-
Equipment rent	3,000	3,000	2,514	486
Capital outlay	175,000	21,002	17,544	3,458
<b>Total fire department</b>	<u>1,044,371</u>	<u>888,508</u>	<u>853,315</u>	<u>35,193</u>
<b>Building inspector</b>				
Salaries	58,443	58,623	58,490	133
Employee benefits	9,705	8,900	7,639	1,261
Insurance	90	90	90	-
Other operating expenses	5,800	5,900	3,167	2,733
<b>Total building inspector</b>	<u>74,038</u>	<u>73,513</u>	<u>69,386</u>	<u>4,127</u>
<b>Total public safety</b>	<u>3,043,192</u>	<u>2,932,040</u>	<u>2,834,109</u>	<u>97,931</u>

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, 2015

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Public works</b>				
<b>Highways and streets</b>				
Salaries	460,137	429,042	422,827	6,215
Employee benefits	85,955	76,150	75,779	371
Utilities	11,800	11,750	11,394	356
Street lighting	26,500	37,350	37,176	174
Repair and maintenance	237,500	258,000	210,726	47,274
Repair and maintenance - equipment	9,000	8,500	8,067	433
Clothing and uniforms	3,850	3,850	3,319	531
Gas, oil, diesel	45,000	33,500	33,482	18
Culverts	1,000	1,000	162	838
Gravel and sand	1,000	1,000	-	1,000
Operating supplies	14,500	12,860	10,293	2,567
Insurance	990	990	933	57
Capital outlay	-	5,700	3,871	1,829
<b>Total highways and streets</b>	<b>897,232</b>	<b>879,692</b>	<b>818,029</b>	<b>61,663</b>
<b>Garage</b>				
Repair and maintenance	5,000	5,000	901	4,099
Supplies	22,800	22,050	12,675	9,375
Utilities	5,000	5,700	4,769	931
Fuel purchases	20,000	16,000	11,305	4,695
Capital outlay	1,250	-	-	-
<b>Total garage</b>	<b>54,050</b>	<b>48,750</b>	<b>29,650</b>	<b>19,100</b>
<b>Animal control</b>				
Contract labor	36,000	36,000	36,000	-
<b>Total animal control</b>	<b>36,000</b>	<b>36,000</b>	<b>36,000</b>	<b>-</b>
<b>Sanitation</b>				
Landfill closure	5,500	5,500	2,360	3,140
<b>Total public works</b>	<b>992,782</b>	<b>969,942</b>	<b>886,039</b>	<b>83,903</b>
<b>Health, welfare, and recreation</b>				
<b>Appropriations</b>				
Library	31,000	31,200	31,000	200
Library utilities	12,600	11,500	10,656	844
RSVP	3,000	-	-	-
Senior Citizens	11,450	11,450	11,450	-
Rescue Squad utilities	1,000	1,000	2,058	(1,058)
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	6,650	6,500	5,951	549
Project graduation	1,200	1,200	1,025	175
Airport	35,094	35,094	35,094	-
Veterans cemetery	10,000	10,000	10,000	-
Other appropriations	26,900	25,900	3,124	22,776
<b>Total appropriations</b>	<b>143,519</b>	<b>138,469</b>	<b>114,983</b>	<b>23,486</b>

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (continued)</b>				
<b>Health, welfare, and recreation (continued)</b>				
<b>Museum</b>				
Salaries	18,800	18,600	18,541	59
Employee benefits	1,438	1,423	1,419	4
Unemployment insurance	90	90	90	-
Public relations	500	500	65	435
Utilities	6,600	6,000	5,279	721
Repair and maintenance	1,000	1,200	929	271
Telephone	1,200	1,160	1,154	6
Security system	550	570	568	2
Operating costs	500	500	345	155
Janitorial costs	200	-	-	-
<b>Total museum</b>	<u>30,878</u>	<u>30,043</u>	<u>28,390</u>	<u>1,653</u>
<b>Civic center</b>				
Salaries	13,175	8,010	7,369	641
Employee benefits	1,007	612	564	48
Unemployment insurance	90	90	75	15
Utilities	24,000	25,000	21,590	3,410
Repair and maintenance	35,500	23,500	3,605	19,895
Operating costs	500	500	337	163
Janitorial costs	2,000	1,500	1,404	96
Capital outlay	-	10,000	17,676	(7,676)
<b>Total civic center</b>	<u>76,272</u>	<u>69,212</u>	<u>52,620</u>	<u>16,592</u>
<b>Parks</b>				
Salaries	201,801	178,623	172,040	6,583
Employee benefits	38,525	37,650	37,623	27
Repair and maintenance	51,600	48,000	40,156	7,844
Utilities	63,600	50,700	46,339	4,361
Insurance	750	700	660	40
Other operating expenses	23,600	22,050	18,952	3,098
Capital outlay	-	12,500	12,458	42
<b>Total parks</b>	<u>379,876</u>	<u>350,223</u>	<u>328,228</u>	<u>21,995</u>
<b>Total health, welfare, and recreation</b>	<u>630,545</u>	<u>587,947</u>	<u>524,221</u>	<u>63,726</u>
<b>Economic development</b>				
State plan service	17,300	17,300	15,907	1,393
Professional fees	44,500	104,600	50,509	54,091
Tourism advertising	-	-	-	-
Travel	3,000	3,000	144	2,856
Maintenance	25,750	26,250	14,873	11,377
Miscellaneous	34,500	34,000	4,488	29,512
Capital outlay	664,775	105,000	36,296	68,704
<b>Total economic development</b>	<u>789,825</u>	<u>290,150</u>	<u>122,217</u>	<u>167,933</u>
<b>Debt service</b>				
Principal payments	137,676	137,676	87,078	50,598
Interest payments	51,566	53,256	53,255	1
Paying agent fees	2,000	2,000	92	1,908
<b>Total debt service</b>	<u>191,242</u>	<u>192,932</u>	<u>140,425</u>	<u>52,507</u>
<b>Total expenditures</b>	<u>6,959,318</u>	<u>6,068,355</u>	<u>5,538,691</u>	<u>529,664</u>

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, 2015

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(290,009)	18,812	672,763	653,951
<b>Other financing sources (uses)</b>				
Transfers in	995,956	1,059,965	1,059,966	1
Transfers out	(691,948)	(1,681,950)	(1,655,831)	26,119
Note proceeds	-	295,000	-	(295,000)
Sale of general fixed assets	5,000	311,855	312,085	230
<b>Total other financing sources (uses)</b>	309,008	(15,130)	(283,780)	(268,650)
<b>Net change in fund balance</b>	18,999	3,682	388,983	385,301
<b>Fund Balance at Beginning of Year</b>	2,401,175	2,401,175	2,401,175	-
<b>Fund Balance at End of Year</b>	<u>\$ 2,420,174</u>	<u>\$ 2,404,857</u>	<u>\$ 2,790,158</u>	<u>\$ 385,301</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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Revenues</b>							
Intergovernmental revenues							
Local funds							
Henderson County							
Wheel tax	\$ 78,500	\$ 83,000	\$ 83,085	\$ -	\$ -	\$ 83,085	\$ 85
Current year tax levy	425,000	444,112	444,425	-	-	444,425	313
Prior year tax receipts	21,700	23,835	23,858	-	-	23,858	23
Mixed drink tax	600	635	635	-	-	635	-
Local sales tax	715,000	740,450	740,464	-	-	740,464	14
Interstate telecommunication taxes	500	483	483	-	-	483	-
Bank excise tax	3,000	3,894	3,894	-	-	3,894	-
Marriage licenses	400	390	391	-	-	391	1
Other	7,800	7,750	7,751	-	-	7,751	1
State funds							
Basic education	4,840,420	4,795,000	4,795,000	-	-	4,795,000	-
Early childhood education	202,114	202,114	202,079	-	-	202,079	(35)
Career ladder	35,000	32,936	32,935	-	-	32,935	(1)
ACT reimbursement	-	934	934	-	-	934	-
Career ladder extended	-	17,620	17,620	-	-	17,620	-
Coordinated School Health	92,000	92,000	91,649	-	-	91,649	(351)
Internet Connectivity	3,500	2,660	2,658	-	-	2,658	(2)
Student Management	2,600	-	-	-	-	-	-
Safe schools grant	-	5,630	5,630	-	-	5,630	-
Other State education funds	-	45,640	45,639	-	-	45,639	(1)
Other State grants	-	2,000	2,000	-	-	2,000	-
Federal funds							
Title I grants	249,839	255,177	249,162	-	-	249,162	(6,015)
Other Federal through State	166,099	226,193	160,093	-	-	160,093	(66,100)
Special education grants to state	187,037	187,037	173,007	-	-	173,007	(14,030)
Special education preschool - idea	3,688	5,080	5,080	-	-	5,080	-
English language acquisition grant	2,063	2,088	2,088	-	-	2,088	-
IDEA inclusion grant	16,949	24,141	23,419	-	-	23,419	(722)
Title IIA - improving teach quality	47,300	50,702	39,612	-	-	39,612	(11,090)
First to the top	136,641	136,641	135,365	-	-	135,365	(1,276)
Total Intergovernmental revenues	<u>7,237,750</u>	<u>7,388,142</u>	<u>7,288,956</u>	<u>-</u>	<u>-</u>	<u>7,288,956</u>	<u>(99,186)</u>
Other revenues							
Interest income	9,400	6,663	6,787	-	-	6,787	124
Receipts from individual schools	1,000	1,500	1,584	-	-	1,584	84
On-behalf payments	-	75,000	58,427	-	-	58,427	(16,573)
Miscellaneous revenues	2,500	5,500	6,623	-	-	6,623	1,123
Total other revenues	<u>12,900</u>	<u>88,663</u>	<u>73,421</u>	<u>-</u>	<u>-</u>	<u>73,421</u>	<u>(15,242)</u>
<b>Total Revenues</b>	<u>7,250,650</u>	<u>7,476,805</u>	<u>7,362,377</u>	<u>-</u>	<u>-</u>	<u>7,362,377</u>	<u>(114,428)</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, 2015

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
	Instruction						
Regular instruction program							
Teachers	2,279,083	2,309,546	2,179,053	-	-	2,179,053	130,493
Career ladder program	19,000	19,000	12,033	-	-	12,033	6,967
Career ladder program - extended	-	15,169	15,169	-	-	15,169	-
Homebound teachers	-	1,774	1,774	-	-	1,774	-
Educational assistants	113,272	118,645	113,655	-	-	113,655	4,990
Bonus payments	-	32,700	32,700	-	-	32,700	-
Other salaries and wages	188,597	225,586	207,266	-	-	207,266	18,320
Certified substitute teachers	30,000	25,000	22,748	-	-	22,748	2,252
Non-certified substitute teachers	32,000	35,663	35,663	-	-	35,663	-
Social security	151,679	154,568	150,089	-	-	150,089	4,479
Administrative costs	2,750	750	-	-	-	-	750
State retirement	224,769	223,516	214,819	-	-	214,819	8,697
Life insurance	6,120	6,120	5,451	-	-	5,451	669
Medical insurance	398,044	395,840	393,739	-	-	393,739	2,101
Dental insurance	6,624	6,675	6,672	-	-	6,672	3
Unemployment compensation	3,880	5,657	5,563	-	-	5,563	94
Local retirement	4,314	5,303	2,268	-	-	2,268	3,035
Employer medicare	38,595	2,538	35,232	-	-	35,232	(32,694)
On-behalf payments	-	75,000	58,427	-	-	58,427	16,573
Maintenance and repair - equipment	3,000	-	-	-	-	-	-
Other contracted services	38,275	41,321	41,321	-	-	41,321	-
Instructional supplies	56,201	64,224	63,895	-	-	63,895	329
Textbooks	40,500	48,930	48,930	-	-	48,930	-
Other supplies and materials	10,000	10,000	7,156	-	-	7,156	2,844
Indirect costs	-	-	-	-	-	-	-
Other charges	6,000	1,000	660	-	-	660	340
Regular instruction equipment	90,000	69,920	68,002	-	-	68,002	1,918
Total regular instruction program	3,742,703	3,894,445	3,722,285	-	-	3,722,285	172,160
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	326,355	324,848	315,026	-	-	315,026	9,822
Career ladder program	2,000	2,000	1,000	-	-	1,000	1,000
Educational assistants	120,226	125,743	124,974	-	-	124,974	769
Speech pathology	50,176	50,201	50,201	-	-	50,201	-
Certified substitute teachers	2,000	3,040	3,040	-	-	3,040	-
Non-certified substitute teachers	4,500	4,385	4,385	-	-	4,385	-
Social security	31,624	29,507	28,061	-	-	28,061	1,446
State retirement	34,219	34,312	33,107	-	-	33,107	1,205
Medical insurance	90,045	92,886	90,948	-	-	90,948	1,938
Dental insurance	966	1,420	1,382	-	-	1,382	38
Unemployment compensation	886	1,085	1,045	-	-	1,045	40
Local retirement	1,400	4,163	4,163	-	-	4,163	-
Employer medicare	7,326	6,905	6,567	-	-	6,567	338
Contracts with other schools	9,000	-	-	-	-	-	-
Other contracted services	100	100	-	-	-	-	100
Instructional supplies	8,807	2,424	1,915	-	-	1,915	509
Other supplies and materials	500	561	561	-	-	561	-
Special education equipment	2,000	2,816	2,816	-	-	2,816	-
Total special education	692,130	686,396	669,191	-	-	669,191	17,205
Student body education							
Other salaries and wages	74,316	73,809	73,318	-	-	73,318	491
Social security	4,607	4,607	4,428	-	-	4,428	179
State retirement	6,718	6,718	6,628	-	-	6,628	90
Medical insurance	11,896	11,896	11,688	-	-	11,688	208
Dental insurance	276	276	272	-	-	272	4
Unemployment compensation	100	107	107	-	-	107	-
Employer medicare	1,078	1,078	1,036	-	-	1,036	42
Travel	500	-	-	-	-	-	-
Other contracted services	12,000	11,000	11,000	-	-	11,000	-
Other charges	10,000	12,000	11,600	-	-	11,600	400
Total student body education	121,491	121,491	120,077	-	-	120,077	1,414
Total instruction	4,582,324	4,728,332	4,537,553	-	-	4,537,553	190,779

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, 2015

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	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	4,613	1,773	-	-	1,773	2,840
Other supplies and materials	500	500	-	-	-	-	500
Inservice/staff development	2,000	2,187	2,187	-	-	2,187	-
Other charges	500	500	-	-	-	-	500
Total attendance	8,100	8,100	4,260	-	-	4,260	3,840
Health instruction program							
Supervisor/director	46,871	-	-	-	-	-	-
Medical personnel	60,825	59,484	56,808	-	-	56,808	2,676
Other salaries	21,000	67,627	67,366	-	-	67,366	261
Social security	7,979	7,486	6,891	-	-	6,891	595
State retirement	4,237	4,731	4,633	-	-	4,633	98
Health insurance	17,613	18,669	17,716	-	-	17,716	953
Dental insurance	138	149	133	-	-	133	16
Unemployment insurance	200	294	281	-	-	281	13
Local retirement	-	2,253	2,253	-	-	2,253	-
Employer medicare	1,866	1,750	1,612	-	-	1,612	138
Postal charges	200	200	200	-	-	200	-
Other contracted services	1,000	1,000	-	-	-	-	1,000
Other supplies and materials	6,978	7,369	5,349	-	-	5,349	2,020
Inservice/staff development	3,000	1,876	1,838	-	-	1,838	38
Total health instruction program	171,907	172,888	165,080	-	-	165,080	7,808
Other student support							
Career ladder program	6,000	6,000	6,000	-	-	6,000	-
Guidance personnel	107,554	109,521	108,372	-	-	108,372	1,149
Social workers	52,040	52,818	47,490	-	-	47,490	5,328
Assessment personnel	163,857	164,633	164,216	-	-	164,216	417
Other salaries	4,500	7,799	3,299	-	-	3,299	4,500
Social security	20,700	19,799	18,429	-	-	18,429	1,370
State retirement	30,217	30,724	29,776	-	-	29,776	948
Medical insurance	46,931	47,020	45,014	-	-	45,014	2,006
Dental insurance	760	662	748	-	-	748	(86)
Unemployment compensation	324	342	297	-	-	297	45
Employer medicare	4,847	4,836	4,310	-	-	4,310	526
Contracts with government agencies	95,000	95,000	94,994	-	-	94,994	6
Evaluation and testing	12,000	7,094	6,584	-	-	6,584	510
Other contracted services	-	4,906	4,906	-	-	4,906	-
Other equipment	3,000	5,650	5,511	-	-	5,511	139
Total other student support	547,730	556,804	539,946	-	-	539,946	16,858
Regular instruction program							
Supervisor/Director	146,950	144,531	144,051	-	-	144,051	480
Career ladder program	4,000	4,000	4,000	-	-	4,000	-
Libraries	85,014	91,565	90,114	-	-	90,114	1,451
Other salaries	165,711	150,568	146,539	-	-	146,539	4,029
Certified substitute teachers	-	3,200	800	-	-	800	2,400
In-service training	40,750	40,750	39,875	-	-	39,875	875
Non-certified substitute teachers	3,000	3,500	665	-	-	665	2,835
Social security	27,432	25,977	24,577	-	-	24,577	1,400
State retirement	40,095	38,964	38,327	-	-	38,327	637

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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
Support services(continued)							
Regular instruction program(continued)							
Medical insurance	43,630	43,730	43,449	-	-	43,449	281
Dental insurance	552	556	556	-	-	556	-
Unemployment compensation	400	541	499	-	-	499	42
Employer medicare	6,538	6,338	5,749	-	-	5,749	589
Consultants	3,000	251	-	-	-	-	251
Dues and memberships	1,000	1,000	87	-	-	87	913
Travel	500	751	751	-	-	751	-
Other contracted services	19,242	26,982	26,727	-	-	26,727	255
Library books and media	9,000	10,253	10,253	-	-	10,253	-
Other supplies and materials	11,000	11,000	10,201	-	-	10,201	799
Inservice/staff development	22,399	37,297	25,968	-	-	25,968	11,329
Other charges	1,500	5,350	4,391	-	-	4,391	959
Other equipment	7,000	-	-	-	-	-	-
<b>Total regular instruction program</b>	<b>638,713</b>	<b>647,104</b>	<b>617,579</b>	<b>-</b>	<b>-</b>	<b>617,579</b>	<b>29,525</b>
Special Education							
Psychological personnel	29,073	29,452	29,452	-	-	29,452	-
Social security	1,802	1,585	1,585	-	-	1,585	-
State retirement	2,628	2,662	2,662	-	-	2,662	-
Medical insurance	5,061	5,061	5,061	-	-	5,061	-
Dental insurance	69	71	71	-	-	71	-
Unemployment compensation	50	29	29	-	-	29	-
Employer medicare	421	371	371	-	-	371	-
Other contracted services	13,000	20,608	20,608	-	-	20,608	-
Inservice/staff development	3,600	2,993	2,993	-	-	2,993	-
<b>Total special education</b>	<b>55,704</b>	<b>62,832</b>	<b>62,832</b>	<b>-</b>	<b>-</b>	<b>62,832</b>	<b>-</b>
<b>Total support services</b>	<b>1,422,154</b>	<b>1,447,728</b>	<b>1,389,697</b>	<b>-</b>	<b>-</b>	<b>1,389,697</b>	<b>58,031</b>
General administration							
Board of education							
Medical insurance	16,366	26,466	26,373	-	-	26,373	93
Dental insurance	-	92	92	-	-	92	-
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	9,000	8,806	7,609	-	-	7,609	1,197
Legal services	6,000	6,939	6,595	-	-	6,595	344
Printing, stationery, etc...	3,600	3,600	2,222	-	-	2,222	1,378
Travel	1,000	1,000	-	-	-	-	1,000
Other contracted services	7,000	8,285	7,859	-	-	7,859	426
Other supplies and materials	100	100	46	-	-	46	54
Liability insurance	12,500	12,599	12,599	-	-	12,599	-
Surety bonds	510	535	535	-	-	535	-
Trustee's commission	19,000	19,000	17,193	-	-	17,193	1,807
Workmans compensation	17,000	17,642	17,642	-	-	17,642	-
Inservice/staff development	4,000	1,500	191	-	-	191	1,309
Refunds to applicants	500	500	332	-	-	332	168
Other charges	9,000	8,613	8,228	-	-	8,228	385
<b>Total board of education</b>	<b>130,576</b>	<b>140,677</b>	<b>132,516</b>	<b>-</b>	<b>-</b>	<b>132,516</b>	<b>8,161</b>
Office of education							
County officials	99,500	99,500	96,087	-	-	96,087	3,413
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	6,231	6,223	5,655	-	-	5,655	568
Medical insurance	8,224	8,224	8,224	-	-	8,224	-
Dental insurance	138	141	141	-	-	141	-
Unemployment compensation	50	58	58	-	-	58	-
Employer medicare	1,457	1,457	1,323	-	-	1,323	134
Communication	12,000	12,000	5,908	-	-	5,908	6,092
Dues and memberships	1,000	1,000	779	-	-	779	221
Postage	1,500	1,500	1,358	-	-	1,358	142
Travel	2,000	1,000	689	-	-	689	311
Other contracted services	2,000	1,000	200	-	-	200	800
Office supplies	3,000	2,844	1,070	-	-	1,070	1,774
Inservice/staff development	2,000	4,000	2,533	-	-	2,533	1,467
Other charges	6,160	6,304	6,304	-	-	6,304	-
Administrative equipment	1,000	1,000	300	-	-	300	700
<b>Total office of education</b>	<b>147,260</b>	<b>147,251</b>	<b>131,629</b>	<b>-</b>	<b>-</b>	<b>131,629</b>	<b>15,622</b>

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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
General administration(continued)							
Office of principal							
Principals	142,203	142,343	142,343	-	-	142,343	-
Career ladder program	3,000	4,000	4,000	-	-	4,000	-
Accountants and bookkeepers	44,600	45,269	42,838	-	-	42,838	2,431
Assistant principal	177,250	173,250	172,761	-	-	172,761	489
Clerical personnel	37,305	37,865	35,887	-	-	35,887	1,978
Social security	25,070	25,146	23,727	-	-	23,727	1,419
State retirement	29,150	29,150	28,847	-	-	28,847	303
Medical insurance	43,863	38,223	37,516	-	-	37,516	707
Dental insurance	828	828	636	-	-	636	192
Unemployment compensation	450	554	554	-	-	554	-
Local retirement	2,500	3,883	3,883	-	-	3,883	-
Employer medicare	5,863	5,881	5,549	-	-	5,549	332
Dues and memberships	2,000	2,000	1,500	-	-	1,500	500
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	500	228	-	-	228	272
Other contracted services	1,200	1,774	1,774	-	-	1,774	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	3,000	3,000	399	-	-	399	2,601
Other charges	1,500	1,774	1,754	-	-	1,754	20
Indirect costs	6,544	6,544	6,490	-	-	6,490	54
Administrative equipment	1,000	7,165	7,165	-	-	7,165	-
Total office of principal	530,826	532,149	520,851	-	-	520,851	11,298
Fiscal services							
Accountants and bookkeepers	95,320	94,806	87,406	-	-	87,406	7,400
Purchasing personnel	43,511	44,165	44,165	-	-	44,165	-
Clerical personnel	22,446	22,783	22,783	-	-	22,783	-
Other salaries and wages	1,000	1,000	-	-	-	-	1,000
Social security	10,061	10,211	8,530	-	-	8,530	1,681
Medical insurance	23,463	24,186	24,186	-	-	24,186	-
Dental insurance	414	414	414	-	-	414	-
Unemployment compensation	300	300	239	-	-	239	61
Local retirement	8,000	8,000	5,804	-	-	5,804	2,196
Employer medicare	2,353	2,388	1,995	-	-	1,995	393
Dues and memberships	300	300	-	-	-	-	300
Other contracted services	6,800	8,020	8,020	-	-	8,020	-
Data processing supplies	1,000	1,000	344	-	-	344	656
Office supplies	2,000	2,000	412	-	-	412	1,588
Inservice/staff development	3,000	3,000	2,516	-	-	2,516	484
Administration equipment	3,000	3,000	-	-	-	-	3,000
Total fiscal services	222,968	225,573	206,814	-	-	206,814	18,759
Plant operations							
Janitorial services	327,815	331,308	323,899	-	-	323,899	7,409
Disposal fees	4,000	3,578	3,204	-	-	3,204	374
Permits	500	500	415	-	-	415	85
Other contracted services	25,000	21,122	21,122	-	-	21,122	-
Electricity	305,000	316,949	315,684	-	-	315,684	1,265
Natural gas	33,000	35,637	35,637	-	-	35,637	-
Water	30,000	20,300	20,246	-	-	20,246	54
Other supplies and materials	1,000	-	-	-	-	-	-
Boiler insurance	1,300	1,371	1,371	-	-	1,371	-
Building and contents insurance	28,700	30,145	30,145	-	-	30,145	-
Vehicle and equipment	8,500	8,905	8,905	-	-	8,905	-
Total plant operations	764,815	769,815	760,628	-	-	760,628	9,187

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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
General administration(continued)							
Plant maintenance							
Part time personnel	10,000	12,110	12,110	-	-	12,110	-
Social security	620	747	747	-	-	747	-
Unemployment compensation	50	50	30	-	-	30	20
Employer medicare	145	175	175	-	-	175	-
Contracts with government agencies	110,000	110,000	99,062	-	-	99,062	10,938
Maintenance and repair - buildings	45,000	52,011	49,156	-	-	49,156	2,855
Maintenance and repair - equipment	25,000	7,166	-	-	-	-	7,166
Maintenance and repair - other equipment	500	500	-	-	-	-	500
Other contracted services	75,000	75,000	57,375	-	-	57,375	17,625
Gasoline	3,000	3,000	2,103	-	-	2,103	897
Vehicle parts	1,000	1,000	489	-	-	489	511
Other supplies and materials	25,000	33,556	31,539	-	-	31,539	2,017
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	34	-	-	34	466
Building improvements	-	-	75,865	-	-	75,865	(75,865)
Maintenance equipment	6,000	6,000	-	-	-	-	6,000
<b>Total plant maintenance</b>	<b>302,615</b>	<b>302,615</b>	<b>328,685</b>	<b>-</b>	<b>-</b>	<b>328,685</b>	<b>(26,070)</b>
Central and other							
Supervisor/director	42,960	43,604	42,876	-	-	42,876	728
Data processing personnel	46,771	51,773	51,026	-	-	51,026	747
Social security	5,563	5,646	5,438	-	-	5,438	208
Medical insurance	19,788	19,788	13,670	-	-	13,670	6,118
Dental insurance	414	414	276	-	-	276	138
Unemployment compensation	150	186	176	-	-	176	10
Local retirement	4,600	5,000	4,999	-	-	4,999	1
Employer medicare	1,301	1,321	1,272	-	-	1,272	49
Dues and memberships	200	200	30	-	-	30	170
Maintenance and repair - equipment	9,000	9,000	6,640	-	-	6,640	2,360
Travel	1,000	1,000	841	-	-	841	159
Other contracted services	80,000	84,819	78,132	-	-	78,132	6,687
Other supplies and materials	17,000	22,000	18,874	-	-	18,874	3,126
Inservice/staff development	3,000	4,000	2,745	-	-	2,745	1,255
Other charges	2,000	2,000	571	-	-	571	1,429
Data processing equipment	8,000	2,525	2,525	-	-	2,525	-
Other equipment	12,000	12,000	11,200	-	-	11,200	800
<b>Total central and other</b>	<b>253,747</b>	<b>265,276</b>	<b>241,291</b>	<b>-</b>	<b>-</b>	<b>241,291</b>	<b>23,985</b>
<b>Total general administration</b>	<b>2,352,807</b>	<b>2,383,356</b>	<b>2,322,414</b>	<b>-</b>	<b>-</b>	<b>2,322,414</b>	<b>60,942</b>
Early childhood education							
Teachers	88,757	86,934	86,933	-	-	86,933	1
Educational assistants	43,992	45,505	45,504	-	-	45,504	1
Other salaries and wages	5,827	1,515	1,515	-	-	1,515	-
Certified substitute teachers	3,200	400	400	-	-	400	-
Non-certified substitute teachers	1,200	1,940	1,915	-	-	1,915	25
Social security	8,503	7,809	7,808	-	-	7,808	1
State retirement	8,024	7,803	7,803	-	-	7,803	-
Medical insurance	15,722	20,288	20,288	-	-	20,288	-
Dental insurance	276	272	272	-	-	272	-
Unemployment compensation	350	301	301	-	-	301	-
Local retirement	1,857	2,581	2,581	-	-	2,581	-
Employer medicare	2,073	1,857	1,857	-	-	1,857	-
Travel	100	-	-	-	-	-	-
Instructional supplies	2,938	5,919	5,919	-	-	5,919	-
Other supplies and materials	2,000	2,326	2,326	-	-	2,326	-
Indirect costs	9,488	9,483	9,482	-	-	9,482	1
Inservice/staff development	3,500	2,669	2,669	-	-	2,669	-
Other charges	307	419	412	-	-	412	7
Regular instruction equipment	4,000	4,092	4,092	-	-	4,092	-
<b>Total early childhood education</b>	<b>202,114</b>	<b>202,113</b>	<b>202,077</b>	<b>-</b>	<b>-</b>	<b>202,077</b>	<b>36</b>

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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2014	Encumbrances 6/30/2015		
<b>Expenditures(continued)</b>							
<b>Debt service</b>							
Principal payments	45,232	45,232	45,232	-	-	45,232	-
Interest payments	13,548	13,548	10,648	-	-	10,648	2,900
Total debt service	58,780	58,780	55,880	-	-	55,880	2,900
<b>Capital outlay</b>							
Building improvements	103,500	265,750	139,711	(30,341)	-	109,370	156,380
Total capital outlay	103,500	265,750	139,711	(30,341)	-	109,370	156,380
<b>Total Expenditures</b>	8,721,679	9,086,059	8,647,332	(30,341)	-	8,612,600	469,068
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,471,029)	(1,609,254)	(1,284,955)	30,341	-	(1,250,223)	354,640
<b>Other financing sources and (uses)</b>							
Transfers in	1,072,728	1,078,971	1,063,000	-	-	1,063,000	(15,971)
Total other financing sources and (uses)	1,072,728	1,078,971	1,063,000	-	-	1,063,000	(15,971)
<b>Net change in fund balance</b>	(398,301)	(530,283)	(221,955)	30,341	-	(191,614)	338,669
<b>Fund balance - beginning of year</b>	1,382,070	1,382,070	1,412,411	(30,341)	-	1,382,070	-
<b>Fund balance - end of year</b>	\$ 983,769	\$ 851,787	\$ 1,190,456	\$ -	\$ -	\$ 1,190,456	\$ 338,669

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

CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 5,324,452	\$ 1,275,445	\$ 10,408,045	\$ 17,007,942
Cash and cash equivalents - restricted	-	-	1,810,861	1,810,861
Investments	-	58,523	-	58,523
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	652,001	-	2,792,438	3,444,439
Current portion of advance to other funds	57,593	-	-	57,593
Grant receivables	535	81,731	-	82,266
Other receivables	590	12,821	174,765	188,176
Due from other funds	26,126	417,090	-	443,216
Inventory	244,293	183,865	276,131	704,289
Natural gas storage	514,629	-	-	514,629
Prepaid expenses	45,572	88,044	9,518	143,134
<b>TOTAL CURRENT ASSETS</b>	<b>6,865,791</b>	<b>2,117,519</b>	<b>15,571,758</b>	<b>24,555,068</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	116,227	76,153	-	192,380
Buildings	531,639	411,584	-	943,223
Equipment	1,593,363	1,906,345	-	3,499,708
General plant	-	-	5,444,457	5,444,457
Distribution plant	14,462,881	36,292,573	58,280,122	109,035,576
Construction in progress	49,141	1,285,350	834,828	2,169,319
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>16,753,251</b>	<b>39,972,005</b>	<b>64,559,407</b>	<b>121,284,663</b>
Less accumulated depreciation	(9,356,500)	(17,995,469)	(23,016,425)	(50,368,394)
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>7,396,751</b>	<b>21,976,536</b>	<b>41,542,982</b>	<b>70,916,269</b>
<b>OTHER ASSETS</b>				
Note receivable - TVA Home Insulation Program	-	-	360,096	360,096
Advance to other funds - noncurrent portion	237,407	-	-	237,407
Deposits	-	65	-	65
Other deferred costs	-	-	136,656	136,656
Bond issue costs, net of accumulated amortization	-	-	163,013	163,013
<b>TOTAL OTHER ASSETS</b>	<b>237,407</b>	<b>65</b>	<b>659,765</b>	<b>897,237</b>
<b>TOTAL ASSETS</b>	<b>14,499,949</b>	<b>24,094,120</b>	<b>57,774,505</b>	<b>96,368,574</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - contributions subsequent to measurement date	-	-	688,791	688,791
<b>CURRENT LIABILITIES</b>				
Accounts payable	169,760	291,441	4,020,857	4,482,058
Accrued expenses	54,293	79,527	112,458	246,278
Accrued interest	26,677	83,312	133,450	243,439
Compensated absences	-	-	649,518	649,518
Customer deposits	394,943	157,339	572,127	1,124,409
Due to other funds	462,788	26,649	-	489,437
Current portion of long-term debt	366,173	996,723	545,000	1,907,896
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,474,634</b>	<b>1,634,991</b>	<b>6,033,410</b>	<b>9,143,035</b>
<b>LONG-TERM LIABILITIES</b>				
Compensated absences	301,844	421,528	931,510	1,654,882
Bonds and notes payable (net of unamortized bond premiums)	2,478,303	9,533,886	14,300,000	26,312,189
Net pension liability	327,010	536,877	2,422,693	3,286,580
Other post employment benefits	-	-	950,756	950,756
Advances from Home Installation Program	-	-	360,438	360,438
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>3,107,157</b>	<b>10,492,291</b>	<b>18,965,397</b>	<b>32,564,845</b>
<b>TOTAL LIABILITIES</b>	<b>4,581,791</b>	<b>12,127,282</b>	<b>24,998,807</b>	<b>41,707,880</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	94,304	154,826	503,828	752,958
<b>NET POSITION</b>				
Net investment in capital assets	4,552,275	11,445,927	27,210,124	43,208,326
Restricted for debt service	-	-	1,265,269	1,265,269
Unrestricted net position	5,271,579	366,085	4,485,268	10,122,932
<b>TOTAL NET POSITION</b>	<b>\$ 9,823,854</b>	<b>\$ 11,812,012</b>	<b>\$ 32,960,661</b>	<b>\$ 54,596,527</b>

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, 2015**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>GAS FUND</b>	<b>WATER SYSTEMS FUND</b>	<b>ELECTRIC DEPARTMENT</b>	<b>TOTALS</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 6,648,821	\$ 5,748,340	\$ 46,045,815	\$ 58,442,976
Miscellaneous	3,806	6,355	819,413	829,574
<b>TOTAL OPERATING REVENUES</b>	<u>6,652,627</u>	<u>5,754,695</u>	<u>46,865,228</u>	<u>59,272,550</u>
<b>OPERATING EXPENSES</b>				
Natural gas purchases	3,764,553	-	-	3,764,553
Water purchases	-	104,717	-	104,717
Purchased for resale	-	-	35,789,227	35,789,227
Personnel expenses	1,221,367	2,131,509	-	3,352,876
Supplies	-	390,782	-	390,782
Utilities	24,153	436,791	-	460,944
Repairs and maintenance	155,781	651,113	1,507,879	2,314,773
Professional fees	17,783	57,893	-	75,676
Operating expenses	53,583	43,978	4,790,971	4,888,532
Rent	46,800	26,400	-	73,200
Office expense	152,962	83,492	-	236,454
Transportation expense	37,111	60,047	-	97,158
Insurance	31,789	102,321	-	134,110
Taxes and tax equivalents	-	-	285,092	285,092
Memberships and subscriptions	-	25,282	-	25,282
Miscellaneous	-	3,242	-	3,242
Depreciation and amortization	504,460	931,829	1,886,421	3,322,710
<b>TOTAL OPERATING EXPENSES</b>	<u>6,010,342</u>	<u>5,049,396</u>	<u>44,259,590</u>	<u>55,319,328</u>
<b>OPERATING INCOME (LOSS)</b>	<u>642,285</u>	<u>705,299</u>	<u>2,605,638</u>	<u>3,953,222</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	16,974	1,685	100,853	119,512
Sale of materials	-	2,440	-	2,440
Miscellaneous revenue	-	-	916	916
Amortization of bond issue costs	504	3,797	(9,322)	(5,021)
Miscellaneous expense	-	-	(30,596)	(30,596)
TEAC settlement	102,168	-	-	102,168
Gain (loss) on sale of asset	-	5,031	-	5,031
Insurance reimbursements	3,154	49,297	-	52,451
Interest expense	(98,640)	(331,629)	(560,097)	(990,366)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>24,160</u>	<u>(269,379)</u>	<u>(498,246)</u>	<u>(743,465)</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	666,445	435,920	2,107,392	3,209,757
Transfers to other funds	(143,637)	(102,048)	(814,281)	(1,059,966)
Capital contributions	384	833,257	-	833,641
<b>CHANGE IN NET POSITION</b>	<u>523,192</u>	<u>1,167,129</u>	<u>1,293,111</u>	<u>2,983,432</u>
<b>NET POSITION - BEGINNING OF YEAR, as originally stated</b>	9,773,176	11,420,644	33,889,956	55,083,776
<b>RESTATEMENT - GASB Statement No. 68 implementation</b>	<u>(472,514)</u>	<u>(775,761)</u>	<u>(2,222,406)</u>	<u>(3,470,681)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>9,300,662</u>	<u>10,644,883</u>	<u>31,667,550</u>	<u>51,613,095</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 9,823,854</u>	<u>\$ 11,812,012</u>	<u>\$ 32,960,661</u>	<u>\$ 54,596,527</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, 2015**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>GAS FUND</b>	<b>WATER SYSTEMS FUND</b>	<b>ELECTRIC DEPARTMENT</b>	<b>TOTALS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 6,790,501	\$ 5,846,380	\$ 47,105,561	\$ 59,742,442
Cash received from other funds for services	-	107,274	-	107,274
Other operating cash receipts	139,087	6,355	-	145,442
Cash payments to city - tax equivalents	-	-	(814,281)	(814,281)
Cash payments to suppliers for goods and services	(4,307,642)	(1,953,828)	(40,727,687)	(46,989,157)
Cash payments to employees for services	(1,265,221)	(2,195,724)	(1,481,676)	(4,942,621)
Customer deposits received	-	-	278,693	278,693
Customer deposits refunded	-	-	(251,216)	(251,216)
Cash payments to other funds for services	(109,311)	-	-	(109,311)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,247,414</b>	<b>1,810,457</b>	<b>4,109,394</b>	<b>7,167,265</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
TEAC settlement	102,168	-	-	102,168
Amounts paid to other funds	(143,637)	(102,048)	-	(245,685)
Sale of materials	-	2,440	-	2,440
Advances from Home Insulation Program	-	-	63,131	63,131
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(41,469)</b>	<b>(99,608)</b>	<b>63,131</b>	<b>(77,946)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of fixed assets	(119,177)	(1,149,624)	(1,867,880)	(3,136,681)
Plant removal cost	-	-	(212,869)	(212,869)
Materials salvaged from retirements	-	-	231,062	231,062
Gain on sale of capital assets	-	5,031	-	5,031
Grant proceeds	-	869,397	-	869,397
Insurance recoveries	3,154	49,297	-	52,451
Advances to other funds	(244,403)	-	-	(244,403)
Principal payments on long-term debt	(361,077)	(958,215)	(525,000)	(1,844,292)
Interest paid on long-term debt	(101,090)	(337,312)	(564,370)	(1,002,772)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(822,593)</b>	<b>(1,521,426)</b>	<b>(2,939,057)</b>	<b>(5,283,076)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	(78)	(100,000)	(100,078)
Proceeds from sale of investments	-	-	100,000	100,000
Notes receivable - TVA Home Insulation Program	-	-	(63,226)	(63,226)
Interest on cash and investments	16,974	1,685	100,853	119,512
Miscellaneous revenues	-	-	916	916
Miscellaneous expenses	-	-	(26,579)	(26,579)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>16,974</b>	<b>1,607</b>	<b>11,964</b>	<b>30,545</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>400,326</b>	<b>191,030</b>	<b>1,245,432</b>	<b>1,836,788</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,924,126</b>	<b>1,084,415</b>	<b>10,973,474</b>	<b>16,982,015</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 5,324,452</b>	<b>\$ 1,275,445</b>	<b>\$ 12,218,906</b>	<b>\$ 18,818,803</b>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Income (loss) from operating activities	\$ 642,285	\$ 705,299	\$ 2,605,638	\$ 3,953,222
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	504,460	931,829	1,886,421	3,322,710
Amounts paid to City - tax equivalents	-	-	(814,281)	(814,281)
GASB 68 related to pension costs	(51,200)	(84,058)	(25,304)	(160,562)
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	130,747	-	240,333	371,080
(Increase) decrease in other receivables	135,281	101,484	-	236,765
(Increase) decrease in notes receivable	-	-	-	-
(Increase) decrease in inventory	(18,563)	4,887	(19,263)	(32,939)
(Increase) decrease in prepaid assets	-	-	12,934	12,934
(Increase) decrease in due from other funds	(3,067)	102,952	-	99,885
(Increase) decrease in prepaid expenses	(14,054)	(14,028)	-	(28,082)
(Increase) decrease in natural gas storage	104,028	-	-	104,028
Increase (decrease) in accounts payable	(94,538)	30,405	536,827	472,694
Increase (decrease) in due to other funds	(106,244)	4,322	-	(101,922)
Increase (decrease) in pension liability	-	-	(529,255)	(529,255)
Increase (decrease) in OPEB	-	-	187,867	187,867
Increase (decrease) in customer deposits	10,933	(3,444)	27,477	34,966
Increase (decrease) in compensated absences	10,799	19,843	-	30,642
Increase (decrease) in accrued liabilities	(3,453)	10,966	-	7,513
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,247,414</b>	<b>\$ 1,810,457</b>	<b>\$ 4,109,394</b>	<b>\$ 7,167,265</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
OPEB	\$ -	\$ -	\$ 187,867	\$ 187,867
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, 2015**

	<u>School Activity</u>	<u>Pension Trust Funds</u>	
	<u>Agency Fund</u>	<u>Municipal Employees</u>	<u>Electric Employees</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 84,580	\$ -	\$ -
Other receivables	-	-	-
Investments:			
Mutual funds (market value)	-	10,185,527	7,603,921
Annuities (market value)	-	230,181	-
<b>TOTAL ASSETS</b>	<u>84,580</u>	<u>10,415,708</u>	<u>7,603,921</u>
<b>LIABILITIES</b>			
Accrued liabilities	<u>84,580</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>-</u>	<u>10,415,708</u>	<u>7,603,921</u>
<b>TOTAL NET POSITION</b>	<u>\$ -</u>	<u>\$ 10,415,708</u>	<u>\$ 7,603,921</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, 2015

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
<b>Additions</b>			
Contributions and other additions	\$ 774,112	\$ 802,267	\$ 1,576,379
Investment income	4,105	-	4,105
Net investment gain/(loss)	198,993	135,350	334,343
<b>Total Additions</b>	<u>977,210</u>	<u>937,617</u>	<u>1,914,827</u>
<b>Deductions</b>			
Fees	36,821	295	37,116
Benefits	116,017	233,539	349,556
Dividends and interest paid	4,299	-	4,299
<b>Total Deductions</b>	<u>157,137</u>	<u>233,834</u>	<u>390,971</u>
<b>Net increase in net position</b>	820,073	703,783	1,523,856
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>9,595,635</u>	<u>6,900,138</u>	<u>16,495,773</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 10,415,708</u>	<u>\$ 7,603,921</u>	<u>\$ 18,019,629</u>

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

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015**

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, 2015**

**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:

<b>Fund</b>	<b>Brief Description</b>
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:

<b>Fund</b>	<b>Brief Description</b>
<b>Major:</b> 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, 2015**

**Nonmajor**

Special Revenue Funds:

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

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

The City does not allocate indirect costs.

**1.D. BUDGETARY INFORMATION**

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

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

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

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

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

**Cash and Investments**

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

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

**Interfund Receivables and Payables**

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**Receivables**

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

**Inventories and Prepaid Expense**

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

**Restricted Assets**

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

**Bond Discounts / Issuance Costs**

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

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

**Capital Assets**

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

*Government-wide Statements*

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

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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	\$ 1,000
b. Trucks/Heavy	\$ 1,000
c. Buses	\$ 1,000
d. Vans	\$ 1,000
4. Equipment	\$ 1,000
5. Personal Property	\$ 1,000

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

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

*Fund Financial Statements*

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

**Deferred Outflows/Inflows of Resources**

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

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

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

source: property taxes. The second deferred inflows of resources are related to the government's pension requirements under GASB Statement No. 68.

**Long-term Debt**

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

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

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

**Compensated Absences**

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

*Electric System*

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

*School System*

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

**Net Position Flow Assumption**

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

Net position is displayed in three components:

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

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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

**Fund Balance Policies**

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

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

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

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

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

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

**Pensions – School System**

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

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**1.F. REVENUES, EXPENDITURES, AND EXPENSES**

**Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Sales Tax**

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

**Property Tax**

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

**Operating Revenues and Expenses**

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

**Expenditures/ Expenses**

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

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

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**

<b>Fund</b>	<b>Required By</b>
E-citation Fund	State Law
Police Drug Fund	State Law

**2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

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

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

**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:

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015.

**2.E. BUDGET**

**Lexington City Schools**

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

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

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.A. CASH AND INVESTMENTS**

**Deposits**

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

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

**General Government**

As of June 30, 2015, 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, 2015, 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, 2015, 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, 2015, 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.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015, is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 23,164	\$ 3,666,299	\$ 3,689,463
Allowance for doubtful accounts	<u>(11,378)</u>	<u>(221,860)</u>	<u>(233,238)</u>
Net accounts receivable	<u>\$ 11,786</u>	<u>\$ 3,444,439</u>	<u>\$ 3,456,225</u>

**3.C. CAPITAL ASSETS**

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

	<u>Balance 7/1/14</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/15</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 2,142,838	\$ -	\$ 31,771	\$ 2,111,067
Construction in Progress	23,633	69,042	-	92,675
Total Capital assets not being depreciated	<u>2,166,471</u>	<u>69,042</u>	<u>31,771</u>	<u>2,203,742</u>
Capital assets being depreciated				
Buildings	27,510,101	-	-	27,510,101
Equipment	6,889,399	880,714	167,296	7,602,817
Equipment under capital lease	-	-	-	-
Infrastructure	16,206,440	-	-	16,206,440
Improvements	6,846,008	165,054	-	7,011,062
Total Capital assets being depreciated	<u>57,451,948</u>	<u>1,045,768</u>	<u>167,296</u>	<u>58,330,420</u>
Less accumulated depreciation for:				
Buildings	10,787,219	541,753	-	11,328,972
Equipment	5,724,526	371,402	101,207	5,994,721
Infrastructure	11,643,435	43,925	-	11,687,360
Improvements	3,365,064	358,684	-	3,723,748
Total accumulated depreciation	<u>31,520,244</u>	<u>1,315,764</u>	<u>101,207</u>	<u>32,734,801</u>
Total capital assets, being depreciated, net	<u>25,931,704</u>			<u>25,595,619</u>
Governmental activities capital assets, net	<u>\$ 28,098,175</u>			<u>\$ 27,799,361</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 224,934	\$ -	\$ -	\$ 224,934
Construction in Progress	8,554,855	1,016,462	7,401,999	2,169,318
Total Capital assets not being depreciated	<u>8,779,789</u>	<u>1,016,462</u>	<u>7,401,999</u>	<u>2,394,252</u>
Capital assets being depreciated				
Buildings	1,715,246	3,800	-	1,719,046
Equipment	7,754,708	520,174	333,992	7,940,890
Plant	101,706,025	9,269,830	1,745,382	109,230,473
Total Capital assets being depreciated	<u>111,175,979</u>	<u>9,793,804</u>	<u>2,079,374</u>	<u>118,890,409</u>
Less accumulated depreciation for:				
Buildings	944,087	33,621	-	977,708
Equipment	5,369,693	449,865	267,242	5,552,316
Plant	42,521,498	3,045,561	1,728,689	43,838,370
Total accumulated depreciation	<u>48,835,278</u>	<u>3,529,047</u>	<u>1,995,931</u>	<u>50,368,394</u>
Total capital assets, being depreciated, net	<u>62,340,701</u>			<u>68,522,015</u>
Business-type activities capital assets, net	<u>\$ 71,120,490</u>			<u>\$ 70,916,267</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 232,897
Public safety	193,772
Public works	187,680
Health, recreation and welfare	701,415
Total depreciation expense	<u>\$1,315,764</u>

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**3.D. ACCOUNTS PAYABLE**

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

**3.E. OPERATING LEASES**

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

**3.F. PREPAID MEALS**

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

**3.G. LONG-TERM LIABILITIES**

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

**Governmental Activities**

As of June 30, 2015, the governmental long-term liabilities of the financial reporting entity consisted of the following:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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%. \$ 2,010,000

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%. 345,000

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%. 6,030,000

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%, 1,215,000

2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest. 453,173

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%. 282,044

**Capital Outlay Notes**

2005 capital outlay note. Interest 4.05% with final payment due September 1, 2017. 145,000

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest. 237,828

10,718,045

**Other Liabilities**

Compensated absences 1,198,861

Unamortized debt premiums 7,258

Landfill closure costs 218,577

**Total Government Activity** \$ 12,142,741

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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%	\$ 1,540,000
2011 Gas Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	1,280,000
2011 Water Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	1,200,000
2009 Water and Sewer Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	5,545,000
2007 Electric Department Revenue Bonds, dated April 24, 2007, due November 1, 2007 through May 1, 2032, bearing an interest rate of 4.09%.	7,290,000
2011 Electric Plant Revenue Bonds, variable interest of 2.0% to 4.0% due serially through 2037	7,555,000

**General Obligation Bonds**

2012 General Obligation Bonds - Gas portion, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	19,335
2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	3,738,620

**Other liabilities**

Compensated absences	2,304,400
Unamortized debt premiums	52,129

<b>Total Business-type Activities</b>	<b><u>\$ 30,524,484</u></b>
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**Changes in Long-Term Liabilities**

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

	<u>Balance 7/1/2014</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2015</u>	<u>Due within one year</u>
<b><u>Governmental Type Activities</u></b>					
General Obligation Bonds	\$ 11,301,454	\$ -	\$ 966,237	\$ 10,335,217	\$ 987,633
Notes Payable	463,060	-	80,232	382,828	80,232
Landfill Closure Costs	220,937	-	2,360	218,577	-
Compensated Absences	1,182,243	16,618	-	1,198,861	-
Unamortized debt premiums	7,730	-	472	7,258	-
Total governmental type activities	<u>13,175,424</u>	<u>16,618</u>	<u>1,049,301</u>	<u>12,142,741</u>	<u>1,067,865</u>
<b><u>Business Type Activities</u></b>					
Revenue Bonds	26,045,000	-	1,635,000	24,410,000	1,680,000
General Obligation Bonds	3,967,247	-	209,292	3,757,955	227,896
Compensated Absences	2,222,886	297,864	216,350	2,304,400	216,350
Unamortized debt premiums	56,432	-	4,303	52,129	-
Total business type activities	<u>32,291,565</u>	<u>297,864</u>	<u>2,064,945</u>	<u>30,524,484</u>	<u>2,124,246</u>
Total government	<u>\$ 45,466,989</u>	<u>\$ 314,482</u>	<u>\$ 3,114,246</u>	<u>\$ 42,667,225</u>	<u>\$ 3,192,111</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, 2015 are as follows:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

Year Ending June 30,	<u>General Obligation Bonds</u>				Principal and Interest Total
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	Principal	Interest	Principal	Interest	
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	886,473	184,539	279,056	51,667	1,401,735
2021-2025	2,186,070	745,596	1,539,458	186,311	4,657,435
2026-2030	2,340,159	436,100	934,840	35,162	3,746,261
2031-2034	1,195,000	80,661	-	-	1,275,661
<b>Total</b>	<b>\$ 10,335,217</b>	<b>\$ 2,387,005</b>	<b>\$ 3,757,955</b>	<b>\$ 506,701</b>	<b>\$ 16,986,878</b>

  

Year Ending June 30,	<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
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	35,232	-	1,075,000	731,452
2021-2025	61,668	-	5,105,000	3,124,841
2026-2030	-	-	6,265,000	2,058,289
2031-2035	-	-	5,295,000	725,761
2036-2039	-	-	990,000	40,000
	<b>\$ 382,828</b>	<b>\$ 9,012</b>	<b>\$ 24,410,000</b>	<b>\$ 10,028,010</b>

**3.H. INTERFUND TRANSACTIONS AND BALANCES**

**Operating Transfers**

	<u>TRANSFER FROM</u>						Totals
	General	Police Drug	School Tax Fund	Lexington Electric	Water	Gas	
<b>TRANSFER TO</b>							
General	\$ -	\$ -	\$ -	\$ 814,281	\$ 102,048	\$ 143,637	\$ 1,059,966
Solid Waste	330,135	-	-	-	-	-	330,135
E- Citation	43,196	-	-	-	-	-	43,196
School Tax Fund	47,500	-	-	-	-	-	47,500
DARE	-	2,000	-	-	-	-	2,000
Capital Projects	555,000	-	-	-	-	-	555,000
School Debt	-	-	969,330	-	-	-	969,330
General Purpose School	680,000	-	383,000	-	-	-	1,063,000
<b>GRAND TOTALS</b>	<b>\$ 1,655,831</b>	<b>\$ 2,000</b>	<b>\$ 1,352,330</b>	<b>\$ 814,281</b>	<b>\$ 102,048</b>	<b>\$ 143,637</b>	<b>\$ 4,070,127</b>

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, 2015**

**Interfund Receivables and Payables**

	DUE TO:				Totals
	General	Solid Waste	Water Systems	Gas	
<b>DUE FROM:</b>					
General	\$ -	\$ -	\$ 6,111	\$ 3,365	\$ 9,476
Solid Waste	-	-	-	264	264
Gas	2,033	49,776	410,979	-	462,788
Water Systems	4,152	-	-	22,497	26,649
	\$ 6,185	\$ 49,776	\$ 417,090	\$ 26,126	\$ 499,177

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

**3.I. ON-BEHALF PAYMENTS**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lexington City School System. These payments are made by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015 were \$46,040 and \$12,388, 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.

**Plan Description**

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Participant Data**

Inactive Plan Participants as of January 1, 2014:

Retirees and beneficiaries currently receiving benefits	4
Terminated employees entitled to deferred benefits	24
Disabled employees entitled to deferred benefits	<u>3</u>
Total	31

Active Plan Participants as of January 1, 2014:

Vested	67
Partially-vested	29
Non-vested	<u>13</u>
Total	109

**Summary of Plan Provisions**

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/15

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

Normal Retirement Date: First day of the month coinciding with or next following attainment of age 60. 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 60<sup>th</sup> 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.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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:

<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%

**Contributions**

Required contributions are based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employee contributions are based on employee's annual covered salary. For the year ended June 30, 2014, the employee contribution rate was 6%. The City's contributions for the year ended June 30, 2014 were \$509,921.

**Net Pension Liability**

The System's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2014 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	4.00% per annum
Investment rate of return	7.50% per annum

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Change in City's Net Pension Liability**

Changes in the City's net pension liability for the year ended June 30, 2014 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/13	\$ 10,263,610	\$ 7,506,819	\$ 2,756,791
Changes for the year:			
Service cost	406,855	-	406,855
Interest	793,037	-	793,037
Differences between expected and actual experience	-	-	-
Contributions - employer	-	509,921	(509,921)
Contributions - employee	-	268,022	(268,022)
Net investment income	-	1,272,111	(1,272,111)
Benefit payments	(196,839)	(196,839)	-
Administrative expense	-	(1,250)	1,250
Net changes	<u>1,003,053</u>	<u>1,851,965</u>	<u>(848,912)</u>
Balances at 6/30/14	<u>\$ 11,266,663</u>	<u>\$ 9,358,784</u>	<u>\$ 1,907,879</u>

**Long-Term Expected Rate of Return on Pension Plan Investments**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Plan's net pension liability	\$ 3,596,715	\$ 1,907,879	\$ 501,652

The discount rate is the single rate that reflects (1) the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits, to the extent that the pension

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

plan's fiduciary net position is projected to be sufficient to make projected benefit payments and pension plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met. The tax exempt, high-quality general obligation municipal bond rate used was 3.70%.

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

For the measurement period ended June 30, 2014, the City recognized pension expense of \$211,208. At June 30, 2014, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	550,199
Contributions subsequent to the measurement date of June 30, 2014	-	-
Total	<u>\$ -</u>	<u>\$ 550,199</u>

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

**Year ended June 30:**

2015	\$	(137,550)
2016		(137,550)
2017		(137,550)
2018		(137,550)
2019		-
Thereafter		-

**Payable to the Pension Plan**

At June 30, 2015, the City reported \$ 0 payable for outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

The City began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. Employees are required to make a mandatory contribution of 6% of their annual compensation and the City matches their contribution with an equal amount. The employer's contributions are not vested until after five annual periods in the plan. The 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 \$2,412,526.

The Lexington Electric System Retirement Plan issues a publicly available report that can be obtained by contacting the City of Lexington, Tennessee.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

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 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 60<sup>th</sup> birthday. Maximum annual compensation is \$195,000. A reduced retirement benefit is available to employees upon early retirement.

At June 30, 2014, the following employees were covered by the Plan:

Active employees under assumed retirement age	40
Other active and inactive employees	1
Terminated deferred vested, deceased and disabled employees	5
Retired employees, beneficiaries and contingent annuitants	6
	52

**Contributions**

Required contributions are based on actuarial calculations performed by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employee contributions are based on employee's annual covered salary. For the year ended June 30, 2014, the employee contribution rate was 6%. The System's contributions for the year ended June 30, 2014 were \$663,487.

**Net Pension Liability**

The System's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2014 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	4.00% per annum
Investment rate of return	7.50% per annum

**Change in System's Net Pension Liability**

Changes in the System's net pension liability for the year ended June 30, 2014 were as follows:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/13	\$ 9,817,757	\$ 6,402,609	\$ 3,415,148
Changes for the year:			
Service cost	207,035	-	207,035
Interest	700,229	-	700,229
Differences between expected and actual experience	-	-	-
Contributions - employer	-	663,487	(663,487)
Contributions - employee	-	148,508	(148,508)
Net investment income	-	1,088,227	(1,088,227)
Benefit payments	(1,402,188)	(1,402,188)	-
Administrative expense	-	(503)	503
Net changes	(494,924)	497,531	(992,455)
Balances at 6/30/14	<u>\$ 9,322,833</u>	<u>\$ 6,900,140</u>	<u>\$ 2,422,693</u>

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

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

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Plan's net pension liability	\$ 3,942,667	\$ 2,422,693	\$ 1,145,613

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

For the measurement period ended June 30, 2014, the System recognized pension expense of \$174,860. At June 30, 2014, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	503,828
Contributions subsequent to the measurement date of June 30, 2014	688,791	-
Total	<u>\$ 688,791</u>	<u>\$ 503,828</u>

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Year ended June 30:**

2015	\$	(125,957)
2016		(125,957)
2017		(125,957)
2018		(125,957)
2019		-
Thereafter		-

**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 \$25,304.

**School Department**

**General Information about the Pension Plan**

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

**1. *Teacher Legacy Pension Plan***

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$356,483 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension asset.* At June 30, 2014, the Lexington City Schools reported an asset of \$17,035 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Lexington City School's proportion of the net pension liability was based on Lexington City School's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Lexington City Schools' proportion was 0.104835 percent. The proportion measured as of June 30, 2013 was 0.103891 percent.

*Pension income.* For the year ended June 30, 2015, Lexington City Schools recognized a pension income of \$12,391.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 41,357	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,403,587
Changes in proportion of Net Pension Liability (Asset)	13,314	-
LEA's contribution subsequent to the measurement date of June 30, 2014	<u>356,483</u>	<u>-</u>
Total	<u>\$ 411,154</u>	<u>\$ 1,403,587</u>

Lexington City Schools employer contribution of \$356,483, reported as pension related deferred outflows or resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Year Ended June 30:**

2016	\$	(341,785)
2017		(341,785)
2018		(341,785)
2019		(341,785)
2020		9,112
Thereafter		9,112

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

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

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012. (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed marked international equity	6.26%	17%
Emerging marked international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 2,873,169	\$ (17,035)	\$ (2,409,811)

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

**Payable to the Pension Plan**

At June 30, 2015, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**2. Teacher Retirement Plan**

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

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$10,118, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liabilities.* Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a pension liability to report at June 30, 2015.

*Pension expense.* Since the measurement date is June 30, 2014, Lexington City Schools did not recognized a pension expense at June 30, 2015.

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2014	\$ 10,118	(not applicable)

Lexington City Schools; employer contributions of \$10,118 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

**Payable to the Pension Plan**

At June 30, 2015, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**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 \$ 37,903 for the 14-15 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.

**Components of Net OPEB Obligation**

Annual required contribution	\$ 311,698
Interest on Net OPEB obligation	30,517
Adjustment to annual required contribution	<u>(38,798)</u>
Annual OPEB cost (expense)	303,417
Contributions and subsidy	<u>(115,550)</u>
Increase in net obligation	187,867
Net OPEB obligation (BOY)	<u>762,889</u>
Net OPEB (asset) obligation (EOY)	<u><u>\$ 950,756</u></u>

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 303,416	38.10%	\$ 950,756
6/30/2014	267,299	20.10%	762,889
6/30/2013	255,272	21.51%	592,724

**Funded Status and Funding Progress** – As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,079,828 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAT) of \$3,079,828. The covered payroll (annual payroll of active employees covered by the plan) was \$2,645,385 and the ratio of the UAAL to the covered payroll was 153.0%.

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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% 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 8.0% 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 returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2014 was 25 years.

**4.C. RISK MANAGEMENT**

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

Balance at 7/1/2014	Incurred Claims	Claims Payments	Balance at 6/30/2015
\$ -	\$ 81,145	\$ 62,566	\$ 18,579

**4.D. RISK MANAGEMENT**

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

*School System*

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

*Electric System*

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015 the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

**4.E. LANDFILL POSTCLOSURE COSTS**

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$218,577 as a long-term liability in the statement of net position. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

**4.F. COMMITMENTS AND CONTINGENCIES**

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

**Electric System**

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

**4.G. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In June 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.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

**4.H. RESTATEMENTS**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing the beginning net position in the Statement of Activities has been recognized as follows:

Governmental-type activities	\$1,508,516
Business-type activities	
Water Fund	\$ 775,761
Gas Fund	472,514
Electric Department	<u>2,222,406</u>
Total	<u>\$3,470,681</u>

**4.I. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

**Lexington Gas System**

The System has a bypass project with estimated costs of \$134,903. As of June 30, 2015, 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.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Lexington Water System**

The System has several construction projects in process at June 30, 2015. Commitments for these projects are described below.

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

The System has a sewer disaster recovery project with costs of \$967,940. As of June 30, 2015 there is \$62,865 remaining to complete this project which is to be fully funded with grant funds.

The System has a CDBG project which has an estimated cost of \$1,356,384 of which \$500,000 is to be funded by a CDBG grant. As of June 30, 2015, the System had expended \$223,017 of which \$113,417 was funded by the CDBG grant.

**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.

**4.J. REVISION TO ORIGINALLY ISSUED FINANCIAL STATEMENTS**

The City has made revisions to the June 30, 2015 financial statements to properly report pension deferred outflows of resources and pension income.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2015**

	<b>City 2014</b>	<b>LES 2014</b>
<b>Total pension liability</b>		
Service Cost	\$ 406,855	\$ 207,035
Interest	793,037	700,229
Changes in benefit terms	-	-
Differences between actual and expected experience	-	-
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	(196,839)	(1,402,188)
<b>Net change in total pension liability</b>	<u>1,003,053</u>	<u>(494,924)</u>
<b>Total pension liability - beginning</b>	<u>10,263,610</u>	<u>9,817,757</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 11,266,663</u></u>	<u><u>\$9,322,833</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 509,921	\$ 663,487
Contributions - employee	268,022	148,508
Net investment income	1,272,111	1,088,227
Benefit payments, including refunds of employee contributions	(196,839)	(1,402,188)
Administrative expense	(1,250)	(505)
Net change in plan fiduciary net position	<u>1,851,965</u>	<u>497,529</u>
<b>Plan fiduciary net position - beginning</b>	<u>7,506,819</u>	<u>6,402,609</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 9,358,784</u></u>	<u><u>\$6,900,138</u></u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u><u>\$ 1,907,879</u></u>	<u><u>\$2,422,695</u></u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	83.07%	74.01%
<b>Covered-employee payroll</b>	\$ 4,075,748	\$2,412,526
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	46.81%	100.42%

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

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

CITY OF LEXINGTON, TENNESSEE  
 SCHEDULES OF PLAN CONTRIBUTIONS  
 JUNE 30, 2015

	<u>City 2014</u>	<u>LES 2014</u>
Actuarially determined contribution	\$ 428,197	\$ 663,487
Contributions in relation to the actuarially determined contribution	<u>509,921</u>	<u>663,487</u>
Contribution deficiency (excess)	<u>\$ (81,724)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,075,748	\$2,412,526
Contributions as a percentage to covered payroll	12.51%	27.50%

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

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

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**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2015**

**Notes to Schedule**

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

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Projected Unit Credit
Amortization method	Level amortization, open
Remaining amortization period	20
Asset valuation	Market value of plan assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value
Inflation	3.0 percent
Salary increases	4.00%
Investment Rate of Return	7.50%
Retirement age	Age 62 or current age if later
Mortality	Prescribed IRS Static Mortality Table for the year of valuation

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

CITY OF LEXINGTON, TENNESSEE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

	Special Revenue						Debt Service		Capital Projects	Total Other	
	State Street Aid	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	General Sinking Fund	School Debt Fund	Post Office Fund	Governmental Funds
<b>ASSETS</b>											
Cash and cash equivalents	\$ 7,878	\$ 119,362	\$ 131,514	\$ 100	\$ 1,007	\$ 4,061	\$ 69,940	\$ 47,615	\$ -	\$ 902,383	\$ 1,283,860
Other receivables	-	142	-	-	-	-	-	-	-	12,348	12,490
Due from other funds	-	-	-	49,776	-	-	-	-	-	-	49,776
Grants receivable	-	-	-	-	-	-	-	-	-	10,609	10,609
Prepaid insurance	-	-	-	20,038	-	-	-	-	-	-	20,038
Inventory	-	-	24,309	-	-	-	-	-	-	-	24,309
Due from other governments	37,021	242,584	-	-	-	-	-	-	-	-	279,605
<b>TOTAL ASSETS</b>	<b>\$ 44,899</b>	<b>\$ 362,088</b>	<b>\$ 155,823</b>	<b>\$ 69,914</b>	<b>\$ 1,007</b>	<b>\$ 4,061</b>	<b>\$ 69,940</b>	<b>\$ 47,615</b>	<b>\$ -</b>	<b>\$ 925,340</b>	<b>\$ 1,680,687</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>LIABILITIES</b>											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 657	\$ -	\$ -	\$ -	\$ 657
Accrued liabilities	-	-	-	6,337	-	-	-	-	-	-	6,337
Unearned revenues - other	-	-	5,269	-	-	-	5,872	-	-	-	11,141
Due to other funds	-	-	-	264	-	-	-	-	-	-	264
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>5,269</b>	<b>6,601</b>	<b>-</b>	<b>-</b>	<b>6,529</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,399</b>
<b>FUND BALANCES</b>											
<b>Nonspendable</b>											
Inventory	-	-	24,309	-	-	-	-	-	-	-	24,309
Prepaid expenses	-	-	-	20,038	-	-	-	-	-	-	20,038
<b>Restricted</b>											
State street aid	44,899	-	-	-	-	-	-	-	-	-	44,899
School food authority	-	-	126,245	-	-	-	-	-	-	-	126,245
E-citation fund	-	-	-	-	-	4,061	-	-	-	-	4,061
Drug fund	-	-	-	-	-	-	63,411	-	-	-	63,411
Solid waste	-	-	-	43,275	-	-	-	-	-	-	43,275
<b>Assigned</b>											
DARE fund	-	-	-	-	1,007	-	-	-	-	-	1,007
Debt service	-	362,088	-	-	-	-	-	47,615	-	-	409,703
Capital projects	-	-	-	-	-	-	-	-	-	925,340	925,340
<b>TOTAL FUND BALANCES</b>	<b>44,899</b>	<b>362,088</b>	<b>150,554</b>	<b>63,313</b>	<b>1,007</b>	<b>4,061</b>	<b>63,411</b>	<b>47,615</b>	<b>-</b>	<b>925,340</b>	<b>1,662,288</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 44,899</b>	<b>\$ 362,088</b>	<b>\$ 155,823</b>	<b>\$ 69,914</b>	<b>\$ 1,007</b>	<b>\$ 4,061</b>	<b>\$ 69,940</b>	<b>\$ 47,615</b>	<b>\$ -</b>	<b>\$ 925,340</b>	<b>\$ 1,680,687</b>

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, 2015

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Debt Service		Capital Projects Post Office Fund	Total Other Governmental Funds
								General City Sinking Fund	School Debt Fund		
<b>Revenues:</b>											
Taxes	\$ -	\$ 1,370,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,354	\$ 1,508,793
Intergovernmental	202,027	-	480,633	-	-	-	-	-	-	10,609	693,269
Charges for services	-	-	186,780	653,053	-	-	-	-	-	-	839,833
Fines, forfeitures, and penalties	-	-	-	-	-	4,060	92,882	-	-	-	96,942
Other revenue	1	17,605	2,080	11,195	-	1	466	197,293	-	7,758	236,399
<b>Total Revenues</b>	<u>202,028</u>	<u>1,388,044</u>	<u>669,493</u>	<u>664,248</u>	<u>-</u>	<u>4,061</u>	<u>93,348</u>	<u>197,293</u>	<u>-</u>	<u>156,721</u>	<u>3,375,236</u>
<b>Expenditures:</b>											
Current:											
Public works	200,000	-	-	603,098	-	-	-	-	-	-	803,098
Public safety	-	-	-	-	2,294	-	56,178	-	-	-	58,472
Health, welfare and recreation	-	4,932	634,835	-	-	-	-	24,456	-	28,144	692,367
Capital outlay	-	-	17,637	393,135	-	43,196	40,274	-	-	268,034	762,276
Debt Service	-	-	-	-	-	-	-	178,969	969,330	-	1,148,299
<b>Total Expenditures</b>	<u>200,000</u>	<u>4,932</u>	<u>652,472</u>	<u>996,233</u>	<u>2,294</u>	<u>43,196</u>	<u>96,452</u>	<u>203,425</u>	<u>969,330</u>	<u>296,178</u>	<u>3,464,512</u>
<b>Revenues over Expenditures</b>	<u>2,028</u>	<u>1,383,112</u>	<u>17,021</u>	<u>(331,985)</u>	<u>(2,294)</u>	<u>(39,135)</u>	<u>(3,104)</u>	<u>(6,132)</u>	<u>(969,330)</u>	<u>(139,457)</u>	<u>(89,276)</u>
<b>Other Financing Sources (Uses)</b>											
Sale of capital assets	-	-	-	-	-	-	7,600	-	-	-	7,600
Insurance recoveries	-	-	-	6,106	-	-	-	-	-	-	6,106
Operating transfer in	-	47,500	-	330,135	2,000	43,196	-	-	969,330	555,000	1,947,161
Operating transfer (out)	-	(1,352,330)	-	-	-	-	(2,000)	-	-	-	(1,354,330)
<b>Total Other Financing Sources and (Uses)</b>	<u>-</u>	<u>(1,304,830)</u>	<u>-</u>	<u>336,241</u>	<u>2,000</u>	<u>43,196</u>	<u>5,600</u>	<u>-</u>	<u>969,330</u>	<u>555,000</u>	<u>606,537</u>
<b>Net Change in Fund Balances</b>	<u>2,028</u>	<u>78,282</u>	<u>17,021</u>	<u>4,256</u>	<u>(294)</u>	<u>4,061</u>	<u>2,496</u>	<u>(6,132)</u>	<u>-</u>	<u>415,543</u>	<u>517,261</u>
<b>Fund Balance at Beginning of Year, as originally stated</b>	<u>42,871</u>	<u>283,806</u>	<u>135,975</u>	<u>59,057</u>	<u>1,301</u>	<u>-</u>	<u>60,915</u>	<u>53,747</u>	<u>-</u>	<u>509,797</u>	<u>1,147,469</u>
<b>Change in reserve for inventory</b>	<u>-</u>	<u>-</u>	<u>(2,442)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,442)</u>
<b>Fund Balance at Beginning of Year, as restated</b>	<u>42,871</u>	<u>283,806</u>	<u>133,533</u>	<u>59,057</u>	<u>1,301</u>	<u>-</u>	<u>60,915</u>	<u>53,747</u>	<u>-</u>	<u>509,797</u>	<u>1,145,027</u>
<b>Fund Balance at End of Year</b>	<u>\$ 44,899</u>	<u>\$ 362,088</u>	<u>\$ 150,554</u>	<u>\$ 63,313</u>	<u>\$ 1,007</u>	<u>\$ 4,061</u>	<u>\$ 63,411</u>	<u>\$ 47,615</u>	<u>\$ -</u>	<u>\$ 925,340</u>	<u>\$ 1,662,288</u>

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

**CITY OF LEXINGTON, TENNESSEE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>STUDENT ACTIVITY FUND</b>	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2015</u>
<b>ASSETS</b>				
Cash	\$ 63,902	\$ 238,830	\$ 218,472	\$ 84,260
Accounts receivable	27	-	27	-
	<u>\$ 63,929</u>	<u>\$ 238,830</u>	<u>\$ 218,499</u>	<u>\$ 84,260</u>
 <b>Liabilities</b>				
Due to student groups	\$ 63,929	\$ 238,483	\$ 218,472	\$ 83,940
Accounts Payable	-	320	-	320
	<u>\$ 63,929</u>	<u>\$ 238,803</u>	<u>\$ 218,472</u>	<u>\$ 84,260</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
State gas and motor fuel tax	\$ 204,691	\$ 200,000	\$ 138,511	\$ (61,489)
State gas 1989 tax	-	-	22,240	22,240
State gas three cent tax	-	-	41,276	41,276
<b>Other revenues</b>				
Interest income	-	-	1	1
<b>Total revenues</b>	<u>204,691</u>	<u>200,000</u>	<u>202,028</u>	<u>2,028</u>
<b>Expenditures:</b>				
Public Works:				
Street lighting	204,691	200,000	200,000	-
<b>Total expenditures</b>	<u>204,691</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
<b>Revenues over (under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>2,028</u>	<u>2,028</u>
<b>Other financing sources and uses:</b>				
Transfers out	-	-	-	-
<b>Total Other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>2,028</u>	<u>2,028</u>
<b>Fund Balance at Beginning of Year</b>	<u>42,871</u>	<u>42,871</u>	<u>42,871</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 42,871</u>	<u>\$ 42,871</u>	<u>\$ 44,899</u>	<u>\$ 2,028</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Local option sales tax	\$ 1,294,000	\$ 1,325,000	\$ 1,370,439	\$ 45,439
Other revenues:				
Interest income	16,350	16,350	17,605	1,255
<b>Total Revenues</b>	<u>1,310,350</u>	<u>1,341,350</u>	<u>1,388,044</u>	<u>46,694</u>
<b>Expenditures:</b>				
Health, Welfare and Recreation:				
Operating costs	3,520	4,000	3,089	911
Paying agent fees	2,000	2,000	1,843	157
<b>Total Expenditures</b>	<u>5,520</u>	<u>6,000</u>	<u>4,932</u>	<u>1,068</u>
<b>Revenues over (under) Expenditures</b>	<u>1,304,830</u>	<u>1,335,350</u>	<u>1,383,112</u>	<u>47,762</u>
<b>Other financing sources and uses:</b>				
Transfers in	47,500	47,500	47,500	-
Transfers out	(1,352,330)	(1,352,330)	(1,352,330)	-
<b>Total Other financing sources and uses</b>	<u>(1,304,830)</u>	<u>(1,304,830)</u>	<u>(1,304,830)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	30,520	78,282	47,762
<b>Fund Balance at Beginning of Year</b>	<u>283,806</u>	<u>283,806</u>	<u>283,806</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 283,806</u>	<u>\$ 314,326</u>	<u>\$ 362,088</u>	<u>\$ 47,762</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, 2015**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Less: Encumbrances 7/1/2014</b>	<b>Add: Encumbrances 6/30/2015</b>	<b>Actual Revenue/ Expenditures (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>					
<b>Revenues</b>							
Payment for lunches							
Student	\$ 90,000	\$ 58,084	\$ 58,083	\$ -	\$ -	\$ 58,083	\$ (1)
Adult	17,000	16,009	16,009	-	-	16,009	-
Payment for breakfast							
Student	35,000	30,571	29,957	-	-	29,957	(614)
USDA - lunch programs	258,000	263,000	262,981	-	-	262,981	(19)
USDA - breakfast programs	135,000	142,460	142,459	-	-	142,459	(1)
USDA - commodities	34,307	30,807	36,101	-	-	36,101	5,294
USDA - other	8,000	11,760	12,991	-	-	12,991	1,231
State matching funds	5,884	5,884	5,464	-	-	5,464	(420)
Federal - equipment grant	-	17,637	17,637	-	-	17,637	-
Other grant funds	-	3,000	3,000	-	-	3,000	-
A La Carte sales	45,000	46,756	47,198	-	-	47,198	442
Revenues from individual schools	36,000	35,533	35,533	-	-	35,533	-
Interest income	500	500	436	-	-	436	(64)
Other revenues	-	5,659	1,644	-	-	1,644	(4,015)
<b>Total Revenues</b>	<b>664,691</b>	<b>667,660</b>	<b>669,493</b>	<b>-</b>	<b>-</b>	<b>669,493</b>	<b>1,833</b>
<b>Expenditures</b>							
Food supplies	294,307	271,682	269,346	-	-	269,346	2,336
Personnel expenditures							
Supervisor/director	27,916	28,728	28,728	-	-	28,728	-
Accountants and bookkeepers	17,694	18,480	18,480	-	-	18,480	-
Cafeteria personnel	177,352	181,391	180,942	-	-	180,942	449
Other salaries and wages	4,000	-	-	-	-	-	-
Inservice training	1,650	1,650	30	-	-	30	1,620
Social security	14,174	14,665	12,608	-	-	12,608	2,057
Medical insurance	55,144	62,114	62,114	-	-	62,114	-
Dental insurance	1,518	1,518	1,295	-	-	1,295	223
Unemployment compensation	975	978	865	-	-	865	113
Retirement	5,021	12,076	12,076	-	-	12,076	-
Employer medicare	3,315	3,430	2,949	-	-	2,949	481
Dues and memberships	240	260	251	-	-	251	9
Operations and maintenance							
Maintenance and repair	10,000	10,000	3,225	-	-	3,225	6,775
Nonfood supplies							
Food preparation supplies	20,000	15,700	14,686	-	-	14,686	1,014
Office supplies	1,500	1,500	1,336	-	-	1,336	164
Printing, stationery and forms	400	545	545	-	-	545	-
Uniforms	1,000	1,000	754	-	-	754	246
Other supplies and materials	6,000	9,738	8,891	-	-	8,891	847
Other							
Travel	100	100	9	-	-	9	91
Postal charges	135	135	49	-	-	49	86
Other contracted services	10,000	10,286	8,784	-	-	8,784	1,502
Other transportation	4,000	4,000	2,019	-	-	2,019	1,981
Inservice/staff development	5,000	5,346	4,414	-	-	4,414	932
Other charges	750	788	439	-	-	439	349
Food service equipment	2,500	20,137	17,637	-	-	17,637	2,500
<b>Total Expenditures</b>	<b>664,691</b>	<b>676,247</b>	<b>652,472</b>	<b>-</b>	<b>-</b>	<b>652,472</b>	<b>23,775</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(8,587)</b>	<b>17,021</b>	<b>-</b>	<b>-</b>	<b>17,021</b>	<b>25,608</b>
<b>Fund balance - beginning of year, as previously reported</b>	<b>135,975</b>	<b>135,975</b>	<b>135,975</b>	<b>-</b>	<b>-</b>	<b>135,975</b>	<b>-</b>
<b>Change in reserve for inventory</b>	<b>-</b>	<b>-</b>	<b>(2,442)</b>	<b>-</b>	<b>-</b>	<b>(2,442)</b>	<b>(2,442)</b>
<b>Fund balance - beginning of year, as restated</b>	<b>135,975</b>	<b>135,975</b>	<b>133,533</b>	<b>-</b>	<b>-</b>	<b>133,533</b>	<b>(2,442)</b>
<b>Fund balance - end of year</b>	<b>\$ 135,975</b>	<b>\$ 127,388</b>	<b>\$ 150,554</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,554</b>	<b>\$ 23,166</b>

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for Services:				
Collection charges	\$ 600,000	\$ 600,000	\$ 602,606	\$ 2,606
Landfill use fees	60,000	51,000	50,447	(553)
Other revenues:				
Miscellaneous income	6,000	7,000	11,195	4,195
<b>Total revenues</b>	<b>666,000</b>	<b>658,000</b>	<b>664,248</b>	<b>6,248</b>
<b>Expenditures</b>				
Public Works:				
Salaries	252,980	251,000	250,447	553
Payroll taxes	19,353	19,125	19,064	61
Hospital and health insurance	53,935	52,500	51,714	786
Workers compensation insurance	14,850	16,850	10,856	5,994
Unemployment insurance	630	630	618	12
Utilities	2,400	2,660	2,124	536
Telephone	400	500	494	6
Consultant's services	1,000	4,000	4,000	-
Tires, flats, etc.	4,000	4,000	3,104	896
R&M vehicles	10,000	11,500	7,949	3,551
R&M machinery and equipment	5,000	5,000	10,451	(5,451)
R&M grounds	500	500	180	320
R&M buildings	500	500	30	470
R&M other	1,200	3,300	3,205	95
Office supplies	750	500	434	66
Operating supplies	750	750	552	198
Other operating	32,000	39,200	36,120	3,080
Janitorial supplies	200	300	291	9
Clothing and uniforms	2,450	2,450	2,005	445
Fuel supplies	44,000	29,000	28,068	932
Consumable tools	1,000	1,000	457	543
Small items of equipment	-	500	142	358
Safety supplies	1,500	1,500	1,198	302
Insurance	9,000	10,000	9,018	982
Tipping fees	150,000	148,000	146,011	1,989
Permit fees	3,300	3,200	3,075	125
Soil testing	3,750	3,750	3,326	424
Bad debt expense	10,000	7,500	8,165	(665)
New cell	5,000	-	-	-
Capital outlay	-	393,135	393,135	-
<b>Total expenditures</b>	<b>630,448</b>	<b>1,012,850</b>	<b>996,233</b>	<b>16,617</b>
<b>Revenues over (under) expenditures</b>	<b>35,552</b>	<b>(354,850)</b>	<b>(331,985)</b>	<b>22,865</b>
<b>Other financing sources and uses:</b>				
Transfers in (out)	(35,552)	354,850	330,135	(24,715)
Insurance recoveries	-	-	6,106	6,106
<b>Total other financing sources and uses</b>	<b>(35,552)</b>	<b>354,850</b>	<b>336,241</b>	<b>(18,609)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>4,256</b>	<b>4,256</b>
<b>Fund Balance at Beginning of Year</b>	<b>59,057</b>	<b>59,057</b>	<b>59,057</b>	<b>-</b>
<b>Fund Balance at End of Year</b>	<b>\$ 59,057</b>	<b>\$ 59,057</b>	<b>\$ 63,313</b>	<b>\$ 4,256</b>

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Public Safety:				
Public relations	2,000	2,500	2,294	206
<b>Total expenditures</b>	<u>2,000</u>	<u>2,500</u>	<u>2,294</u>	<u>206</u>
<b>Revenues over (under) expenditures</b>	<u>(2,000)</u>	<u>(2,500)</u>	<u>(2,294)</u>	<u>206</u>
<b>Other financing sources and uses:</b>				
Transfers in	2,000	2,000	2,000	-
<b>Net change in fund balances</b>	-	(500)	(294)	206
<b>Fund Balance at Beginning of Year</b>	<u>1,301</u>	<u>1,301</u>	<u>1,301</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 1,301</u>	<u>\$ 801</u>	<u>\$ 1,007</u>	<u>\$ 206</u>

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

**CITY OF LEXINGTON, TENNESSEE  
E-CITATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND  
ACTUAL  
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines, forfeitures, and penalties:				
Police fines and fees	\$ -	\$ 3,600	\$ 4,060	\$ 460
Other revenues:				
Interest income	-	-	1	1
<b>Total revenues</b>	<u>-</u>	<u>3,600</u>	<u>4,061</u>	<u>461</u>
<b>Expenditures:</b>				
Capital outlay	-	44,500	43,196	1,304
<b>Total expenditures</b>	<u>-</u>	<u>44,500</u>	<u>43,196</u>	<u>1,304</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(40,900)</u>	<u>(39,135)</u>	<u>1,765</u>
<b>Other financing sources and uses:</b>				
Transfer in	-	43,500	43,196	(304)
<b>Total other financing sources and uses</b>	<u>-</u>	<u>43,500</u>	<u>43,196</u>	<u>(304)</u>
<b>Net change in fund balances</b>	-	2,600	4,061	1,461
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ -</u>	<u>\$ 2,600</u>	<u>\$ 4,061</u>	<u>\$ 1,461</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines, forfeitures, and penalties:				
Drug related fines	\$ 20,000	\$ 15,000	\$ 16,456	\$ 1,456
Forfeitures	38,000	40,000	37,272	(2,728)
Sale of seized property	54,500	45,000	39,154	(5,846)
Other revenues:				
Interest income	200	200	316	116
Miscellaneous income	-	1,000	150	(850)
<b>Total revenues</b>	<u>112,700</u>	<u>101,200</u>	<u>93,348</u>	<u>(7,852)</u>
<b>Expenditures:</b>				
Public Safety:				
Salaries	34,400	34,400	34,400	-
Vehicle tow (seized property)	1,000	1,000	875	125
Telephone	1,700	-	-	-
Repair and maintenance	2,000	2,000	122	1,878
Operating costs	12,000	20,000	18,409	1,591
Educational costs	-	2,500	2,372	128
Small items of equipment	2,000	2,000	-	2,000
Capital outlay	57,600	57,600	40,274	17,326
<b>Total expenditures</b>	<u>110,700</u>	<u>119,500</u>	<u>96,452</u>	<u>23,048</u>
<b>Revenues over (under) expenditures</b>	<u>2,000</u>	<u>(18,300)</u>	<u>(3,104)</u>	<u>15,196</u>
<b>Other financing sources and uses:</b>				
Sale of capital assets	-	-	7,600	7,600
Transfer out	(2,000)	(2,000)	(2,000)	-
<b>Total other financing sources and uses</b>	<u>(2,000)</u>	<u>(2,000)</u>	<u>5,600</u>	<u>7,600</u>
<b>Net change in fund balances</b>	-	(20,300)	2,496	22,796
<b>Fund Balance at Beginning of Year</b>	<u>60,915</u>	<u>60,915</u>	<u>60,915</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 60,915</u>	<u>\$ 40,615</u>	<u>\$ 63,411</u>	<u>\$ 22,796</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues:				
Rent - U. S. Post Office	\$ 196,000	\$ 196,000	\$ 196,000	\$ -
Interest income	-	-	20	20
Insurance recoveries	-	1,273	1,273	-
<b>Total revenues</b>	<u>196,000</u>	<u>197,273</u>	<u>197,293</u>	<u>20</u>
<b>Expenditures:</b>				
Health, Welfare and Recreation:				
Repair and maintenance	5,000	25,000	19,738	5,262
Insurance	5,000	5,000	4,718	282
Debt Service:				
Principal payments	155,000	155,000	155,000	-
Interest payments	22,815	22,815	22,815	-
Paying agent fees	1,500	1,500	1,154	346
<b>Total expenditures</b>	<u>189,315</u>	<u>209,315</u>	<u>203,425</u>	<u>5,890</u>
<b>Revenues over (under) expenditures</b>	<u>6,685</u>	<u>(12,042)</u>	<u>(6,132)</u>	<u>5,910</u>
<b>Other financing sources and uses:</b>				
Transfer out	-	-	-	-
<b>Net change in fund balances</b>	6,685	(12,042)	(6,132)	5,910
<b>Fund Balance at Beginning of Year</b>	<u>53,747</u>	<u>53,747</u>	<u>53,747</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 60,432</u>	<u>\$ 41,705</u>	<u>\$ 47,615</u>	<u>\$ 5,910</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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Debt Service:				
Principal payments	762,000	762,000	759,159	2,841
Interest payments	212,000	212,000	210,171	1,829
Paying agent fees	-	-	-	-
<b>Total expenditures</b>	<u>974,000</u>	<u>974,000</u>	<u>969,330</u>	<u>4,670</u>
<b>Revenues over (under) expenditures</b>	<u>(974,000)</u>	<u>(974,000)</u>	<u>(969,330)</u>	<u>4,670</u>
<b>Other financing sources and uses:</b>				
Transfers in	<u>974,000</u>	<u>974,000</u>	<u>969,330</u>	<u>(4,670)</u>
<b>Total other financing sources and uses</b>	<u>974,000</u>	<u>974,000</u>	<u>969,330</u>	<u>(4,670)</u>
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Liquor taxes	\$ 135,000	\$ 135,000	\$ 138,354	\$ 3,354
Intergovernmental revenues:				
Park grant	-	-	10,609	10,609
Other revenues:				
Interest income	150	230	358	128
Donations	-	500	500	-
Fireworks contributions	11,100	11,100	6,900	(4,200)
<b>Total Revenues</b>	<u>146,250</u>	<u>146,830</u>	<u>156,721</u>	<u>9,891</u>
<b>Expenditures:</b>				
Health, welfare and recreation:				
Fireworks	11,100	11,100	10,594	506
Public functions	736	-	-	-
Operating costs	4,758	-	-	-
VFW	-	341	341	-
Animal shelter	-	23,000	17,209	5,791
Capital projects	9,006	284,860	268,034	16,826
<b>Total Expenditures</b>	<u>25,600</u>	<u>319,301</u>	<u>296,178</u>	<u>23,123</u>
<b>Revenues over (under) Expenditures</b>	120,650	(172,471)	(139,457)	33,014
<b>Other financing sources and uses:</b>				
Transfers in	-	555,000	555,000	-
<b>Net Change in Fund Balances</b>	120,650	382,529	415,543	33,014
<b>Fund Balance at Beginning of Year</b>	<u>509,797</u>	<u>509,797</u>	<u>509,797</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 630,447</u>	<u>\$ 892,326</u>	<u>\$ 925,340</u>	<u>\$ 33,014</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, 2015

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2015	\$1.23	\$ 175,230,503	\$ 2,155,335	\$ -	\$ 2,155,335	\$ -	\$ -	\$ 2,155,335
2014	1.23	175,884,882	2,163,382	2,127,272	36,110	128	2,074,058	89,452
2013	1.23	176,525,774	2,171,302	100,820	-	518	97,496	3,842
2012	1.23	176,045,704	2,165,379	10,671	-	212	9,512	1,371
2011	1.23	172,560,623	2,122,526	188	-	-	-	188
2010	0.86	160,123,486	1,377,074	-	-	-	-	-
2009	0.86	160,348,230	1,378,984	-	-	-	-	-
2008	0.86	157,854,649	1,357,547	-	-	-	-	-
2007	0.86	161,370,663	1,387,770	-	-	-	-	-
2006	0.86	163,746,473	1,408,213	-	-	-	-	-
2005	0.71	166,009,807	1,156,947	-	-	-	-	-
2004	0.75	147,415,262	1,084,969	-	-	-	-	-
2003	0.75	140,461,875	1,081,818	-	-	-	-	-
2002	0.75	135,825,925	1,018,798	-	-	-	-	-
2001	0.75	129,764,140	1,018,037	75	-	-	-	75
				<u>75</u>	<u>-</u>	<u>858</u>	<u>2,181,066</u>	<u>2,250,263</u>
				<u>\$ 2,239,026</u>	<u>\$ 2,191,445</u>	<u>\$ 858</u>	<u>\$ 2,181,066</u>	<u>\$ 2,250,263</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, 2015

Year Ending June 30,	Capital Outlay - 2005		EESI Loan		2004 - QZAB 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
2016	\$ 45,000	\$ 4,961	\$ 35,232	\$ -	\$ 75,529	\$ -	\$ 165,000	\$ 14,175	\$ 300,000	\$ 149,686	\$ 45,000	\$ 51,304	\$ 385,000	\$ 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	48,604	400,000	29,900	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	4,162	-	-	-	-	90,000	4,162
	<u>\$ 145,000</u>	<u>\$ 9,012</u>	<u>\$ 237,828</u>	<u>\$ -</u>	<u>\$ 453,173</u>	<u>\$ -</u>	<u>\$ 345,000</u>	<u>\$ 19,035</u>	<u>\$ 6,030,000</u>	<u>\$ 1,586,081</u>	<u>\$ 1,215,000</u>	<u>\$ 602,522</u>	<u>\$ 2,010,000</u>	<u>\$ 141,338</u>	<u>\$ 282,044</u>	<u>\$ 38,029</u>	<u>\$ 10,718,045</u>	<u>\$ 2,396,017</u>

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

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - WATER SYSTEMS**  
**JUNE 30, 2015**

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 3,738,620</u>	<u>\$ 504,094</u>	<u>\$ 5,545,000</u>	<u>\$ 2,745,649</u>	<u>\$ 1,200,000</u>	<u>\$ 59,409</u>	<u>\$ 10,483,620</u>	<u>\$ 3,309,152</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, 2015**

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 19,335</u>	<u>\$ 2,607</u>	<u>\$ 1,540,000</u>	<u>\$ 769,014</u>	<u>\$ 1,280,000</u>	<u>\$ 68,221</u>	<u>\$ 2,839,335</u>	<u>\$ 839,842</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, 2015**

Year Ending June 30,	Series 2007 Revenue Bonds		Series 2011 Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 7,290,000</u>	<u>\$ 2,971,181</u>	<u>\$ 7,555,000</u>	<u>\$ 3,414,536</u>	<u>\$14,845,000</u>	<u>\$ 6,385,717</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, 2015**

<u>Tax Year</u>	<u>Outstanding Balance</u>
2013	\$ 3,842
2012	1,371
2011	188
2009	-
2008	-
2007	-
2006	-
2005	-
2004	-
2003	-
2002	-
2001	<u>75</u>
Total	<u><u>\$ 5,476</u></u>

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

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE  
JUNE 30, 2015**

<b>GAS FUND</b>					
<b>Residential Rate</b>	<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
<b>Small Commercial Rate</b>					
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
<b>Medium Commercial Rate</b>					
First 1,500 cubic feet (minimum)	\$ 24.85				
Over 1,500 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
<b>Large Commercial Rate</b>					
First 10,000 cubic feet (minimum)	\$ 124.60				
Over 10,000 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
<b>Transport (Customer buys from 3rd party)</b>		\$ 2.70			
<b>Number of customers at year end:</b>	<u>9,050</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 2014/2015 fiscal year the PGA varied from a low of \$4.25 to a high of \$6.15 and the average PGA rate was \$5.12 per mcf.

**WATER SYSTEMS**

<b>INSIDE CITY LIMITS</b>	
<b>WATER RATES - RESIDENTIAL</b>	
0-2,000 gallons	\$ 12.50
All over 2,000 gallons	\$2.00 per 1,000 gallons
<b>WATER RATES - COMMERCIAL RATES</b>	
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
<b>OUTSIDE CITY LIMITS</b>	
<b>WATER RATES - RESIDENTIAL</b>	
0-2,000 gallons	\$ 21.00
All over 2,000 gallons	\$3.50 per 1,000 gallons
<b>WATER RATES - COMMERCIAL RATES</b>	
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
<b>NUMBER OF CUSTOMERS AT YEAR END:</b>	<u>9,770</u>
<b>SEWER RATES - RESIDENTIAL</b>	
0-2,000 gallons	\$ 15.00
All over 2,000 gallons	\$4.00 per 1,000 gallons
<b>SEWER RATES - COMMERCIAL RATES</b>	
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
<b>NUMBER OF CUSTOMERS AT YEAR END:</b>	<u>3,423</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, 2015

Electric Department

<b>Residential Rate Schedule - RS</b>	
Customer Charge - per delivery point per month	\$ 14.10
Energy Charges - cents per kWh	0.09540
<b>General Power Rate Schedule - GSA</b>	
<b>GSA-1 (0.50 kw)</b>	
Customer Charge - per delivery point per month	\$ 17.96
Energy Charges - per kWh	0.10695
<b>GSA-2 (51-1,000 kw)</b>	
Customer charge - per delivery point per month	\$ 89.03
Demand charge - per kw per month - First 50 kW	-
- Additional kW	12.93
Energy charge - per kw - First 15,000 kWh	0.10695
- Additional kWh	0.06405
<b>GSA-3 (1,000-5,000 kw)</b>	
Customer charge - per delivery point per month	\$ 223.56
Demand charge - per kw per month - First 1,000 kW	12.54
- Excess over 1,000 kW	14.79
Energy charge - per kW	0.06579
<b>GSB</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 17.24
Energy charge - cents per kWh use of metered demand per month	0.09815
OffPeak:	
All kW - per kW per month	\$ 4.14
Energy charge - cents per kWh for up to 425 hours	0.06163
Next 195 kWh	0.04198
Over 620 kWh	0.02529
<b>GSC</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	16.73
Energy charge - cents per kWh use of metered demand per month	0.09436
OffPeak:	
All kW - per kW per month	\$ 3.63
Energy charge - cents per kWh for up to 425 hours	0.05888
Next 195 kWh	0.03921
Over 620 kWh	0.02253
<b>GSD</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16.62
Energy charge - cents per kWh use of metered demand per month	0.09275
OffPeak:	
All kW - per kW per month	\$ 3.52
Energy charge - cents per kWh for up to 425 hours	0.05617
Next 195 kWh	0.03650
Over 620 kWh	0.01982
<b>MSB1</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 17.24
Energy charge - cents per kWh use of metered demand per month	0.08218
OffPeak:	
All kW - per kW per month	\$ 4.14
Energy charge - cents per kWh for up to 425 hours	0.04606
Next 195 kWh	0.02641
Over 620 kWh	0.00973
<b>MSC</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16.73
Energy charge - cents per kWh use of metered demand per month	0.08304
OffPeak:	
All kW - per kW per month	\$ 3.63
Energy charge - cents per kWh for up to 425 hours	0.04592
Next 195 kWh	0.02627
Over 620 kWh	0.00959
<b>MSD</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16.73
Energy charge - cents per kWh use of metered demand per month	0.08304
OffPeak:	
All kW - per kW per month	\$ 3.63
Energy charge - cents per kWh for up to 425 hours	0.04592
Next 195 kWh	0.02627
Over 620 kWh	0.00959
<b>OL</b>	
Energy charge	0.06699

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, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>FEDERAL AWARDS</b>			
Department of Economic and Community Development CDBG DRG Sewer Line Realignment, contract #34876	14.228	"unavailable"	\$ 718,883
CDBG South Side 412 Project	14.228	"unavailable"	<u>74,072</u>
<b>Total Department of Economic and Community Development</b>			<u>792,955</u>
<b>Department of Justice</b>			
Cops Grant	N/A	2014UMWX0191	15,919
Bulletproof Vest Partnership Program	N/A	"unavailable"	<u>1,194</u>
<b>Total Department of Justice</b>			<u>17,113</u>
<b>Department of Transportation - Gas System</b>			
Lexington Bypass	N/A	STP-459(1)	<u>307</u>
<b>Department of Transportation - Water Systems</b>			
Lexington Bypass	N/A	STP-459(1)	<u>765</u>
<b>Department of Transportation - General Government</b>			
Governor's Highway Safety Office - Network Coordinator	20.600	Z-14-GHS205	4,817
Governor's Highway Safety Office - Network Coordinator	20.600	Z-15-GHS-203	<u>6,032</u>
<b>Total for CFDA #</b>	<b>20.600</b>		<u>10,849</u>
Governor's Highway Safety Office - High Visibility	20.607	Z-15-GHS-201	5,000
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z-15-GHS-202	20,101
Governor's Highway Safety Office - Crash Intervention	20.607	Z-14-GHS204	<u>7,097</u>
			<u>32,198</u>
Roadscapes Project	20.205	STP-M-9407(8)	1,417
Surface Transportation Program	20.205	STP-M-9407(8)	<u>43,353</u>
			<u>44,770</u>
<b>Total Department of Transportation</b>			<u>88,889</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>898,957</u>
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>Tennessee Department of Transportation - Gas System</b>			
Lexington Bypass	N/A	STP-459(1)	77
<b>Tennessee Department of Transportation - Water Systems</b>			
Lexington Bypass	N/A	STP-459(1)	191
<b>Tennessee Department of Transportation</b>			
Lexington Multimodal Transportation Access Project	N/A	39LPLM-S3-025	24,510
<b>Tennessee Department of Environment and Conservation</b>			
Local Park and Recreation Grant for Swimming Pool Improvement Project	N/A	-	10,609
<b>State Law Enforcement Supplement</b>	-	-	15,000
<b>State Fire Grant Supplement</b>	-	-	<u>7,200</u>
<b>TOTAL STATE AWARDS</b>			<u>57,587</u>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 956,544</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 in integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**AWWA WLCC FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET "Unaudited"**  
**JUNE 30, 2015**



Click to access definition  
 Click to add a comment

Water Audit Report for: **Lexington Water System**  
 Reporting Year: **2015** **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input  
**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

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

**WATER SUPPLIED**

rating in column 'E' and 'J' ----->

**Master Meter and Supply Error Adjustments**

Pcnt: Value:

Volume from own sources:   MG/Yr  
 Water imported:   MG/Yr  
 Water exported:   MG/Yr

<input type="text" value="9"/>	<input type="text" value="1.00%"/>	<input type="text" value="90,500"/>	MG/Yr
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr
<input type="text" value=""/>	<input type="text" value=""/>	<input type="text" value=""/>	MG/Yr

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

**WATER SUPPLIED:**  MG/Yr

**AUTHORIZED CONSUMPTION**

Billed metered:   MG/Yr  
 Billed unmetered:   MG/Yr  
 Unbilled metered:   MG/Yr  
 Unbilled unmetered:   MG/Yr

Click  for help using option buttons below

Pcnt:  Value:  MG/Yr

FALSE

**AUTHORIZED CONSUMPTION:**  MG/Yr

Use buttons to select percentage of water supplied OR value

**WATER LOSSES (Water Supplied - Authorized Consumption)**

MG/Yr

**Apparent Losses**

Unauthorized consumption:   MG/Yr

Pcnt:  Value:  MG/Yr

FALSE

Customer metering inaccuracies:   MG/Yr  
 Systematic data handling errors:   MG/Yr

MG/Yr  
  MG/Yr

**Apparent Losses:**  MG/Yr

**Real Losses (Current Annual Real Losses or CARL)**

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

**WATER LOSSES:**  MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER:**  MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:   miles  
 Number of active AND inactive service connections:    
 Service connection density:  conn./mile main

Are customer meters typically located at the curbside or property line?

(length of service line, beyond the property boundary, that is the

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

Average operating pressure:   psi

**COST DATA**

Total annual cost of operating water system:   \$/Year  
 Customer retail unit cost (applied to Apparent Losses):   gallons  
 Variable production cost (applied to Real Losses):   \$/Million gallon

**WATER AUDIT DATA VALIDITY SCORE:**

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

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: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

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

CITY OF LEXINGTON, TENNESSEE  
 AWWA WLCA FREE WATER AUDIT SOFTWARE: SYSTEM ATTRIBUTES AND PERFORMANCE INDICATORS - "Unaudited"  
 JUNE 30, 2015

**AWWA Free Water Audit Software:**  
System Attributes and Performance Indicators

Water Audit Report for:   
 Reporting Year:

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 OUT OF 100 \*\*\*

**System Attributes:**

Apparent Losses:  MG/Yr  
 + Real Losses:  MG/Yr  
 = **Water Losses:**  MG/Yr

Unavoidable Annual Real Losses (UARL):  MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:  Valued at **Variable Production Cost**  
 Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Non-revenue water as percent by volume of Water Supplied:

Non-revenue water as percent by cost of operating system:  Real Losses valued at Variable Production Cost

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

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

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

Real Losses per service connection per day per meter (head) pressure:  gallons/connection/day/psi

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

Infrastructure Leakage Index (ILI) [CARL/UARL]:

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

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



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

To the Mayor and City Aldermen  
Lexington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee (the City), as of and for the year ended June 30, 2015, 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 May 23, 2016, except for Note 4.J. as to which the date is August 9, 2016.

**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 in the accompanying schedule of findings and questioned costs as Internal School Funds' finding SAF 2015 -01 to be a material weakness.

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**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**

None

*Godwin & Associates, PLLC*

May 23, 2016, except for Note 4.J. as to which the date is August 9, 2016



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

To the Mayor and City Aldermen  
Lexington, Tennessee

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control over Compliance**

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

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

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

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

*Godwin & Associates, PLLC*

May 23, 2016, except for Note 4.J. as to which the date is August 9, 2016

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

***Financial Statement Findings***

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
SAF -2015-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated

***Federal Award Findings and Questioned Costs***

There were no prior findings reported.

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**SECTION I – Summary of Auditor’s Results**

- (a) Type of report issued on the financial statements:  
Unqualified
- (b) The audit of the financial statements disclosed one weakness in internal control.
- (c) The audit of the financial statements disclosed no instances of noncompliance.
- (d) The audit did not disclose any significant deficiencies or material weaknesses in internal control over major programs.
- (e) Type of report issued on compliance for major programs:  
Unqualified
- (f) The audit did not disclose any findings required to be reported under Circular A-133, Section 510(a).
- (g) Major programs:  
CFDA 14.228 – Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii
- (h) Dollar threshold used to distinguish between Type A and Type B programs:  
\$300,000
- (i) The auditee did not qualify as a low-risk auditee.

**SECTION II – Financial Statement Findings**

**LEXINGTON GAS SYSTEM**

NONE

**LEXINGTON WATER SYSTEMS**

NONE

**GENERAL GOVERNMENT**

NONE

**GENERAL PURPOSE SCHOOL FUND**

NONE

**SCHOOL FOOD AUTHORITY**

NONE

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## **INTERNAL SCHOOLS FUND**

### **SAF 2015 – 001 INADEQUATE SEGREGATION OF DUTIES (original finding SAF 2007-01)**

**Finding:** 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 *Tennessee Internal School Uniform Accounting Policy Manual (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.

## **SECTION III – Federal Award Findings and Questioned Costs**

NONE

**CITY OF LEXINGTON, TENNESSEE  
CORRECTIVE ACTION PLAN  
JUNE 30, 2015**

**INTERNAL SCHOOL FUNDS**

**FINDING SAF 2015 – 001 INADEQUATE SEGREGATION OF DUTIES**

Corrective action planned

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.

Anticipated completion date

Immediately

Responsible party

Each individual school's principal