

# **CITY OF LEXINGTON, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2017**

**CITY OF LEXINGTON, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2017**

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**CITY OF LEXINGTON, TENNESSEE**

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

**JUNE 30, 2017**

**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, 2017, 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 59%, 59%, and 81% 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 59%, 59%, and 81% 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, 2017, 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.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 4 through 9 and other required supplementary information on pages 76 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information such as the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



April 23, 2018

**CITY OF LEXINGTON, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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 - 75.

**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 76 - 85 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 86 - 99 of this report.

## **THE CITY AS A WHOLE**

Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Lexington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$79,659,176 at June 30, 2017.

**CITY OF LEXINGTON'S NET POSITION**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 9,872,329	\$ 9,175,904	\$ 25,289,061	\$ 23,936,185	\$ 35,161,390	\$ 33,112,089
Capital Assets	26,269,820	27,849,326	72,269,598	72,930,862	98,539,418	100,780,188
Total Assets	<u>36,142,149</u>	<u>37,025,230</u>	<u>97,558,659</u>	<u>96,867,047</u>	<u>133,700,808</u>	<u>133,892,277</u>
Deferred outflows of resources	<u>1,986,652</u>	<u>1,757,750</u>	<u>2,107,288</u>	<u>2,001,807</u>	<u>4,093,940</u>	<u>3,759,557</u>
Long term liabilities	12,296,970	12,355,542	35,348,911	35,979,777	47,645,881	48,335,319
Other liabilities	433,827	898,036	5,902,379	6,160,981	6,336,206	7,059,017
Total liabilities	<u>12,730,797</u>	<u>13,253,578</u>	<u>41,251,290</u>	<u>42,140,758</u>	<u>53,982,087</u>	<u>55,394,336</u>
Deferred inflows of resources	<u>3,792,544</u>	<u>4,061,638</u>	<u>360,941</u>	<u>242,244</u>	<u>4,153,485</u>	<u>4,303,882</u>
Net Position:						
Net investment in capital assets	17,717,588	18,192,360	45,733,366	45,081,925	63,450,954	63,274,285
Restricted	454,258	337,701	1,491,341	1,272,138	1,945,599	1,609,839
Unrestricted	3,433,614	2,937,703	10,829,009	10,131,789	14,262,623	13,069,492
Total Net Position	<u>\$ 21,605,460</u>	<u>\$ 21,467,764</u>	<u>\$ 58,053,716</u>	<u>\$ 56,485,852</u>	<u>\$ 79,659,176</u>	<u>\$ 77,953,616</u>

There were prior period adjustments to net position that affected the Business-Type Activities. For additional information see Note 4.I.

**Governmental Activities**

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

**Business-type Activities**

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

- The City's Gas System had an increase in net position of \$58,699 which is compared to an increase in the prior year of \$9,167. This increase is primarily due to a decrease in the operating transfer out and a gain on sale of capital assets.
- The City's Water Systems Fund had an increase of net position of \$417,581 compared to an increase in the prior year of \$1,645,233. This change is primarily due to a decrease in capital contributions.
- The City's Electric Department had an increase in net position of \$1,219,870 compared to an increase in the prior year of \$4,033. This increase is mainly due to the extraordinary item in 2016 and the significant amount of capital projects and right-of-way clearing that was undertaken in the prior year.

The following table provides a summary of the City's operations for the year ended June 30, 2017, with comparative totals for the year ended June 30, 2016.

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

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>TOTAL</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,452,257	\$ 1,552,681	\$ 59,157,993	\$ 56,381,620	\$ 60,610,250	\$ 57,934,301
Operating grants and contributions	8,085,390	8,158,914	-	-	8,085,390	8,158,914
Capital grants and contributions	220,557	337,481	-	1,228,151	220,557	1,565,632
General revenues:						
Property taxes	2,138,795	2,139,603	-	-	2,138,795	2,139,603
In-lieu of property taxes	104,178	103,532	-	-	104,178	103,532
Public service taxes	139,951	142,294	-	-	139,951	142,294
Sales taxes	4,641,091	4,659,244	-	-	4,641,091	4,659,244
Investment earnings	57,881	50,855	79,242	97,606	137,123	148,461
Gain(loss) on sale of capital assets	(940,449)	32,426	37,850	2,925	(902,599)	35,351
Insurance recoveries	-	-	-	43,552	-	43,552
Miscellaneous	526,274	167,754	112,607	106,925	638,881	274,679
Total revenues	<u>16,425,925</u>	<u>17,344,784</u>	<u>59,387,692</u>	<u>57,860,779</u>	<u>75,813,617</u>	<u>75,205,563</u>
Expenses:						
General government and administration	1,410,939	431,838	-	-	1,410,939	431,838
Public safety	3,258,641	3,049,644	-	-	3,258,641	3,049,644
Public works	1,922,653	1,912,864	-	-	1,922,653	1,912,864
Health, Welfare and Recreation	10,159,078	10,243,036	-	-	10,159,078	10,243,036
Economic development	147,160	67,446	-	-	147,160	67,446
Interest on long-term debt	244,120	270,305	-	-	244,120	270,305
Paying agent fees	1,778	1,128	-	-	1,778	1,128
Water Systems	-	-	5,478,460	5,335,959	5,478,460	5,335,959
Natural Gas	-	-	5,315,672	4,982,400	5,315,672	4,982,400
Electric Department	-	-	45,843,571	44,818,939	45,843,571	44,818,939
Total expenses	<u>17,144,369</u>	<u>15,976,261</u>	<u>56,637,703</u>	<u>55,137,298</u>	<u>73,782,072</u>	<u>71,113,559</u>
Increase (decrease) in net position before transfers	(718,444)	1,368,523	2,749,989	2,723,481	2,031,545	4,092,004
Transfers	1,053,839	1,065,048	(1,053,839)	(1,065,048)	-	-
Increase (decrease) in net position	<u>335,395</u>	<u>2,433,571</u>	<u>1,696,150</u>	<u>1,658,433</u>	<u>2,031,545</u>	<u>4,092,004</u>
Net position at beginning of year, as originally stated	21,467,764	19,036,477	56,485,852	54,596,527	77,953,616	73,633,004
Restatement - GASB 68	(210,237)	-	(128,286)	230,892	(338,523)	230,892
Inventory adjustment	12,538	(2,284)	-	-	12,538	(2,284)
Net position at beginning of year, as restated	<u>21,270,065</u>	<u>19,034,193</u>	<u>56,357,566</u>	<u>54,827,419</u>	<u>77,627,631</u>	<u>73,861,612</u>
Net position at end of year	<u>\$ 21,605,460</u>	<u>\$ 21,467,764</u>	<u>\$ 58,053,716</u>	<u>\$ 56,485,852</u>	<u>\$ 79,659,176</u>	<u>\$ 77,953,616</u>

## 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 \$7,180,432 which is 20% above last year's total of \$5,955,697.

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, 2017, and the amount and percentage of increases and decreases in relation to the prior year.

<b>Revenues</b>	<b>June 30, 2017</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from June 30, 2016</b>
Taxes	\$ 6,229,931	35.56%	\$ 22,840
Intergovernmental	9,156,339	52.27%	(60,814)
Licenses and permits	9,444	0.05%	(7,100)
Charges for services	1,021,553	5.83%	(11,398)
Fines and forfeitures	224,146	1.28%	19,509
Other revenues	875,716	5.00%	372,067
<b>Total Revenues</b>	<b>\$ 17,517,129</b>	<b>100.00%</b>	<b>\$ 335,104</b>

Other revenue increased in the current year due to insurance recoveries.

<b>Expenditures</b>	<b>June 30, 2017</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from June 30, 2016</b>
General government	\$ 991,650	5.69%	\$ (71,865)
Public Safety	3,003,265	17.22%	176,038
Public Works	1,748,705	10.03%	25,781
Health, welfare, and recreation	9,462,008	54.27%	(86,334)
Economic development	147,160	0.84%	79,714
Capital outlay	727,566	4.17%	(662,730)
Debt Service	1,355,240	7.77%	11,116
<b>Total Expenditures</b>	<b>\$ 17,435,594</b>	<b>100.00%</b>	<b>\$ (528,280)</b>

Capital outlay has decreased due to the receipt of capital assets through a grant program in the prior year.

### General Fund Budgetary Highlights

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 2017, the City had \$98,539,418 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 \$2,240,770, or 2.2% over the prior year. Additional information on capital assets is in Note 3.C.

**Debt**

At year-end, the City had \$35,359,449 in outstanding long-term debt compared to \$37,722,368 last year. Of the total outstanding debt 25% belongs to the Governmental funds, 6% to the Gas Fund, 30% to the Water Systems Fund, and 39% 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, 2017**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,466,243	\$ 18,658,682	\$ 25,124,925
Investments	-	140,796	140,796
Receivables:			
Property taxes	2,287,933	-	2,287,933
Accounts receivable, net of allowance	22,415	3,416,486	3,438,901
Grant receivables	204,242	37,322	241,564
Other receivables	24,331	150,132	174,463
Internal balances	(236,186)	236,186	-
Due from other governments	903,642	-	903,642
Inventory	34,563	670,883	705,446
Natural gas storage	-	577,548	577,548
Net pension asset	7,388	-	7,388
Prepaid expenses	157,758	158,289	316,047
Other assets	-	1,242,737	1,242,737
Capital assets:			
Land and construction in progress	2,246,804	1,859,647	4,106,451
Other capital assets, net of depreciation	24,023,016	70,409,951	94,432,967
<b>TOTAL ASSETS</b>	<b>36,142,149</b>	<b>97,558,659</b>	<b>133,700,808</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension contributions	1,986,652	2,107,288	4,093,940
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	353,415	4,482,476	4,835,891
Customer deposits	-	1,025,458	1,025,458
Unearned revenue	80,412	-	80,412
Compensated absences	-	394,445	394,445
Long-term liabilities:			
Advances from Home Installation Program	-	489,342	489,342
Other post employment benefits	374,147	1,532,182	1,906,329
Net Pension liability	2,100,106	4,782,835	6,882,941
Landfill closure costs	214,854	-	214,854
Compensated absences	1,055,631	1,952,189	3,007,820
Due within one year	935,781	3,379,598	4,315,379
Due in more than one year, net of unamortized premiums	7,616,451	23,212,765	30,829,216
<b>TOTAL LIABILITIES</b>	<b>12,730,797</b>	<b>41,251,290</b>	<b>53,982,087</b>
<b>DEFERRED INFLOWS OF REVENUES</b>			
Unavailable revenue - property taxes	2,186,612	-	2,186,612
Deferred inflows - pensions	1,605,932	360,941	1,966,873
	3,792,544	360,941	4,153,485
<b>NET POSITION</b>			
Net investment in capital assets	17,717,588	45,733,366	63,450,954
Restricted for:			
Sex offender	2,468	-	2,468
State Street Aid Fund	62,294	-	62,294
E-citation	15,295	-	15,295
School Food Service	156,155	-	156,155
Solid Waste Collection	5,883	-	5,883
Police Drug Fund	145,954	-	145,954
Lexington-Henderson Co Alliance	66,209	-	66,209
Debt service	-	1,491,341	1,491,341
Unrestricted	3,433,614	10,829,009	14,262,623
<b>TOTAL NET POSITION</b>	<b>\$ 21,605,460</b>	<b>\$ 58,053,716</b>	<b>\$ 79,659,176</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, 2017**

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General Government	\$ 1,410,939	\$ 116,575	\$ -	\$ -	\$ (1,294,364)	\$ -	\$ (1,294,364)
Public Safety	3,258,641	227,136	101,874	53,852	(2,875,779)	-	(2,875,779)
Public Works	1,922,653	914,307	318,961	-	(689,385)	-	(689,385)
Health, Welfare and Recreation	10,159,078	194,239	7,554,895	160,853	(2,249,091)	-	(2,249,091)
Economic Development	147,160	-	109,660	5,852	(31,648)	-	(31,648)
Interest on long-term debt	244,120	-	-	-	(244,120)	-	(244,120)
Paying agent fees on long-term debt	1,778	-	-	-	(1,778)	-	(1,778)
<b>Business-type activities:</b>							
Gas Fund	5,315,672	5,358,017	-	-	-	42,345	42,345
Water Systems Fund	5,478,460	5,987,866	-	-	-	509,406	509,406
Electric Department	45,843,571	47,812,110	-	-	-	1,968,539	1,968,539
<b>Total business-type activities</b>	<b>56,637,703</b>	<b>59,157,993</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,520,290</b>	<b>2,520,290</b>
<b>Total government</b>	<b>\$ 73,782,072</b>	<b>\$ 60,610,250</b>	<b>\$ 8,085,390</b>	<b>\$ 220,557</b>	<b>(7,386,165)</b>	<b>2,520,290</b>	<b>(4,865,875)</b>
General revenues:							
Taxes:							
Property					2,138,795	-	2,138,795
In-lieu of taxes					104,178	-	104,178
Public service taxes					139,951	-	139,951
Sales					4,641,091	-	4,641,091
Investment earnings					57,881	79,242	137,123
Gain (loss) on sale/retirement of capital assets					(940,449)	37,850	(902,599)
Miscellaneous					526,274	112,607	638,881
Transfer in - in lieu of taxes					1,053,839	(1,053,839)	-
					<u>7,721,560</u>	<u>(824,140)</u>	<u>6,897,420</u>
					<u>335,395</u>	<u>1,696,150</u>	<u>2,031,545</u>
Net position - beginning, as originally stated					21,467,764	56,485,852	77,953,616
Prior period adjustment					(210,237)	(128,286)	(338,523)
Inventory adjustment - school food service fund					12,538	-	12,538
Net position - beginning, as restated					<u>21,270,065</u>	<u>56,357,566</u>	<u>77,627,631</u>
Net position - ending					<u>\$ 21,605,460</u>	<u>\$ 58,053,716</u>	<u>\$ 79,659,176</u>

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

**CITY OF LEXINGTON, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<u>General</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,081,326	\$ 929,258	\$ 1,455,659	\$ 6,466,243
Taxes receivable	2,287,933	-	-	2,287,933
Accounts receivable	22,415	-	-	22,415
Grant receivable	64,674	51,880	87,688	204,242
Other receivables	-	-	24,331	24,331
Inventory	-	-	34,563	34,563
Due from other governments	545,562	64,592	293,488	903,642
Due from other funds	1,961	-	158,781	160,742
Prepaid expenses	140,605	-	17,153	157,758
<b>TOTAL ASSETS</b>	<b>\$ 7,144,476</b>	<b>\$ 1,045,730</b>	<b>\$ 2,071,663</b>	<b>\$ 10,261,869</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 97,195	\$ -	\$ 19,556	\$ 116,751
Accrued expenses	96,141	98,279	4,993	199,413
Unearned revenue - other	-	-	80,412	80,412
Advance from other fund	179,119	-	-	179,119
Due to other funds	117,021	-	100,788	217,809
<b>TOTAL LIABILITIES</b>	<b>489,476</b>	<b>98,279</b>	<b>205,749</b>	<b>793,504</b>
<b>DEFERRED INFLOWS OF REVENUES</b>				
Unavailable revenue - property taxes	2,287,933	-	-	2,287,933
<b>TOTAL DEFERRED INFLOWS OF REVENUES</b>	<b>2,287,933</b>	<b>-</b>	<b>-</b>	<b>2,287,933</b>
<b>FUND BALANCE</b>				
Nonspendable				
Inventory	-	-	34,563	34,563
Prepaid expenses	140,605	-	17,153	157,758
Restricted for:				
Sex offender	2,468	-	-	2,468
State street aid	-	-	62,294	62,294
E-citation	-	-	15,295	15,295
School food authority	-	-	156,155	156,155
Drug fund	-	-	145,954	145,954
Lexington-Henderson Co Alliance	-	-	66,209	66,209
Solid Waste Collection	-	-	(11,270)	(11,270)
Committed:				
Rainy Day fund	1,709,887	-	-	1,709,887
Shop with Cops	6,901	-	-	6,901
Assigned				
Special revenue funds	-	-	457,556	457,556
Education	-	1,391	-	1,391
Support services	-	-	-	-
Capital projects	-	-	922,005	922,005
Unassigned				
General fund	2,507,206	-	-	2,507,206
General purpose school fund	-	946,060	-	946,060
<b>TOTAL FUND BALANCES</b>	<b>4,367,067</b>	<b>947,451</b>	<b>1,865,914</b>	<b>7,180,432</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES</b>	<b>\$ 7,144,476</b>	<b>\$ 1,045,730</b>	<b>\$ 2,071,663</b>	<b>\$ 10,261,869</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, 2017**

Total fund balance - total governmental funds		\$ 7,180,432
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		26,269,820
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		101,321
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		7,388
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(2,100,106)
Net OPEB liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(374,147)
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.		380,720
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.		(37,251)
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>(9,822,717)</u>
Net position of governmental activities		<u><u>\$ 21,605,460</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, 2017**

	<b>General</b>	<b>General Purpose School Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes				
Property taxes	\$ 2,160,467	\$ -	\$ -	\$ 2,160,467
Penalty and interest	15,213	-	-	15,213
In lieu of taxes	17,642	-	-	17,642
Sales	1,709,467	-	1,424,556	3,134,023
Beer tax	371,691	-	-	371,691
Business	258,953	-	-	258,953
Liquor tax	-	-	98,070	98,070
Franchise	139,951	-	-	139,951
Hotel/motel tax	31,321	-	-	31,321
Privilege	2,600	-	-	2,600
Intergovernmental revenues	1,238,796	7,095,198	822,345	9,156,339
Licenses and permits	9,444	-	-	9,444
Charges for services	150,892	-	870,661	1,021,553
Fines, forfeits, and penalties	149,847	-	74,299	224,146
Other revenues	417,795	127,241	330,680	875,716
<b>Total revenues</b>	<b>6,674,079</b>	<b>7,222,439</b>	<b>3,620,611</b>	<b>17,517,129</b>
<b>Expenditures</b>				
Current:				
General government	991,650	-	-	991,650
Public safety	2,982,065	-	21,200	3,003,265
Public works	899,175	-	849,530	1,748,705
Health, welfare, and recreation	573,977	8,274,282	613,749	9,462,008
Economic development	62,221	-	84,939	147,160
Capital outlay	468,219	56,222	203,125	727,566
Debt service:				
Principal payments	93,336	45,232	965,693	1,104,261
Interest payments	47,499	10,048	191,654	249,201
Other debt costs	1,778	-	-	1,778
<b>Total expenditures</b>	<b>6,119,920</b>	<b>8,385,784</b>	<b>2,929,890</b>	<b>17,435,594</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>554,159</b>	<b>(1,163,345)</b>	<b>690,721</b>	<b>81,535</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,053,839	1,119,222	1,160,838	3,333,899
Transfers out	(922,573)	-	(1,357,487)	(2,280,060)
Proceeds from sale of general capital assets	58,823	-	18,000	76,823
<b>Total other financing sources (uses)</b>	<b>190,089</b>	<b>1,119,222</b>	<b>(178,649)</b>	<b>1,130,662</b>
<b>Net Change in Fund Balances</b>	<b>744,248</b>	<b>(44,123)</b>	<b>512,072</b>	<b>1,212,197</b>
<b>FUND BALANCE AT BEGINNING OF YEAR, as originally stated</b>	<b>3,622,819</b>	<b>991,574</b>	<b>1,341,304</b>	<b>5,955,697</b>
<b>Inventory adjustment</b>	<b>-</b>	<b>-</b>	<b>12,538</b>	<b>12,538</b>
<b>FUND BALANCE AT BEGINNING OF YEAR, as restated</b>	<b>3,622,819</b>	<b>991,574</b>	<b>1,353,842</b>	<b>5,968,235</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 4,367,067</b>	<b>\$ 947,451</b>	<b>\$ 1,865,914</b>	<b>\$ 7,180,432</b>

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, 2017**

Net change in fund balances - total governmental funds	\$	1,212,197
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.		
		727,566
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.		
		(1,289,799)
Net effect of asset disposal.		
		(1,017,273)
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.		
		(286,976)
The repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net position.		
		1,104,734
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.		
		35,701
Some revenues reported in the governmental funds but were recognized in the prior year on the statement of activities because they were deferred in the prior year.		
		(129,083)
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.		
		(21,672)
Change in net position of governmental activities	\$	335,395

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, 2017**

	<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	\$ 2,140,000	\$ 2,055,890	\$ 2,066,913	\$ 11,023
Property taxes - delinquent	-	85,209	93,554	8,345
Penalties and interest	12,000	13,500	15,213	1,713
In lieu of taxes:				
Lexington Housing Authority	13,500	17,642	17,642	-
Local sales tax	1,654,236	1,664,000	1,709,467	45,467
Local beer tax	410,958	368,600	371,691	3,091
Business tax	213,282	250,000	258,953	8,953
Franchise tax	144,303	140,000	139,951	(49)
Hotel/motel tax	31,004	30,000	31,321	1,321
Privilege tax	2,500	2,600	2,600	-
<b>Total taxes</b>	<b>4,621,783</b>	<b>4,627,441</b>	<b>4,707,305</b>	<b>79,864</b>
<b>Intergovernmental</b>				
TVA payments in lieu of taxes	89,911	89,900	86,536	(3,364)
State fire education	7,200	6,600	7,200	600
State law enforcement grant	16,800	13,200	13,200	-
Police safety grant - alcohol saturation	-	3,526	3,526	-
Police - COPS	38,500	40,000	41,794	1,794
Police - vest grant	1,600	1,600	742	(858)
Police - high visibility grant	-	2,550	2,554	4
Police grant -network coordinator 2016	-	1,575	9,388	7,813
Police grant -network coordinator 2017	-	20,000	8,145	(11,855)
Police grant - DUI traffic	-	15,000	7,679	(7,321)
Police JAG grant	-	15,000	15,000	-
Sidewalk grant	588,036	25,000	24,508	(492)
STP funds	-	-	102,615	102,615
1033 grant	-	-	53,110	53,110
State of Tennessee				
- Sales tax allocation	619,812	627,500	634,013	6,513
- Telecommunication tax	-	-	741	741
- Income tax allocation	50,000	50,000	46,902	(3,098)
- Beer tax allocation	3,826	3,826	3,695	(131)
- Mixed drink tax	-	2,500	5,641	3,141
- Petroleum special	15,686	15,450	15,456	6
- Street maintenance	91,710	91,710	91,710	-
- Excise tax	30,000	53,400	53,441	41
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	-	-	-
<b>Total intergovernmental revenues</b>	<b>1,569,281</b>	<b>1,089,537</b>	<b>1,238,796</b>	<b>149,259</b>
<b>Licenses and permits</b>				
Beer licenses	500	-	-	-
Building permits	10,000	9,000	8,527	(473)
Other permits	500	800	917	117
<b>Total licenses and permits</b>	<b>11,000</b>	<b>9,800</b>	<b>9,444</b>	<b>(356)</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, 2017

	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	30,000	33,931	3,931
Accident report filing fees	3,300	3,300	2,990	(310)
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	450	900	950	50
Mowing and lot cleanup	1,000	1,000	1,195	195
Street repair charges	10,000	15,000	15,201	201
Parks and recreation charges	3,000	10,100	11,625	1,525
<b>Total charges for services</b>	<b>132,750</b>	<b>145,300</b>	<b>150,892</b>	<b>5,592</b>
<b>City court fines and costs</b>	<b>155,000</b>	<b>133,575</b>	<b>149,847</b>	<b>16,272</b>
<b>Other revenues</b>				
Interest income	10,000	15,000	15,901	901
Donations	-	8,800	17,472	8,672
Community center revenue	10,000	8,600	8,675	75
Rent income	73,200	73,200	73,200	-
Sales of cemetery lots	7,000	7,000	11,100	4,100
Insurance recoveries	10,000	272,000	269,365	(2,635)
Sales of other materials	11,000	12,850	16,150	3,300
Miscellaneous income	2,000	4,500	5,932	1,432
<b>Total other revenue</b>	<b>123,200</b>	<b>401,950</b>	<b>417,795</b>	<b>15,845</b>
<b>Total revenues</b>	<b>6,613,014</b>	<b>6,407,603</b>	<b>6,674,079</b>	<b>266,476</b>
<b>Expenditures</b>				
<b>General government</b>				
<b>General</b>				
Salaries	70,385	71,419	70,350	1,069
Employee benefits	290,893	269,038	267,017	2,021
Memberships	2,310	2,310	2,239	71
Election payroll	750	750	595	155
Operating expenses	3,050	3,050	1,390	1,660
Other operating expenses	18,625	18,606	11,818	6,788
Repair and maintenance	-	26,000	21,579	4,421
Insurance	157,500	157,500	126,125	31,375
Capital outlay	26,000	22,500	5,724	16,776
<b>Total general</b>	<b>569,513</b>	<b>571,173</b>	<b>506,837</b>	<b>64,336</b>
<b>Judicial</b>				
Salaries	9,130	9,130	9,128	2
<b>Total judicial</b>	<b>9,130</b>	<b>9,130</b>	<b>9,128</b>	<b>2</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, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
<b>City recorder</b>				
Salaries	214,762	218,642	214,104	4,538
Employee benefits	32,500	31,500	29,655	1,845
Insurance	256	256	192	64
Office expense	13,500	18,020	16,735	1,285
Professional fees	64,500	57,600	54,343	3,257
Membership and dues	500	400	397	3
Repair and maintenance	9,450	5,930	2,554	3,376
Other operating expenses	166,625	160,000	149,770	10,230
<b>Total city recorder</b>	<b>502,093</b>	<b>492,348</b>	<b>467,750</b>	<b>24,598</b>
<b>City Hall</b>				
Utilities	14,960	14,200	13,659	541
<b>Total general government</b>	<b>1,095,696</b>	<b>1,086,851</b>	<b>997,374</b>	<b>89,477</b>
<b>Public safety</b>				
<b>Police department</b>				
Salary	1,427,062	1,512,402	1,457,890	54,512
Employee benefits	274,969	262,208	237,763	24,445
Utilities	30,800	31,500	31,072	428
Repair and maintenance	29,500	204,100	200,928	3,172
Memberships and dues	1,000	1,000	750	250
Supplies	28,000	25,000	21,515	3,485
Travel	5,000	5,000	5,021	(21)
Uniforms and clothing	11,200	11,200	9,497	1,703
Gas, oil, and diesel	70,683	47,000	46,064	936
Insurance	2,112	2,200	1,746	454
Equipment rental	8,100	7,900	5,255	2,645
Office expense	63,500	60,900	53,494	7,406
Other grant expenses	3,200	3,200	1,485	1,715
Capital outlay	170,317	192,958	211,062	(18,104)
<b>Total police department</b>	<b>2,125,443</b>	<b>2,366,568</b>	<b>2,283,542</b>	<b>83,026</b>
<b>Fire department</b>				
Salaries	673,781	665,212	644,176	21,036
Employee benefits	111,809	99,000	93,286	5,714
Volunteer firemen benefits	6,000	6,000	3,005	2,995
Utilities	48,730	42,470	40,708	1,762
Memberships	220	250	245	5
Public relations	500	500	494	6
Data processing	2,000	2,000	1,617	383
Repair and maintenance	29,250	26,250	22,149	4,101
Supplies	10,750	10,000	4,871	5,129
Clothing and uniforms	6,000	6,000	4,912	1,088
Gas, oil, diesel	8,300	8,000	7,835	165
Insurance	832	1,000	832	168
Travel	2,000	1,000	721	279
Fees	250	250	-	250
Small equipment	8,450	8,480	8,476	4
Equipment rent	3,300	2,850	2,830	20
Capital outlay	21,500	21,500	21,309	191
<b>Total fire department</b>	<b>933,672</b>	<b>900,762</b>	<b>857,466</b>	<b>43,296</b>
<b>Building inspector</b>				
Salaries	59,423	60,607	59,498	1,109
Employee benefits	10,700	9,950	9,009	941
Insurance	64	64	48	16
Other operating expenses	7,160	6,880	4,873	2,007
<b>Total building inspector</b>	<b>77,347</b>	<b>77,501</b>	<b>73,428</b>	<b>4,073</b>
<b>Total public safety</b>	<b>3,136,462</b>	<b>3,344,831</b>	<b>3,214,436</b>	<b>130,395</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, 2017

	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	433,349	418,842	404,222	14,620
Employee benefits	81,160	77,450	70,903	6,547
Utilities	14,135	13,185	11,393	1,792
Street lighting	41,800	38,000	36,726	1,274
Repair and maintenance	308,500	253,000	247,138	5,862
Repair and maintenance - equipment	9,000	18,000	17,231	769
Clothing and uniforms	3,500	3,500	2,926	574
Gas, oil, diesel	36,850	27,000	26,658	342
Small equipment	1,000	2,000	1,575	425
Operating supplies	25,115	13,575	11,254	2,321
Insurance	640	770	596	174
Capital outlay	155,000	155,000	188,424	(33,424)
<b>Total highways and streets</b>	<b>1,110,049</b>	<b>1,020,322</b>	<b>1,019,046</b>	<b>1,276</b>
<b>Garage</b>				
Repair and maintenance	5,000	2,550	1,483	1,067
Supplies	22,250	13,600	11,411	2,189
Utilities	4,950	4,500	4,202	298
Fuel purchases	17,600	14,000	13,847	153
<b>Total garage</b>	<b>49,800</b>	<b>34,650</b>	<b>30,943</b>	<b>3,707</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	4,000	1,610	2,390
<b>Total public works</b>	<b>1,201,349</b>	<b>1,094,972</b>	<b>1,087,599</b>	<b>7,373</b>
<b>Health, welfare, and recreation</b>				
<b>Appropriations</b>				
Library	31,900	31,900	31,900	-
Library utilities	11,000	6,000	5,150	850
Senior Citizens	12,000	12,000	12,000	-
Rescue Squad	2,500	2,500	2,500	-
Easter	1,500	1,500	1,500	-
Christmas parade	500	500	500	-
Carl Perkins	1,725	1,725	1,725	-
Lexington scholarship	500	500	500	-
JACO A	3,000	3,000	3,000	-
Hope utilities	6,820	8,000	7,612	388
Project graduation	1,200	1,180	1,180	-
Airport	38,123	39,212	39,212	-
Other appropriations	5,100	3,500	500	3,000
<b>Total appropriations</b>	<b>115,868</b>	<b>111,517</b>	<b>107,279</b>	<b>4,238</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, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Health, welfare, and recreation (continued)</b>				
<b>Museum</b>				
Salaries	18,800	18,800	18,541	259
Employee benefits	1,438	1,438	1,419	19
Unemployment insurance	64	95	55	40
Public relations	500	1,000	300	700
Utilities	5,500	6,600	5,608	992
Repair and maintenance	1,000	2,500	1,381	1,119
Telephone	1,485	1,400	1,189	211
Security system	688	615	511	104
Operating costs	500	500	182	318
Janitorial costs	250	250	35	215
<b>Total museum</b>	<b>30,225</b>	<b>33,198</b>	<b>29,221</b>	<b>3,977</b>
<b>Civic center</b>				
Unemployment insurance	-	10	8	2
Utilities	27,500	22,500	21,051	1,449
Repair and maintenance	36,000	24,890	15,682	9,208
Operating costs	1,000	1,000	463	537
Janitorial costs	2,000	1,800	1,760	40
<b>Total civic center</b>	<b>66,500</b>	<b>50,200</b>	<b>38,964</b>	<b>11,236</b>
<b>Parks</b>				
Salaries	235,754	228,525	207,395	21,130
Employee benefits	47,808	44,000	41,815	2,185
Repair and maintenance	57,700	78,400	65,608	12,792
Utilities	52,800	53,000	52,314	686
Insurance	768	600	467	133
Other operating expenses	26,500	25,290	30,914	(5,624)
Capital outlay	34,500	31,550	30,870	680
<b>Total parks</b>	<b>455,830</b>	<b>461,365</b>	<b>429,383</b>	<b>31,982</b>
<b>Total health, welfare, and recreation</b>	<b>668,423</b>	<b>656,280</b>	<b>604,847</b>	<b>51,433</b>
<b>Economic development</b>				
State plan service	17,500	16,150	15,907	243
Professional fees	32,500	32,500	11,455	21,045
Tourism advertising	750	1,410	746	664
Travel	3,000	3,000	1,174	1,826
Maintenance	41,000	42,000	24,215	17,785
Miscellaneous	23,500	22,500	8,724	13,776
Capital outlay	624,775	40,000	10,830	29,170
<b>Total economic development</b>	<b>743,025</b>	<b>157,560</b>	<b>73,051</b>	<b>84,509</b>
<b>Debt service</b>				
Principal payments	151,624	151,624	93,336	58,288
Interest payments	47,464	47,500	47,499	1
Paying agent fees	2,000	2,000	1,778	222
<b>Total debt service</b>	<b>201,088</b>	<b>201,124</b>	<b>142,613</b>	<b>58,511</b>
<b>Total expenditures</b>	<b>7,046,043</b>	<b>6,541,618</b>	<b>6,119,920</b>	<b>421,698</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(433,029)</u>	<u>(134,015)</u>	<u>554,159</u>	<u>688,174</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,119,916	1,052,559	1,053,839	1,280
Transfers out	(767,000)	(923,840)	(922,573)	1,267
Sale of general fixed assets	<u>-</u>	<u>18,800</u>	<u>58,823</u>	<u>40,023</u>
<b>Total other financing sources (uses)</b>	<u>352,916</u>	<u>147,519</u>	<u>190,089</u>	<u>42,570</u>
<b>Net change in fund balance</b>	<u>(80,113)</u>	<u>13,504</u>	<u>744,248</u>	<u>730,744</u>
<b>Fund Balance at Beginning of Year</b>	<u>3,622,819</u>	<u>3,622,819</u>	<u>3,622,819</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 3,542,706</u>	<u>\$ 3,636,323</u>	<u>\$ 4,367,067</u>	<u>\$ 730,744</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, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Revenues</b>							
Intergovernmental revenues							
Local funds							
Henderson County							
Current year tax levy	\$ 420,000	\$ 392,737	\$ 393,059	\$ -	\$ -	\$ 393,059	\$ 322
Prior year tax receipts	17,500	17,500	19,827	-	-	19,827	2,327
Mixed drink tax	600	577	577	-	-	577	-
Local sales tax	705,000	672,700	672,768	-	-	672,768	68
Interstate telecommunication taxes	500	422	422	-	-	422	-
Bank excise tax	4,500	3,748	3,749	-	-	3,749	1
Marriage licenses	400	319	320	-	-	320	1
Other	7,800	6,614	6,620	-	-	6,620	6
State funds							
Basic education	4,939,000	4,952,000	4,952,000	-	-	4,952,000	-
Early childhood education	202,323	202,114	202,113	-	-	202,113	(1)
Career ladder	32,000	27,188	29,289	-	-	29,289	2,101
Coordinated School Health	92,000	92,000	91,998	-	-	91,998	(2)
Internet Connectivity	3,500	2,370	2,370	-	-	2,370	-
Student Management	2,600	-	-	-	-	-	-
Safe schools grant	-	5,230	5,230	-	-	5,230	-
Other State education funds	76,985	114,836	113,784	-	-	113,784	(1,052)
Federal funds							
Title I grants	275,715	287,914	284,139	-	-	284,139	(3,775)
Other Federal through State	-	-	-	-	-	-	-
Special education grants to state	256,983	258,220	248,755	-	-	248,755	(9,465)
Special education preschool - idea	3,921	4,125	5,519	-	-	5,519	1,394
English language acquisition grant	737	464	464	-	-	464	-
IDEA inclusion grant	19,565	19,028	17,580	-	-	17,580	(1,448)
Title IIA - improving teach quality	46,746	47,586	44,615	-	-	44,615	(2,971)
Total Intergovernmental revenues	<u>7,108,375</u>	<u>7,107,692</u>	<u>7,095,198</u>	<u>-</u>	<u>-</u>	<u>7,095,198</u>	<u>(12,494)</u>
Other revenues							
Interest income	5,500	4,800	5,397	-	-	5,397	597
Receipts from individual schools	1,000	48,092	68,304	-	-	68,304	20,212
On-behalf payments	-	50,000	41,129	-	-	41,129	(8,871)
Miscellaneous revenues	2,500	9,800	12,411	-	-	12,411	2,611
Total other revenues	<u>9,000</u>	<u>112,692</u>	<u>127,241</u>	<u>-</u>	<u>-</u>	<u>127,241</u>	<u>14,549</u>
<b>Total Revenues</b>	<u>7,117,375</u>	<u>7,220,384</u>	<u>7,222,439</u>	<u>-</u>	<u>-</u>	<u>7,222,439</u>	<u>2,055</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, 2017

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Instruction							
Regular instruction program							
Supervisor/directors	-	3,500	3,500	-	-	3,500	-
Teachers	2,197,186	2,390,722	2,367,327	-	-	2,367,327	23,395
Career ladder program	13,000	13,000	11,500	-	-	11,500	1,500
Homebound teachers	-	811	811	-	-	811	-
Educational assistants	62,546	109,126	108,223	-	-	108,223	903
Bonus payments	-	33,793	33,793	-	-	33,793	-
Other salaries and wages	166,936	58,810	58,809	-	-	58,809	1
Certified substitute teachers	24,000	12,265	12,186	-	-	12,186	79
Non-certified substitute teachers	25,500	36,287	35,787	-	-	35,787	500
Social security	151,829	152,020	151,336	-	-	151,336	684
Administrative costs	2,750	2,750	-	-	-	-	2,750
State retirement	214,892	222,707	221,243	-	-	221,243	1,464
Life insurance	6,120	6,120	5,335	-	-	5,335	785
Medical insurance	387,129	384,069	378,081	-	-	378,081	5,988
Dental insurance	6,762	6,900	6,423	-	-	6,423	477
Unemployment compensation	4,100	5,330	5,329	-	-	5,329	1
Local retirement	2,946	5,590	4,992	-	-	4,992	598
Employer medicare	35,191	35,959	35,532	-	-	35,532	427
On-behalf payments	-	50,000	41,129	-	-	41,129	8,871
Maintenance and repair - equipment	1,000	1,000	-	-	-	-	1,000
Other contracted services	46,500	76,500	62,435	-	-	62,435	14,065
Instructional supplies	44,200	69,507	68,479	-	-	68,479	1,028
Textbooks	27,500	27,500	26,549	-	-	26,549	951
Other supplies and materials	9,000	12,450	10,899	-	-	10,899	1,551
Other charges	3,000	3,829	867	-	-	867	2,962
Regular instruction equipment	20,000	54,223	54,223	-	-	54,223	-
Total regular instruction program	<u>3,452,087</u>	<u>3,774,768</u>	<u>3,704,788</u>	<u>-</u>	<u>-</u>	<u>3,704,788</u>	<u>69,980</u>
Alternative instruction							
Contracts with other school systems	26,000	26,000	26,000	-	-	26,000	-
Total alternative instruction	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
Special education							
Teachers	356,448	340,024	314,664	-	-	314,664	25,360
Career ladder program	2,000	2,000	1,000	-	-	1,000	1,000
Educational assistants	157,156	149,291	148,618	-	-	148,618	673
Speech pathology	-	47,172	47,172	-	-	47,172	-
Other salaries and wages	-	24,568	21,482	-	-	21,482	3,086
Certified substitute teachers	2,000	2,000	1,960	-	-	1,960	40
Non-certified substitute teachers	4,500	8,695	8,705	-	-	8,705	(10)
Social security	31,445	35,044	30,218	-	-	30,218	4,826
State retirement	31,820	36,260	34,722	-	-	34,722	1,538
Medical insurance	104,110	114,881	111,474	-	-	111,474	3,407
Dental insurance	966	1,640	1,640	-	-	1,640	-
Unemployment compensation	1,050	1,068	1,027	-	-	1,027	41
Local retirement	6,646	5,794	5,465	-	-	5,465	329
Employer medicare	7,353	8,236	7,081	-	-	7,081	1,155
Contracts with other schools	4,000	1,715	-	-	-	-	1,715
Other contracted services	40,355	3,168	1,425	-	-	1,425	1,743
Instructional supplies	6,267	4,996	1,013	-	-	1,013	3,983
Other supplies and materials	500	1,334	1,334	-	-	1,334	-
Total special education	<u>756,616</u>	<u>787,886</u>	<u>739,000</u>	<u>-</u>	<u>-</u>	<u>739,000</u>	<u>48,886</u>
Student body education							
Other salaries and wages	81,402	81,402	77,753	-	-	77,753	3,649
Social security	5,047	5,047	4,356	-	-	4,356	691
State retirement	7,359	7,359	7,029	-	-	7,029	330
Medical insurance	14,908	14,908	14,740	-	-	14,740	168
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	100	96	-	-	96	4
Employer medicare	1,180	1,180	1,019	-	-	1,019	161
Travel	500	500	-	-	-	-	500
Other contracted services	12,000	12,000	12,000	-	-	12,000	-
Other charges	6,000	6,000	5,619	-	-	5,619	381
Total student body education	<u>128,772</u>	<u>128,772</u>	<u>122,888</u>	<u>-</u>	<u>-</u>	<u>122,888</u>	<u>5,884</u>
Total instruction	<u>4,363,475</u>	<u>4,717,426</u>	<u>4,592,676</u>	<u>-</u>	<u>-</u>	<u>4,592,676</u>	<u>124,750</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, 2017

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Support services							
Attendance							
Postal charges	300	300	294	-	-	294	6
Other contracted services	4,800	4,800	1,718	-	-	1,718	3,082
Other supplies and materials	500	500	-	-	-	-	500
Inservice/staff development	2,000	2,000	2,784	-	-	2,784	(784)
Other charges	500	500	-	-	-	-	500
Total attendance	8,100	8,100	4,796	-	-	4,796	3,304
Health instruction program							
Supervisor/directors	-	58,737	58,737	-	-	58,737	-
Medical personnel	62,000	65,177	65,177	-	-	65,177	-
Other salaries	68,430	9,693	9,693	-	-	9,693	-
Social security	8,086	7,437	7,396	-	-	7,396	41
State retirement	5,301	5,310	5,310	-	-	5,310	-
Health insurance	21,496	25,055	25,055	-	-	25,055	-
Dental insurance	138	138	138	-	-	138	-
Unemployment insurance	200	244	240	-	-	240	4
Local retirement	1,602	1,651	1,651	-	-	1,651	-
Employer medicare	1,891	1,761	1,730	-	-	1,730	31
Postal charges	100	56	56	-	-	56	-
Other contracted services	8,226	8,226	8,226	-	-	8,226	-
Other supplies and materials	2,093	2,889	2,743	-	-	2,743	146
Inservice/staff development	1,373	1,536	1,536	-	-	1,536	-
Total health instruction program	180,936	187,910	187,688	-	-	187,688	222
Other student support							
Career ladder program	4,000	4,000	3,000	-	-	3,000	1,000
Guidance personnel	107,195	107,250	107,250	-	-	107,250	-
Social workers	49,491	49,623	49,623	-	-	49,623	-
Assessment personnel	105,500	99,669	77,697	-	-	77,697	21,972
Social security	15,310	15,310	14,115	-	-	14,115	1,195
State retirement	23,782	23,782	21,476	-	-	21,476	2,306
Medical insurance	31,879	31,879	26,703	-	-	26,703	5,176
Dental insurance	483	483	425	-	-	425	58
Unemployment compensation	250	250	202	-	-	202	48
Employer medicare	3,815	3,815	3,301	-	-	3,301	514
Contracts with government agencies	1,000	96,609	96,520	-	-	96,520	89
Evaluation and testing	12,000	5,026	1,789	-	-	1,789	3,237
Other contracted services	-	4,035	4,035	-	-	4,035	-
Other charges	886	886	5,813	-	-	5,813	(4,927)
Other equipment	-	5,813	-	-	-	-	5,813
Total other student support	355,591	448,430	411,949	-	-	411,949	36,481
Regular instruction program							
Supervisor/Director	151,724	152,170	152,170	-	-	152,170	-
Career ladder program	4,000	4,000	4,000	-	-	4,000	-
Libraries	101,000	99,000	98,571	-	-	98,571	429
Other salaries	185,392	125,398	125,395	-	-	125,395	3
In-service training	5,000	-	-	-	-	-	-
Social security	29,022	24,616	23,152	-	-	23,152	1,464
State retirement	39,121	33,610	33,144	-	-	33,144	466
Medical insurance	53,228	46,096	43,630	-	-	43,630	2,466
Dental insurance	690	552	552	-	-	552	-
Unemployment compensation	349	320	286	-	-	286	34
Employer medicare	6,482	5,614	5,129	-	-	5,129	485
Consultants	3,000	-	-	-	-	-	-
Dues and memberships	1,000	1,000	480	-	-	480	520
Travel	500	557	557	-	-	557	-
Other contracted services	29,000	31,738	27,293	-	4,446	31,739	(1)
Food supplies	-	500	489	-	-	489	11
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	11,000	9,000	8,124	-	-	8,124	876
Inservice/staff development	13,590	32,887	30,416	-	-	30,416	2,471
Other charges	700	1,900	1,565	-	-	1,565	335
Other equipment	3,000	-	-	-	-	-	-
Total regular instruction program	646,798	577,958	563,953	-	4,446	568,399	9,559

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, 2017

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Support services(continued)							
Special Education							
Psychological personnel	28,560	-	-	-	-	-	-
Social security	1,702	-	-	-	-	-	-
State retirement	2,481	-	-	-	-	-	-
Medical insurance	5,061	-	-	-	-	-	-
Dental insurance	69	-	-	-	-	-	-
Unemployment compensation	50	-	-	-	-	-	-
Employer medicare	398	-	-	-	-	-	-
Other contracted services	17,000	28,329	28,329	-	-	28,329	-
Inservice/staff development	3,040	3,238	3,238	-	-	3,238	-
Total special education	58,361	31,567	31,567	-	-	31,567	-
Technology							
Supervisor/directors	45,269	45,269	44,992	-	-	44,992	277
Social security	23,847	26,056	25,809	-	-	25,809	247
State retirement	4,285	4,285	4,004	-	-	4,004	281
Medical insurance	6,190	11,095	11,095	-	-	11,095	-
Dental insurance	138	218	218	-	-	218	-
Unemployment compensation	100	100	97	-	-	97	3
Local retirement	4,147	4,147	4,142	-	-	4,142	5
Employer medicare	1,002	1,002	936	-	-	936	66
Dues and memberships	200	200	60	-	-	60	140
Repair and maintenance - equipment	7,000	5,000	4,426	-	-	4,426	574
Travel	1,000	1,000	348	-	-	348	652
Other contracted services	80,000	112,601	83,354	-	29,000	112,354	247
Other supplies and materials	17,000	9,300	9,282	-	-	9,282	18
Inservice/staff development	3,000	1,100	941	-	-	941	159
Other charges	1,000	1,000	773	-	-	773	227
Other equipment	8,000	13,805	6,461	-	-	6,461	7,344
Total technology	202,178	236,178	196,938	-	29,000	225,938	10,240
Total support services	1,451,964	1,490,143	1,396,891	-	33,446	1,430,337	59,806
General administration							
Board of education							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,822	1,581	1,411	-	-	1,411	170
Medical insurance	50,147	47,647	47,551	-	-	47,551	96
Dental insurance	-	276	276	-	-	276	-
Unemployment compensation	-	176	174	-	-	174	2
Employer medicare	426	426	330	-	-	330	96
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	9,000	7,500	7,434	-	-	7,434	66
Legal services	6,000	8,000	6,191	-	-	6,191	1,809
Printing, stationery, etc...	100	1,692	1,692	-	-	1,692	-
Travel	1,000	-	-	-	-	-	-
Other contracted services	7,000	11,533	10,697	-	-	10,697	836
Other supplies and materials	100	100	-	-	-	-	100
Liability insurance	13,000	13,122	13,122	-	-	13,122	-
Surety bonds	650	650	563	-	-	563	87
Trustee's commission	19,000	17,057	15,835	-	-	15,835	1,222
Workmans compensation	18,000	18,531	18,531	-	-	18,531	-
Inservice/staff development	3,000	1,000	964	-	-	964	36
Refunds to applicants	500	512	512	-	-	512	-
Other charges	8,000	9,943	9,355	-	-	9,355	588
Total board of education	192,145	194,146	189,038	-	-	189,038	5,108
Office of education							
County officials	99,500	99,500	96,709	-	-	96,709	2,791
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	6,231	6,231	5,602	-	-	5,602	629
Medical insurance	8,224	8,491	8,491	-	-	8,491	-
Dental insurance	138	138	138	-	-	138	-
Unemployment compensation	60	60	48	-	-	48	12
Employer medicare	1,457	1,457	1,310	-	-	1,310	147
Communication	12,000	12,371	12,371	-	-	12,371	-
Dues and memberships	3,500	3,500	3,048	-	-	3,048	452
Postage	1,500	1,500	1,309	-	-	1,309	191
Travel	2,000	200	166	-	-	166	34
Other contracted services	1,000	-	-	-	-	-	-
Office supplies	3,000	2,629	1,638	-	-	1,638	991
Inservice/staff development	2,000	2,000	1,182	-	-	1,182	818
Other charges	3,160	6,560	5,996	-	-	5,996	564
Administrative equipment	1,000	133	-	-	-	-	133
Total office of education	145,770	145,770	139,008	-	-	139,008	6,762

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, 2017

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
General administration(continued)							
Office of principal							
Principals	143,823	143,825	143,825	-	-	143,825	-
Career ladder program	3,000	3,000	3,000	-	-	3,000	-
Accountants and bookkeepers	41,737	44,036	44,036	-	-	44,036	-
Assistant principal	180,510	174,910	174,828	-	-	174,828	82
Clerical personnel	41,719	43,844	43,844	-	-	43,844	-
Social security	25,270	25,270	24,748	-	-	24,748	522
State retirement	29,591	29,462	28,942	-	-	28,942	520
Medical insurance	32,704	26,704	26,361	-	-	26,361	343
Dental insurance	552	673	673	-	-	673	-
Unemployment compensation	500	500	432	-	-	432	68
Local retirement	4,909	5,036	5,036	-	-	5,036	-
Employer medicare	5,956	5,956	5,788	-	-	5,788	168
Dues and memberships	2,000	2,000	2,000	-	-	2,000	-
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	500	30	-	-	30	470
Other contracted services	1,200	1,861	1,861	-	-	1,861	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	9,776	9,776	-	-	9,776	-
Other charges	1,325	5,342	5,342	-	-	5,342	-
Indirect costs	3,036	-	-	-	-	-	-
Administrative equipment	1,000	102	-	-	-	-	102
<b>Total office of principal</b>	<b>523,832</b>	<b>525,797</b>	<b>523,522</b>	<b>-</b>	<b>-</b>	<b>523,522</b>	<b>2,275</b>
Fiscal services							
Accountants and bookkeepers	93,967	93,967	91,423	-	-	91,423	2,544
Purchasing personnel	45,949	45,965	45,965	-	-	45,965	-
Clerical personnel	23,703	23,705	23,705	-	-	23,705	-
Other salaries and wages	1,000	1,000	-	-	-	-	1,000
Social security	10,206	10,178	8,967	-	-	8,967	1,211
Medical insurance	25,638	25,638	24,055	-	-	24,055	1,583
Dental insurance	414	414	414	-	-	414	-
Unemployment compensation	300	300	194	-	-	194	106
Local retirement	6,500	6,500	6,492	-	-	6,492	8
Employer medicare	2,387	2,387	2,097	-	-	2,097	290
Dues and memberships	300	300	-	-	-	-	300
Other contracted services	8,845	8,855	8,855	-	-	8,855	-
Data processing supplies	1,000	1,000	268	-	-	268	732
Office supplies	2,300	2,300	832	-	-	832	1,468
Inservice/staff development	3,000	3,000	2,749	-	-	2,749	251
<b>Total fiscal services</b>	<b>225,509</b>	<b>225,509</b>	<b>216,016</b>	<b>-</b>	<b>-</b>	<b>216,016</b>	<b>9,493</b>
Plant operations							
Janitorial services	331,308	318,444	315,462	-	-	315,462	2,982
Disposal fees	4,000	3,204	3,204	-	-	3,204	-
Permits	500	515	515	-	-	515	-
Other contracted services	25,000	19,500	19,492	-	-	19,492	8
Electricity	305,000	373,654	373,654	-	-	373,654	-
Natural gas	33,000	25,300	25,282	-	-	25,282	18
Water	30,000	22,500	22,414	-	-	22,414	86
Other supplies and materials	100	41	-	-	-	-	41
Boiler insurance	1,400	1,456	1,456	-	-	1,456	-
Building and contents insurance	30,700	32,007	31,707	-	-	31,707	300
Vehicle and equipment	9,000	9,387	9,387	-	-	9,387	-
<b>Total plant operations</b>	<b>770,008</b>	<b>806,008</b>	<b>802,573</b>	<b>-</b>	<b>-</b>	<b>802,573</b>	<b>3,435</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, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	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	6,000	6,000	1,606	-	-	1,606	4,394
Social security	434	434	100	-	-	100	334
Unemployment compensation	25	25	7	-	-	7	18
Employer medicare	102	102	23	-	-	23	79
Contracts with government agencies	110,000	101,000	94,607	-	-	94,607	6,393
Maintenance and repair - buildings	35,000	10,000	5,347	-	-	5,347	4,653
Maintenance and repair - equipment	5,000	5,000	3,037	-	-	3,037	1,963
Maintenance and repair - other equipment	500	500	-	-	-	-	500
Other contracted services	75,000	65,000	62,189	-	-	62,189	2,811
Gasoline	3,000	3,000	1,631	-	-	1,631	1,369
Vehicle parts	1,000	1,000	342	-	-	342	658
Other supplies and materials	30,000	40,000	38,839	-	-	38,839	1,161
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	-	-	-	-	500
Maintenance equipment	2,000	717	717	-	-	717	-
Total plant maintenance	269,361	234,078	208,445	-	-	208,445	25,633
Central and other							
Other contracted services	-	-	4,000	4,000	-	-	-
Total central and other	-	-	4,000	4,000	-	-	-
Total general administration	2,126,625	2,131,308	2,082,602	4,000	-	2,078,602	52,706
Early childhood education							
Teachers	93,127	94,367	94,367	-	-	94,367	-
Educational assistants	50,369	50,630	50,630	-	-	50,630	-
Certified substitute teachers	2,200	1,400	1,400	-	-	1,400	-
Non-certified substitute teachers	1,200	2,865	2,865	-	-	2,865	-
Social security	9,033	8,852	8,852	-	-	8,852	-
State retirement	8,420	8,531	8,531	-	-	8,531	-
Medical insurance	18,842	18,102	18,102	-	-	18,102	-
Dental insurance	414	414	414	-	-	414	-
Unemployment compensation	350	263	263	-	-	263	-
Local retirement	2,016	2,028	2,028	-	-	2,028	-
Employer medicare	2,116	2,071	2,070	-	-	2,070	1
Travel	100	-	-	-	-	-	-
Instructional supplies	3,300	3,299	3,299	-	-	3,299	-
Other supplies and materials	897	261	261	-	-	261	-
Indirect costs	7,939	6,233	6,233	-	-	6,233	-
Inservice/staff development	1,500	1,586	1,585	-	-	1,585	1
Other charges	500	536	536	-	-	536	-
Regular instruction equipment	-	677	677	-	-	677	-
Total early childhood education	202,323	202,115	202,113	-	-	202,113	2

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, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
<b>Debt service</b>							
Principal payments	45,232	45,232	45,232	-	-	45,232	-
Interest payments	10,048	10,048	10,048	-	-	10,048	-
Total debt service	55,280	55,280	55,280	-	-	55,280	-
<b>Capital outlay</b>							
Building improvements	-	10,000	-	-	-	-	10,000
Other capital outlay	-	10,000	56,222	-	20,000	76,222	(66,222)
Total capital outlay	-	20,000	56,222	-	20,000	76,222	(56,222)
<b>Total Expenditures</b>	<b>8,199,667</b>	<b>8,616,272</b>	<b>8,385,784</b>	<b>4,000</b>	<b>53,446</b>	<b>8,435,230</b>	<b>181,042</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,082,292)</b>	<b>(1,395,888)</b>	<b>(1,163,345)</b>	<b>(4,000)</b>	<b>(53,446)</b>	<b>(1,212,791)</b>	<b>183,097</b>
<b>Other financing sources and (uses)</b>							
Transfers in	1,070,939	1,069,233	1,119,222	-	-	1,119,222	49,989
<b>Total other financing sources and (uses)</b>	<b>1,070,939</b>	<b>1,069,233</b>	<b>1,119,222</b>	<b>-</b>	<b>-</b>	<b>1,119,222</b>	<b>49,989</b>
<b>Net change in fund balance</b>	<b>(11,353)</b>	<b>(326,655)</b>	<b>(44,123)</b>	<b>(4,000)</b>	<b>(53,446)</b>	<b>(93,569)</b>	<b>233,086</b>
<b>Fund balance - beginning of year</b>	<b>991,574</b>	<b>991,574</b>	<b>991,574</b>	<b>-</b>	<b>-</b>	<b>991,574</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 980,221</b>	<b>\$ 664,919</b>	<b>\$ 947,451</b>	<b>\$ (4,000)</b>	<b>\$ (53,446)</b>	<b>\$ 898,005</b>	<b>\$ 233,086</b>

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

CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 4,990,260	\$ 1,561,345	\$ 10,585,795	\$ 17,137,400
Cash and cash equivalents - restricted	-	-	1,521,282	1,521,282
Investments	-	40,796	-	40,796
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	701,201	-	2,715,285	3,416,486
Current portion of advance to other funds	58,991	-	-	58,991
Grant receivables	535	36,787	-	37,322
Other receivables	358	8,120	141,654	150,132
Due from other funds	78,644	594,378	-	673,022
Inventory	216,402	184,527	269,954	670,883
Natural gas storage	577,548	-	-	577,548
Prepaid expenses	36,915	78,932	42,442	158,289
<b>TOTAL CURRENT ASSETS</b>	<b>6,660,854</b>	<b>2,504,885</b>	<b>15,376,412</b>	<b>24,542,151</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	374,348	76,153	-	450,501
Buildings	287,627	504,678	-	792,305
Equipment	1,723,347	1,958,963	-	3,682,310
General plant	-	-	6,081,916	6,081,916
Distribution plant	14,569,435	40,869,370	61,150,153	116,588,958
Construction in progress	366,389	87,015	955,742	1,409,146
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>17,321,146</b>	<b>43,496,179</b>	<b>68,187,811</b>	<b>129,005,136</b>
Less accumulated depreciation	(10,069,757)	(19,948,318)	(26,717,463)	(56,735,538)
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>7,251,389</b>	<b>23,547,861</b>	<b>41,470,348</b>	<b>72,269,598</b>
<b>OTHER ASSETS</b>				
Note receivable - TVA Home Insulation Program	-	-	489,316	489,316
Advance to other funds - noncurrent portion	120,128	-	-	120,128
Deposits	-	65	-	65
Other deferred costs	-	-	468,189	468,189
Bond refunding, net of accumulated amortization	-	-	44,089	44,089
Bond issue costs, net of accumulated amortization	-	-	241,078	241,078
<b>TOTAL OTHER ASSETS</b>	<b>120,128</b>	<b>65</b>	<b>1,242,672</b>	<b>1,362,865</b>
<b>TOTAL ASSETS</b>	<b>14,032,371</b>	<b>26,052,811</b>	<b>58,089,432</b>	<b>98,174,614</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	250,352	404,330	1,452,606	2,107,288
<b>CURRENT LIABILITIES</b>				
Accounts payable	177,873	120,704	3,618,358	3,916,935
Accrued expenses	53,004	109,951	176,980	339,935
Accrued interest	21,522	74,143	129,941	225,606
Compensated absences	-	-	394,445	394,445
Customer deposits	406,605	151,900	466,953	1,025,458
Due to other funds	584,929	31,026	-	615,955
Current portion of long-term debt	386,340	2,263,258	730,000	3,379,598
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,630,273</b>	<b>2,750,982</b>	<b>5,516,677</b>	<b>9,897,932</b>
<b>LONG-TERM LIABILITIES</b>				
Compensated absences	325,215	393,510	1,233,464	1,952,189
Bonds and notes payable (net of unamortized bond premiums)	1,719,687	8,286,947	13,206,131	23,212,765
Net pension liability	453,265	744,158	3,585,412	4,782,835
Other post employment benefits	104,292	101,442	1,326,448	1,532,182
Advances from Home Installation Program	-	-	489,342	489,342
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,602,459</b>	<b>9,526,057</b>	<b>19,840,797</b>	<b>31,969,313</b>
<b>TOTAL LIABILITIES</b>	<b>4,232,732</b>	<b>12,277,039</b>	<b>25,357,474</b>	<b>41,867,245</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	136,628	224,313	-	360,941
<b>NET POSITION</b>				
Net investment in capital assets	5,145,362	12,997,656	27,590,348	45,733,366
Restricted for debt service	-	-	1,491,341	1,491,341
Unrestricted net position	4,768,001	958,133	5,102,875	10,829,009
<b>TOTAL NET POSITION</b>	<b>\$ 9,913,363</b>	<b>\$ 13,955,789</b>	<b>\$ 34,184,564</b>	<b>\$ 58,053,716</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, 2017**

	<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	\$ 5,355,790	\$ 5,981,562	\$ 46,974,301	\$ 58,311,653
Miscellaneous	2,227	6,304	837,809	846,340
<b>TOTAL OPERATING REVENUES</b>	<u>5,358,017</u>	<u>5,987,866</u>	<u>47,812,110</u>	<u>59,157,993</u>
<b>OPERATING EXPENSES</b>				
Natural gas purchases	2,746,920	-	-	2,746,920
Water purchases	-	100,921	-	100,921
Purchased for resale	-	-	35,701,316	35,701,316
Personnel expenses	1,389,222	2,281,096	-	3,670,318
Supplies	-	322,068	-	322,068
Utilities	26,452	430,075	-	456,527
Repairs and maintenance	196,138	580,009	1,681,686	2,457,833
Professional fees	15,145	52,320	-	67,465
Operating expenses	76,183	44,728	5,356,840	5,477,751
Rent	49,600	26,400	-	76,000
Office expense	155,759	96,338	-	252,097
Transportation expense	31,031	50,723	-	81,754
Insurance	27,932	95,964	-	123,896
Taxes and tax equivalents	-	-	272,689	272,689
Memberships and subscriptions	-	18,964	-	18,964
Miscellaneous	-	2,514	-	2,514
Depreciation and amortization	518,833	1,046,359	2,299,570	3,864,762
<b>TOTAL OPERATING EXPENSES</b>	<u>5,233,215</u>	<u>5,148,479</u>	<u>45,312,101</u>	<u>55,693,795</u>
<b>OPERATING INCOME (LOSS)</b>	<u>124,802</u>	<u>839,387</u>	<u>2,500,009</u>	<u>3,464,198</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	23,810	2,821	52,611	79,242
Sale of materials	-	6,138	-	6,138
Amortization of debt expense	-	-	(10,463)	(10,463)
Accretion of debt premiums	504	3,797	-	4,301
Miscellaneous expense	-	-	(39,970)	(39,970)
TEAC settlement	102,168	-	-	102,168
Gain (loss) on sale of asset	34,000	3,850	-	37,850
Interest expense	(82,457)	(329,981)	(481,037)	(893,475)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>78,025</u>	<u>(313,375)</u>	<u>(478,859)</u>	<u>(714,209)</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>202,827</u>	<u>526,012</u>	<u>2,021,150</u>	<u>2,749,989</u>
Transfers to other funds	(144,128)	(108,431)	(801,280)	(1,053,839)
<b>CHANGE IN NET POSITION</b>	<u>58,699</u>	<u>417,581</u>	<u>1,219,870</u>	<u>1,696,150</u>
<b>NET POSITION - BEGINNING OF YEAR, as originally stated</b>	9,920,421	13,600,737	32,964,694	56,485,852
Prior period adjustment	(65,757)	(62,529)	-	(128,286)
<b>NET POSITION - BEGINNING OF YEAR, as restated</b>	<u>9,854,664</u>	<u>13,538,208</u>	<u>32,964,694</u>	<u>56,357,566</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 9,913,363</u>	<u>\$ 13,955,789</u>	<u>\$ 34,184,564</u>	<u>\$ 58,053,716</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, 2017**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 5,302,895	\$ 6,005,313	\$ 47,812,110	\$ 59,120,318
Cash received from other funds for services	15,858	-	-	15,858
Other operating cash receipts	2,344	6,304	-	8,648
Cash payments to city - tax equivalents	-	-	(801,280)	(801,280)
Cash payments to suppliers for goods and services	(3,492,581)	(1,830,320)	(39,937,793)	(45,260,694)
Cash payments to employees for services	(1,300,604)	(2,236,271)	(2,945,919)	(6,482,794)
Other operating cash payments	-	-	(39,970)	(39,970)
Customer deposits received	-	-	189,511	189,511
Customer deposits refunded	-	-	(218,460)	(218,460)
Cash payments to other funds for services	(66,605)	(25,484)	-	(92,089)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>461,307</b>	<b>1,919,542</b>	<b>4,058,199</b>	<b>6,439,048</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
TEAC settlement	102,168	-	-	102,168
Amounts paid to other funds	(144,128)	(108,431)	-	(252,559)
Sale of materials	-	6,138	-	6,138
Advances from Home Insulation Program	-	-	59,015	59,015
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(41,960)</b>	<b>(102,293)</b>	<b>59,015</b>	<b>(85,238)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of fixed assets	(538,244)	(596,307)	(1,985,253)	(3,119,804)
Plant removal cost	-	-	(279,172)	(279,172)
Materials salvaged from retirements	-	-	28,411	28,411
Gain on sale of capital assets	34,000	3,850	-	37,850
Debt proceeds	-	186,096	6,810,000	6,996,096
Debt issue costs	-	-	(97,101)	(97,101)
Loss on refunding of bonds	-	-	(44,089)	(44,089)
Premium on issuance of bonds	-	-	56,131	56,131
Advances to other funds	58,288	-	-	58,288
Principal payments on long-term debt	(371,268)	(703,232)	(7,230,000)	(8,304,500)
Interest paid on long-term debt	(85,130)	(333,278)	(480,867)	(899,275)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(902,354)</b>	<b>(1,442,871)</b>	<b>(3,221,940)</b>	<b>(5,567,165)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	(103)	(100,000)	(100,103)
Proceeds from sale of investments	-	-	100,702	100,702
Notes receivable - TVA Home Insulation Program	-	-	(58,996)	(58,996)
Interest on cash and investments	23,810	2,821	52,611	79,242
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>23,810</b>	<b>2,718</b>	<b>(5,683)</b>	<b>20,845</b>
Extraordinary item	-	-	-	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(459,197)</b>	<b>377,096</b>	<b>889,591</b>	<b>807,490</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,449,457</b>	<b>1,184,249</b>	<b>11,217,486</b>	<b>17,851,192</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 4,990,260</b>	<b>\$ 1,561,345</b>	<b>\$ 12,107,077</b>	<b>\$ 18,658,682</b>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
<b>Income (loss) from operating activities</b>	<b>\$ 124,802</b>	<b>\$ 839,387</b>	<b>\$ 2,500,009</b>	<b>\$ 3,464,198</b>
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	518,833	1,046,359	2,299,570	3,864,762
Amounts paid to City - tax equivalents	-	-	(801,280)	(801,280)
Miscellaneous expense	-	-	(39,970)	-
Change in pension related deferred outflows and inflows of resources	3,163	9,937	116	13,216
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(59,476)	-	130,504	71,028
(Increase) decrease in other receivables	117	26,329	-	26,446
(Increase) decrease in inventory	(11,191)	(5,190)	(32,278)	(48,659)
(Increase) decrease in prepaid assets	2,838	13,755	(23,318)	(6,725)
(Increase) decrease in due from other funds	(66,605)	(49,529)	-	(116,134)
(Increase) decrease in natural gas storage	(213,342)	-	-	(213,342)
Increase (decrease) in accounts payable	54,274	(30,632)	(356,622)	(332,980)
Increase (decrease) in due to other funds	15,858	24,045	-	39,903
Increase (decrease) in pension liability	23,499	38,580	199,473	261,552
Increase (decrease) in OPEB	38,535	38,912	192,653	270,100
Increase (decrease) in customer deposits	6,581	(2,578)	(28,949)	(24,946)
Increase (decrease) in compensated absences	13,440	(42,604)	18,291	(10,873)
Increase (decrease) in accrued liabilities	9,981	12,771	-	22,752
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 461,307</b>	<b>\$ 1,919,542</b>	<b>\$ 4,058,199</b>	<b>\$ 6,479,018</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
OPEB	-	-	192,653	192,653

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

**CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017**

	<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	\$ 104,625	\$ -	\$ -
Accounts receivable	13	-	-
Investments:			
Mutual funds (market value)	-	11,093,198	8,389,312
Annuities (market value)	-	205,029	-
<b>TOTAL ASSETS</b>	<u>104,638</u>	<u>11,298,227</u>	<u>8,389,312</u>
<b>LIABILITIES</b>			
Accrued liabilities	<u>104,638</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>-</u>	<u>11,298,227</u>	<u>8,389,312</u>
<b>TOTAL NET POSITION</b>	<u>\$ -</u>	<u>\$ 11,298,227</u>	<u>\$ 8,389,312</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, 2017**

	<b>Pension Trust Funds</b>		
	<b>Municipal Employees</b>	<b>Electric Employees</b>	<b>Total</b>
<b>Additions</b>			
Contributions and other additions	\$ 609,723	\$ 439,242	\$ 1,048,965
Investment income	2,947	1,037,994	1,040,941
Net investment gain/(loss)	98,830	-	98,830
<b>Total Additions</b>	<u>711,500</u>	<u>1,477,236</u>	<u>2,188,736</u>
<b>Deductions</b>			
Fees	68,182	3,410	71,592
Benefits	57,984	356,983	414,967
Dividends and interest paid	-	-	-
<b>Total Deductions</b>	<u>126,166</u>	<u>360,393</u>	<u>486,559</u>
<b>Net increase (decrease) in net position</b>	585,334	1,116,843	1,702,177
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>10,712,893</u>	<u>7,272,469</u>	<u>17,985,362</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 11,298,227</u>	<u>\$ 8,389,312</u>	<u>\$ 19,687,539</u>

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

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017**

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, 2017**

**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, 2017**

**Nonmajor**

Special Revenue Funds:

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

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

The City does not allocate indirect costs.

**1.D. BUDGETARY INFORMATION**

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

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

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

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

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

**Cash and Investments**

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

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

**Interfund Receivables and Payables**

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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, 2017**

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

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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,

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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.

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

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

**Program Revenues**

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

**Sales Tax**

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

**Property Tax**

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

**Operating Revenues and Expenses**

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

**Expenditures/ Expenses**

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

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

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

Proprietary Fund – By Operating and Nonoperating

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

**Interfund Transfers**

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

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**2.A. FUND ACCOUNTING REQUIREMENTS**

<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.

**Pension Plan Investments**

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

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**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

**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, 2017.

**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, 2017, 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, 2017, the System's deposits were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

**CITY OF LEXINGTON, TENNESSEE**  
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**Water Systems**

As of June 30, 2017, 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, 2017, the System's bank deposits were fully collateralized or insured.

**School System**

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

**Investment-Fiduciary Fund**

The following is the asset allocation as of June 30, 2017.

	<u>City of Lexington</u>		<u>Lexington Electric</u>	
	<u>Market Value</u>	<u>Percentage of Total</u>	<u>Market Value</u>	<u>Percentage of Total</u>
Fixed income	\$ 2,824,981	25.47%	\$ 2,216,095	26.42%
Equities	8,268,217	74.53%	6,173,217	73.58%
	<u>\$ 11,093,198</u>	<u>100.00%</u>	<u>\$ 8,389,312</u>	<u>100.00%</u>

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at June 30, 2017.

	<u>City of Lexington</u>	<u>Lexington Electric</u>
John Hancock Total Bond Market	\$ 641,335	\$ 583,967
Fidelity Advisor Total Bond Return	1,390,657	1,010,210
American Funds Washington Mutual	988,385	637,069
Discovery Fund	780,368	486,346
Contra Fund	771,561	471,292
JP Morgan Mid-cap Value	871,424	568,947
T-Rowe Price Equity Income	1,036,918	653,338
American Funds Investment Fund of America	772,906	481,854
American Funds Capital World Growth	784,992	495,647
VS Small-cap	706,873	421,641
Oppenheimer Global	710,572	408,529

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	<u>Balance 7/1/16</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/17</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 2,111,067	\$ -	\$ -	\$ 2,111,067
Construction in Progress	100,699	63,339	28,301	135,737
Total Capital assets not being depreciated	<u>2,211,766</u>	<u>63,339</u>	<u>28,301</u>	<u>2,246,804</u>
Capital assets being depreciated				
Buildings	27,510,101	28,301	1,800,714	25,737,688
Equipment	8,191,895	616,604	217,836	8,590,663
Infrastructure	16,206,440	-	-	16,206,440
Improvements	7,712,341	47,623	-	7,759,964
Total Capital assets being depreciated	<u>59,620,777</u>	<u>692,528</u>	<u>2,018,550</u>	<u>58,294,755</u>
Less accumulated depreciation for:				
Buildings	11,870,725	520,745	843,334	11,548,136
Equipment	6,292,645	387,446	157,943	6,522,148
Infrastructure	11,731,285	43,925	-	11,775,210
Improvements	4,088,562	337,683	-	4,426,245
Total accumulated depreciation	<u>33,983,217</u>	<u>1,289,799</u>	<u>157,943</u>	<u>34,271,739</u>
Total capital assets, being depreciated, net	<u>25,637,560</u>			<u>24,023,016</u>
Governmental activities capital assets, net	<u>\$ 27,849,326</u>			<u>\$ 26,269,820</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 236,934	\$ 246,121	\$ -	\$ 483,055
Construction in Progress	1,320,441	256,712	168,006	1,409,147
Total Capital assets not being depreciated	<u>1,557,375</u>	<u>502,833</u>	<u>168,006</u>	<u>1,892,202</u>
Capital assets being depreciated				
Buildings	1,812,843	16,085	250,705	1,578,223
Equipment	8,458,642	243,861	177,779	8,524,724
Plant	114,655,296	2,784,790	430,096	117,009,990
Total Capital assets being depreciated	<u>124,926,781</u>	<u>3,044,736</u>	<u>858,580</u>	<u>127,112,937</u>
Less accumulated depreciation for:				
Buildings	1,014,384	31,227	104,918	940,693
Equipment	5,861,363	550,301	211,267	6,200,397
Plant	46,677,547	3,555,404	638,500	49,594,451
Total accumulated depreciation	<u>53,553,294</u>	<u>4,136,932</u>	<u>954,685</u>	<u>56,735,541</u>
Total capital assets, being depreciated, net	<u>71,373,487</u>			<u>70,377,396</u>
Business-type activities capital assets, net	<u>\$ 72,930,862</u>			<u>\$ 72,269,598</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 148,785
Public safety	255,376
Public works	175,558
Health, recreation and welfare	<u>710,080</u>
Total depreciation expense	<u>\$1,289,799</u>

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**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%. \$ 1,230,000

2012 General Obligation School Bonds dated May 1, 2012, due June 1, 2013, through June 1, 2032, bearing interest rates of 1.00 to 3.125%. 5,425,000

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%, 1,125,000

2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest. 302,115

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%. 246,439

**Capital Outlay Notes**

2005 capital outlay note. Interest 4.05% with final payment due September 1, 2017. 50,000

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest. 167,364

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**8,545,918**

**Other Liabilities**

Compensated absences 1,055,631  
 Unamortized debt premiums 6,314  
 Net pension liability 2,100,106  
 Other post employment benefits 374,147  
 Landfill closure costs 214,854

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**Total Government Activity** **\$ 12,296,970**

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**CITY OF LEXINGTON, TENNESSEE  
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**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%	\$ 1,430,000
2011 Gas Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	655,000
2011 Water Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	480,000
2009 Water and Sewer Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	5,130,000
2017 Electric Department Refunding Revenue Bonds, due 2018 through 2032, bearing an interest rate of 2.00% to 2.75%.	6,810,000
2011 Electric Plant Revenue Bonds, variable interest of 2.0% to 4.0% due serially through 2037	7,070,000

**Notes Payable**

Local Government Loan Program Bond, Series 2015, variable interest	1,634,146
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**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%.	16,895
2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	3,266,666

**Other liabilities**

Compensated absences	1,952,189
Advances from Home Installation Program	489,342
Net pension liability	4,782,835
Other post employment benefits	1,532,182
Unamortized debt premiums	99,656

<b>Total Business-type Activities</b>	<b>\$ 35,348,911</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, 2017:

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	<u>Balance 7/1/2016</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2017</u>	<u>Due within one year</u>
<b><i>Governmental Type Activities</i></b>					
General Obligation Bonds	\$ 9,347,584	\$ -	\$ 1,019,030	\$ 8,328,554	\$ 850,077
Notes Payable	302,596	-	85,232	217,364	85,232
Landfill Closure Costs	216,464	-	1,610	214,854	-
Unamortized debt premiums	6,786	-	472	6,314	472
Total governmental type activities	<u>9,873,430</u>	<u>-</u>	<u>1,106,344</u>	<u>8,767,086</u>	<u>935,781</u>
<b><i>Business Type Activities</i></b>					
Revenue Bonds	22,730,000	6,810,000	7,965,000	21,575,000	1,485,000
Notes Payable	1,541,050	186,096	93,000	1,634,146	1,634,146
General Obligation Bonds	3,530,059	-	246,498	3,283,561	260,452
Unamortized debt premiums	47,829	56,129	4,302	99,656	4,300
Total business type activities	<u>27,848,938</u>	<u>7,052,225</u>	<u>8,308,800</u>	<u>26,592,363</u>	<u>3,383,898</u>
Total government	<u>\$ 37,722,368</u>	<u>\$ 7,052,225</u>	<u>\$ 9,415,144</u>	<u>\$ 35,359,449</u>	<u>\$ 4,319,679</u>

**Water Systems**

During the prior year the Water System entered into an agreement to borrow \$2,000,000 in loan funds from the Municipal Bond Fund. They had borrowed \$1,634,146 at June 30, 2017. These funds will be considered general obligation debt.

**Electric System**

During 2017, the City of Lexington issued \$6,810,000 Electric System Revenue Refunding Bonds for the purpose of re-financing the 2007 Electric System Revenue Bonds. The bonds bear interest at 2.00% to 2.75% and mature serially in varying amounts from \$395,000 in fiscal year 2019 to \$525,000 in fiscal year 2032. The bonds are secured by a pledge of revenues by the System. Expense incurred by the issuance of the bonds are being amortized by equal charges to operations over the life of the bonds.

**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, 2017 are as follows:

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<b><i>General Obligation Bonds</i></b>						
Year Ending June 30,	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Principal and Interest Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
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	477,170	169,554	288,358	47,899	982,981	
2022	412,340	160,135	297,660	43,719	913,854	
2023-2027	2,214,269	632,474	1,655,731	125,204	4,627,678	
2028-2032	2,437,450	287,707	232,550	4,651	2,962,358	
2033-2036	180,000	12,487	-	-	192,487	
Total	<u>\$ 8,328,554</u>	<u>\$ 1,876,319</u>	<u>\$ 3,283,561</u>	<u>\$ 385,014</u>	<u>\$ 13,873,448</u>	

  

<b><i>Notes Payable</i></b>						
Year Ending June 30,	<b>Governmental Activities</b>		<b>Business-type Activities</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>		
2018	\$ 85,232	\$ 1,013	\$ 1,485,000	\$ 696,192		
2019	35,232	-	1,420,000	661,750		
2020	35,232	-	1,120,000	622,888		
2021	35,232	-	980,000	594,463		
2022	26,436	-	1,015,000	567,725		
2023-2027	-	-	5,550,000	2,381,151		
2028-2032	-	-	6,610,000	1,404,951		
2033-2037	-	-	3,395,000	315,158		
	<u>\$ 217,364</u>	<u>\$ 1,013</u>	<u>\$ 21,575,000</u>	<u>\$ 7,244,278</u>		

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

**Operating Transfers**

	<b>TRANSFER FROM</b>						<b>Totals</b>
	<b>General</b>	<b>Police Drug</b>	<b>School Tax Fund</b>	<b>Lexington Electric</b>	<b>Water</b>	<b>Gas</b>	
<b>TRANSFER TO</b>							
General	\$ -	\$ -	\$ -	\$ 801,280	\$ 108,431	\$ 144,128	\$ 1,053,839
Post Office Fund	100,000	-	-	-	-	-	100,000
Sinking Fund	45,000	-	-	-	-	-	45,000
Solid Waste Fund	11	-	-	-	-	-	11
Lex-Hend Co Alliance	41,340	-	-	-	-	-	41,340
DARE	-	2,000	-	-	-	-	2,000
School Debt	-	-	972,487	-	-	-	972,487
General Purpose School	736,222	-	383,000	-	-	-	1,119,222
<b>GRAND TOTALS</b>	<u>\$ 922,573</u>	<u>\$ 2,000</u>	<u>\$ 1,355,487</u>	<u>\$ 801,280</u>	<u>\$ 108,431</u>	<u>\$ 144,128</u>	<u>\$ 3,333,899</u>

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.

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**Interfund Receivables and Payables**

		DUE TO:					
DUE FROM:	General	Solid Waste	Police Drug	Capital Projects	Water Systems	Gas	Totals
General	\$ -	\$ -	\$ 2,500	\$ -	\$ 67,691	\$ 46,830	\$ 117,021
Solid Waste	-	-	-	100,000	-	788	100,788
Gas	1,961	56,281	-	-	526,687	-	584,929
Water Systems	-	-	-	-	-	31,026	31,026
	\$ 1,961	\$ 56,281	\$ 2,500	\$ 100,000	\$ 594,378	\$ 78,644	\$ 833,764

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, 2017 were \$26,604 and \$14,525, 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.

**Participant Data**

Inactive Plan Participants as of January 1, 2016:

Retirees and beneficiaries currently receiving benefits	6
Terminated employees entitled to deferred benefits	25
Disabled employees entitled to deferred benefits	0
Total	31

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Active Plan Participants as of January 1, 2016:

Vested	65
Partially-vested	30
Non-vested	<u>6</u>
Total	101

**Summary of Plan Provisions**

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/16

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

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

Normal Retirement Benefit Formula:

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

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

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

Average Monthly Earnings: The greater of (i) average of monthly compensation for the 5 consecutive years of highest compensation and (ii) monthly compensation during the year immediately preceding the participant's 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: Single Life Annuity with 120 months certain.  
Married: Equivalent 50% Joint and Survivor Annuity

Maximum Annual Benefit: \$ 210,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

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

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.

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

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

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

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

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

**Contribution Required**

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

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

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

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

**Investments**

Investment information has been provided by John Hancock.

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

Rate of Return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -0.01%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The City's net pension liability of \$2,644,486 was measured as of June 30, 2016.

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**Actuarial Assumptions (for calculation of the Net Pension Liability)**

Post-Retirement

Mortality – 2014 Combined Static Mortality Table

Investment Return – 7.25% per annum

Pre-Retirement

Mortality – 2014 Combined Static Mortality Table

Investment Return – 7.25% per annum

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

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

Retirement Age – age 62 or current age if later

Expense Loading – none

**Pre-Retirement Decrement Rates**

Age	Mortality		Withdrawal		Disability	
	Male	Female	Male	Female	Male	Female
25	0.028%	0.014%	9.000%	9.000%	0.060%	0.060%
30	0.039%	0.020%	7.500%	7.500%	0.060%	0.060%
35	0.067%	0.035%	6.000%	6.000%	0.089%	0.089%
40	0.086%	0.046%	4.500%	4.500%	0.183%	0.183%
45	0.105%	0.070%	3.000%	3.000%	0.306%	0.306%
50	0.137%	0.105%	1.500%	1.500%	0.492%	0.492%
55	0.219%	0.219%	0.000%	0.000%	0.804%	0.804%
60	0.463%	0.448%	0.000%	0.000%	1.202%	1.202%

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

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

**Discount Rate**

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

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**Change of Assumptions**

Effective June 30, 2015, the investment return is 7.25% per annum and the post-retirement mortality is the Tennessee Consolidated Retirement System mortality table. Prior to June 30, 2015, the investment return was 7.5% and the pre and post-retirement mortality table were the 2014 IRS Combined Static mortality table.

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

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

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Plan's net pension liability	\$ 3,760,437	\$ 2,644,486	\$ 1,666,529

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

Changes in the City's net pension liability for the year ended June 30, 2016 were as follows:

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at 6/30/15	\$ 12,692,913	\$ 10,185,527	\$ 2,507,386
Changes for the year:			
Service cost	434,972	-	434,972
Interest	971,567	-	971,567
Differences between expected and actual experience	(98,825)	-	(98,825)
Changes of assumptions	(503,521)	-	(503,521)
Contributions - employer	-	501,481	(501,481)
Contributions - employee	-	252,445	(252,445)
Net investment income	-	(555)	555
Benefit payments	(353,715)	(353,715)	-
Administrative expense	-	(86,278)	86,278
Net changes	450,478	313,378	137,100
Balances at 6/30/16	\$ 13,143,391	\$ 10,498,905	\$ 2,644,486

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

For the measurement period ended June 30, 2016, the City recognized pension expense of \$538,731. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 177,432	\$ 85,648
Changes of assumptions	-	436,385
Net difference between projected and actual earnings on pension plan investments	940,076	275,099
Contributions subsequent to the measurement date of June 30, 2016	380,779	-
<b>Total</b>	<b>\$ 1,498,287</b>	<b>\$ 797,132</b>

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:**

2017	73,833
2018	73,833
2019	211,385
2020	104,965
2021	(50,240)
Thereafter	(93,401)

**Payable to the Pension Plan**

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

**Defined Contribution Plan**

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

General Government	\$50,747
Water System	\$12,201
Gas System	\$10,078
School System	\$39,788

**Electric System**

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

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

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

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

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

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

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

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

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

The percentage is determined using the following table:

<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%

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

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

Active employees:	
Fully or partially vested	37
Non-vested	0
Terminated employees entitled to deferred benefits	4
Retirees and beneficiaries currently receiving benefits	<u>8</u>
	<u><u>49</u></u>

*Funded status and funding progress:* As of June 30, 2016 the actuarial accrued liability for benefits was \$10,857,880 and the net pension liability was \$3,385,411. The total covered payroll was \$2,378,246 and the ratio of net pension liability to covered payroll was 150.76%.

*Net pension liability:* The components of the net pension liability of the Retirement Income Plan for the Employees of Lexington Electric System at June 30, 2017 and 2016 are detailed in the following tables. The first table is required to be disclosed due to the inclusion of the fiduciary fund statement's in the System's financial statements. The Total Pension Liability was rolled forward to June 30, 2017 in order to be in compliance with GASB Statement No. 67. The second table shows the net pension liability as of June 30, 2016, which is what is reported in the proprietary financial statements in accordance with GASB Statement No. 68.

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

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	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/15	\$ 10,989,860	\$ 7,603,921	\$ 3,385,939
Changes for the year:			
Service cost	212,645	-	212,645
Interest	771,286	-	771,286
Differences between expected and actual experience	32,345	-	32,345
Change of assumptions	-	-	-
Contributions - employer	-	663,487	(663,487)
Contributions - employee	-	137,893	(137,893)
Net investment income	-	15,848	(15,848)
Benefit payments	(1,148,256)	(1,148,256)	-
Administrative expense	-	(425)	425
Net changes	(131,980)	(331,453)	199,473
Balances at 6/30/16	<u>\$ 10,857,880</u>	<u>\$ 7,272,468</u>	<u>\$ 3,585,412</u>

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

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

	2017		
	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Total pension liability	\$ 12,780,804	\$ 11,177,710	\$ 9,824,856
Plan fiduciary net position	8,389,312	8,389,312	8,389,312
Net pension liability	<u>\$ 4,391,492</u>	<u>\$ 2,788,398</u>	<u>\$ 1,435,544</u>
	2016		
Total pension liability	\$ 12,537,478	\$ 10,989,860	\$ 9,440,707
Plan fiduciary net position	7,272,469	7,272,469	7,272,468
Net pension liability	<u>\$ 5,265,009</u>	<u>\$ 3,717,391</u>	<u>\$ 2,168,239</u>

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**Net Pension Liability**

The System's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the July 1, 2016 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age accrued liability, level percentage of pay
Amortization Method	Level dollar amortization, closed
Remaining Amortization period	28 years as of 7/1/16
Asset valuation method	Market value of plan assets adjusted to phase in gains and losses over a five-year period at a rate of 20% per year
Salary increases	4.00% per annum
Investment rate of return	7.25% per annum
Retirement age assumption	100% at age 60
Mortality table:	
Pre-retirement mortality	2014 Small Plan Combined Static Mortality
Post-retirement mortality	TCRS Mortality Table
Disability mortality	TCRS Mortality Table

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of actuarial experience studies for the periods July 1, 2015 through June 30, 2016 and July 1, 2014 through June 30, 2015 respectively.

**Discount Rate**

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

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

For the measurement periods ended June 30, 2016 and 2015, the System recognized pension expense of \$505,293 and \$333,670. At June 30, 2016 and 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 622,710	\$ -
Change of assumptions	115,797	-
Net difference between projected and actual earnings on pension plan investments	408,395	-
Contributions subsequent to the measurement date of June 30, 2016	305,704	-
Total	<u>\$ 1,452,606</u>	<u>\$ -</u>
Differences between expected and actual experience	\$ 707,028	\$ -
Change of assumptions	137,604	-
Net difference between projected and actual earnings on pension plan investments	-	55,397
Contributions subsequent to the measurement date of June 30, 2015	663,487	-
Total	<u>\$ 1,508,119</u>	<u>\$ 55,397</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:**

2017	\$	197,745
2018		197,745
2019		323,702
2020		243,085
2021		138,470
Thereafter		46,157

**Electric System**

The System began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The System matches their employee's contributions, which can be up to 6% of the employee's annual compensation. The employer's contributions are not vested until after five annual periods in the plan. If an employee leaves the System before the five year vesting period, the amount of unvested contributions reduce the System's cash outlay in the following period. The System's current year contributions to the plan were \$42,991. The Retirement Committee of the Lexington Electric System serves as administrator. John Hancock, in conjunction with Edward Jones, serves as the investment firm of the plan.

**School Department**

**General Information about the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lexington City Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed now to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for

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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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were \$317,564 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, 2017, the Lexington City Schools reported a liability of \$653,043 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2016, 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 relative to the contributions of all LEAs. At the measurement date of June 30, 2016 Lexington City Schools' proportion was 0.102809 percent. The proportion measured as of June 30, 2014 was 0.102809 percent.

*Pension expense.* For the year ended June 30, 2017, Lexington City Schools recognized a pension expense of \$77,407.

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*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2017, 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	\$ 27,482	\$ 790,619
Net difference between projected and actual earnings on pension plan investments	729,131	-
Changes in proportion of Net Pension Liability (Asset)	21,673	17,329
LEA's contribution subsequent to the measurement date of June 30, 2016	337,488	n/a
Total	<u>\$ 1,115,774</u>	<u>\$ 807,948</u>

Lexington City Schools employer contribution of \$337,488, 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, 2018. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2018	\$ (121,749)
2019	(121,749)
2020	228,015
2021	34,783
2022	(48,961)
Thereafter	-

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

*Actuarial assumptions.* The total pension liability in the June 30, 2016 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

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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, 2016 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:

<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

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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-percent-point higher (8.5 percent) than the current rate:

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 3,585,971	\$ 653,043	\$ (1,776,462)

*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, 2017, 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, 2017.

**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

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contributions for the year ended June 30, 2017 to the Teacher Retirement Plan were \$24,507, which is 5 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.* At June 30, 2017, Lexington City Schools reported an asset of \$7,388 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Lexington City Schools' proportion of the net pension asset was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016 Lexington City Schools' proportion was 0.070969 percent. The proportion measured at June 30, 2015 was 0.100925 percent.

*Pension expense.* For the year ended June 30, 2017, Lexington City Schools recognized a pension expense of \$6,255.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2017, Lexington City Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 716	\$ 852
Net difference between projected and actual earnings on pension plan investments	1,210	-
Changes in proportion of Net Pension Liability (Asset)	840	-
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2014	<u>24,507</u>	<u>(not applicable)</u>
Total	<u>\$ 27,273</u>	<u>\$ 852</u>

Lexington City Schools; employer contributions of \$24,507 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, 2017.

**Payable to the Pension Plan**

At June 30, 2017, 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, 2017.

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**4.B. POST EMPLOYMENT HEALTHCARE PLAN**

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

**Funding Policy** – The City 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 City’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.

Changes in Total OPEB Liability

<b>Components of Net OPEB Obligation</b>	<b>City</b>	<b>Water</b>	<b>Gas</b>	<b>Total</b>
Annual required contribution	\$ 164,427	\$ 39,067	\$ 38,697	\$ 242,191
Interest on Net OPEB obligation	8,409	2,501	2,630	13,540
Adjustment to annual required contribution	(8,926)	(2,655)	(2,792)	(14,373)
Annual OPEB cost (expense)	163,910	38,913	38,535	241,358
Contributions and subsidy	-	-	-	-
Increase in net obligation	163,910	38,913	38,535	241,358
Net OPEB obligation (BOY)	210,237	62,529	65,757	338,523
Net OPEB (asset) obligation (EOY)	<u>\$ 374,147</u>	<u>\$ 101,442</u>	<u>\$ 104,292</u>	<u>\$ 579,881</u>

The System’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 are as follows:

	<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
City	6/30/2017	\$ 163,910	0.00%	\$ 374,147
Water	6/30/2017	38,913	0	101,442
Gas	6/30/2017	38,535	0	104,292

**Funded Status and Funding Progress** – As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$312,143 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAT) of \$312,143. The covered payroll (annual payroll of active employees covered by the plan) was \$2,063,523 and the ratio of the UAAL to the covered payroll was 15.1%.

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

In the July 1, 2016 actuarial valuation, the entry age actuarial cost method was used. Under this method, the Actuarial Present Value of Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age. The 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 9.0% 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 remaining amortization period at July 1, 2016 was 29 years. A rate of 2.5% is used as Annual Payroll Increase.

The amortization of the unfunded actuarial accrued liability may be determined in level dollar amounts or as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability may be amortized as one amount, or components of the total may be separately amortized. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

## **ELECTRIC SYSTEM**

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

**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.

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**Components of Net OPEB Obligation**

Annual required contribution	\$ 343,978
Interest on Net OPEB obligation	45,352
Adjustment to annual required contribution	<u>(60,514)</u>
Annual OPEB cost (expense)	328,816
Contributions and subsidy	<u>(136,163)</u>
Increase in net obligation	192,653
Net OPEB obligation (BOY)	<u>1,133,795</u>
Net OPEB (asset) obligation (EOY)	<u><u>\$ 1,326,448</u></u>

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 328,816	41.40%	\$ 1,326,448

**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 116.4%.

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.

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**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:

Balance at 7/1/2016	Incurred Claims	Claims Payments	Balance at 6/30/2017
\$ 40,737	\$ 205,005	\$ 216,329	\$ 29,413

**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, 2017 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 \$214,854 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.

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**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**

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

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

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

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

**Lexington Gas System**

As of June 30, 2017, the System had incurred \$317,247 for the new operations facility. Of that amount, \$151,695 was design and project management costs attributed to the engineers, \$640 was attributed to site stabilization and environmental fees, \$25,870 was for relocating utilities, and the remaining \$139,042 was for progress payments to the general contractor. This project was commenced in March 2017 with an initial contract sum of \$3,012,811 and has a final completion date of December 2017. When completed, the building will house the warehouse/maintenance aspects of both Gas and Water Systems.

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

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**Lexington Water System**

The System has several construction projects in process at June 30, 2017. Commitments for these projects are described below.

The System has a waste water pumping station project with estimated costs of \$450,000. As of June 30, 2017, there is approximately \$440,711 remaining to complete this project. This project is expected to be bid August 2017. When completed, the lift station will complete a four year extensive overhaul of the waste water system's main trunk line lift stations.

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

**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. As of June 30, 2017, the City had recognized \$53,701 in construction in process on this project.

The City has also received a grant in the amount of \$897,750 for Phase II of the sidewalk/multimodal project which has a projected cost of \$945,000. The City had not recognized any costs associated with this project as of June 30, 2017

**4.I. PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment of was made to record the OPEB obligation related to the posts employment healthcare plan at June 30, 2016 as follows: Government-wide Governmental Activities - \$210,237; Water Systems - \$62,529; and Gas System \$65,757.

**4.J. EXTRAORDINARY ITEM – Electric Department**

On March 30, 2010, the Board of Directors agreed to give the now former Assistant General Manager, Jimmy Stanfill, a severance amount of \$40,000 and an early retirement incentive program in exchange for him giving up employment after 37 years. The incentive program included health insurance costs as well as other retirement benefits for a period of time. USI Consulting estimated that it would take approximately \$375,000 to fund the early incentive program promised to Mr. Stanfill. The retirement plan had no preparations made for early payouts, and since that is exactly what the Board approved for Mr. Stanfill, there was discussion on how to proceed. Mr. Stanfill's lawsuit came to a close in fiscal year 2016 with a four year payment plan in the amount of \$287,674 to be paid to Mr. Stanfill.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF FUNDING PROGRESS - POST-EMPLOYMENT BENEFITS**  
**JUNE 30, 2017**

Post-Employment Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2016	\$ -	\$ 312,143	\$ 312,143	0.00%	\$ 2,063,523	15.1%

The above schedule is designed to show the extent to which a pension plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

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

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF FUNDING PROGRESS - POST-EMPLOYMENT BENEFITS - LEXINGTON**  
**ELECTRIC SYSTEM**  
**JUNE 30, 2017**

**Post-Employment Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2008	\$ -	\$ 3,355,294	\$ 3,355,294	0.00%	\$ 2,192,591	153.0%
7/1/2011	-	2,942,183	2,942,183	0.00%	2,298,159	128.0%
7/1/2014	-	3,079,828	3,079,828	0.00%	2,645,385	116.4%

The above schedule is designed to show the extent to which a pension plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

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

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2017**

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

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, 2017

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

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

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

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

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

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

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2017**

**Notes to Schedule**

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

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Individual Entry Age Normal, level dollar
Amortization method	Level dollar, closed
Remaining amortization period	30
Asset valuation	Market value of plan assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value
Salary increases	3.50%
Investment Rate of Return	7.50%
Retirement age	Age 62 or current age if later
Mortality	2014 IRS Static Mortality Table for the year of valuation

\*This is a summary of the methods and assumptions for the 1/1/16 Actuarial Valuation

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

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSETS**  
**TEACHER LEGACY PENSION PLAN of TCRS**  
**JUNE 30, 2017**

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

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

Note 2. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

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

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
TEACHER LEGACY PENSION PLAN of TCRS  
JUNE 30, 2017**

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

Note 1. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

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

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**TEACHER RETIREMENT PLAN of TCRS**  
**JUNE 30, 2017**

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

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

Note 2. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

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

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
TEACHER RETIREMENT PLAN of TCRS  
JUNE 30, 2017**

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

Note 1. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

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

CITY OF LEXINGTON, TENNESSEE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Special Revenue							Debt Service		Capital Projects	Total	
	State Street Aid	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Lexington-Henderson Alliance	General Sinking Fund	School Debt Fund	Post Office Fund	Other Governmental Funds
<b>ASSETS</b>												
Cash and cash equivalents	\$ 25,477	\$ 199,102	\$ 160,622	\$ 38,230	\$ 733	\$ 15,295	\$ 148,761	\$ 67,670	\$ 1,936	\$ -	\$ 797,833	\$ 1,455,659
Other receivables	-	159	-	-	-	-	-	-	-	-	24,172	24,331
Due from other funds	-	-	-	56,281	-	-	2,500	-	-	-	100,000	158,781
Grants receivable	-	14,150	-	-	-	-	-	-	-	-	73,538	87,688
Prepaid insurance	-	-	-	17,153	-	-	-	-	-	-	-	17,153
Inventory	-	-	34,563	-	-	-	-	-	-	-	-	34,563
Due from other governments	36,817	256,671	-	-	-	-	-	-	-	-	-	293,488
<b>TOTAL ASSETS</b>	<b>\$ 62,294</b>	<b>\$ 470,082</b>	<b>\$ 195,185</b>	<b>\$ 111,664</b>	<b>\$ 733</b>	<b>\$ 15,295</b>	<b>\$ 151,261</b>	<b>\$ 67,670</b>	<b>\$ 1,936</b>	<b>\$ -</b>	<b>\$ 995,543</b>	<b>\$ 2,071,663</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>LIABILITIES</b>												
Accounts payable	\$ -	\$ 15,195	\$ -	\$ -	\$ -	\$ -	\$ 2,900	\$ 1,461	\$ -	\$ -	\$ -	\$ 19,556
Accrued liabilities	-	-	-	4,993	-	-	-	-	-	-	-	4,993
Unearned revenues	-	-	4,467	-	-	-	2,407	-	-	-	73,538	80,412
Due to other funds	-	-	-	100,788	-	-	-	-	-	-	-	100,788
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>15,195</b>	<b>4,467</b>	<b>105,781</b>	<b>-</b>	<b>-</b>	<b>5,307</b>	<b>1,461</b>	<b>-</b>	<b>-</b>	<b>73,538</b>	<b>205,749</b>
<b>FUND BALANCES</b>												
Nonspendable												
Inventory	-	-	34,563	-	-	-	-	-	-	-	-	34,563
Prepaid expenses	-	-	-	17,153	-	-	-	-	-	-	-	17,153
Restricted												
State street aid	62,294	-	-	-	-	-	-	-	-	-	-	62,294
School food authority	-	-	156,155	-	-	-	-	-	-	-	-	156,155
E-citation fund	-	-	-	-	-	15,295	-	-	-	-	-	15,295
Drug fund	-	-	-	-	-	-	145,954	-	-	-	-	145,954
Lexington-Henderson Co Alliance	-	-	-	-	-	-	-	66,209	-	-	-	66,209
Solid waste	-	-	-	(11,270)	-	-	-	-	-	-	-	(11,270)
Assigned												
DARE fund	-	-	-	-	733	-	-	-	-	-	-	733
Debt service	-	454,887	-	-	-	-	-	-	1,936	-	-	456,823
Capital projects	-	-	-	-	-	-	-	-	-	-	922,005	922,005
<b>TOTAL FUND BALANCES</b>	<b>62,294</b>	<b>454,887</b>	<b>190,718</b>	<b>5,883</b>	<b>733</b>	<b>15,295</b>	<b>145,954</b>	<b>66,209</b>	<b>1,936</b>	<b>-</b>	<b>922,005</b>	<b>1,865,914</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 62,294</b>	<b>\$ 470,082</b>	<b>\$ 195,185</b>	<b>\$ 111,664</b>	<b>\$ 733</b>	<b>\$ 15,295</b>	<b>\$ 151,261</b>	<b>\$ 67,670</b>	<b>\$ 1,936</b>	<b>\$ -</b>	<b>\$ 995,543</b>	<b>\$ 2,071,663</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, 2017

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Lexington- Henderson Alliance	Debt Service		Capital Projects	Total Other Governmental Funds
									General City Sinking Fund	School Debt Fund	Post Office Fund	
<b>Revenues:</b>												
Taxes	\$ -	\$ 1,424,556	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,070	\$ 1,522,626
Intergovernmental	211,795	-	449,697	-	-	-	-	-	-	-	160,853	822,345
Charges for services	-	-	147,783	722,878	-	-	-	-	-	-	-	870,661
Fines, forfeitures, and penalties	-	-	-	-	-	5,810	68,489	-	-	-	-	74,299
Other revenue	132	15,979	2,189	43,483	-	66	921	109,808	88,087	-	70,015	330,680
<b>Total Revenues</b>	<u>211,927</u>	<u>1,440,535</u>	<u>599,669</u>	<u>766,361</u>	<u>-</u>	<u>5,876</u>	<u>69,410</u>	<u>109,808</u>	<u>88,087</u>	<u>-</u>	<u>328,938</u>	<u>3,620,611</u>
<b>Expenditures:</b>												
Current:												
Public works	206,891	-	-	642,639	-	-	-	-	-	-	-	849,530
Public safety	-	-	-	-	2,860	-	18,340	-	-	-	-	21,200
Health, welfare and recreation	-	4,412	588,787	-	-	-	-	-	4,872	-	15,678	613,749
Economic and community development	-	-	-	-	-	-	-	84,939	-	-	-	84,939
Capital outlay	-	-	-	180,626	-	-	2,900	-	-	-	19,599	203,125
Debt Service	-	-	-	-	-	-	-	-	184,860	972,487	-	1,157,347
<b>Total Expenditures</b>	<u>206,891</u>	<u>4,412</u>	<u>588,787</u>	<u>823,265</u>	<u>2,860</u>	<u>-</u>	<u>21,240</u>	<u>84,939</u>	<u>189,732</u>	<u>972,487</u>	<u>35,277</u>	<u>2,929,890</u>
<b>Revenues over Expenditures</b>	<u>5,036</u>	<u>1,436,123</u>	<u>10,882</u>	<u>(56,904)</u>	<u>(2,860)</u>	<u>5,876</u>	<u>48,170</u>	<u>24,869</u>	<u>(101,645)</u>	<u>(972,487)</u>	<u>293,661</u>	<u>690,721</u>
<b>Other Financing Sources (Uses)</b>												
Sale of capital assets	-	-	-	-	-	-	18,000	-	-	-	-	18,000
Operating transfer in	-	-	-	11	2,000	-	-	41,340	45,000	972,487	100,000	1,160,838
Operating transfer (out)	-	(1,355,487)	-	-	-	-	(2,000)	-	-	-	-	(1,357,487)
<b>Total Other Financing Sources and (Uses)</b>	<u>-</u>	<u>(1,355,487)</u>	<u>-</u>	<u>11</u>	<u>2,000</u>	<u>-</u>	<u>16,000</u>	<u>41,340</u>	<u>45,000</u>	<u>972,487</u>	<u>100,000</u>	<u>(178,649)</u>
<b>Net Change in Fund Balances</b>	<u>5,036</u>	<u>80,636</u>	<u>10,882</u>	<u>(56,893)</u>	<u>(860)</u>	<u>5,876</u>	<u>64,170</u>	<u>66,209</u>	<u>(56,645)</u>	<u>-</u>	<u>393,661</u>	<u>512,072</u>
<b>Fund Balance at Beginning of Year, as originally stated</b>	<u>57,258</u>	<u>374,251</u>	<u>167,298</u>	<u>62,776</u>	<u>1,593</u>	<u>9,419</u>	<u>81,784</u>	<u>-</u>	<u>58,581</u>	<u>-</u>	<u>528,344</u>	<u>1,341,304</u>
<b>Change in reserve for inventory</b>	<u>-</u>	<u>-</u>	<u>12,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,538</u>
<b>Fund Balance at Beginning of Year, as restated</b>	<u>57,258</u>	<u>374,251</u>	<u>179,836</u>	<u>62,776</u>	<u>1,593</u>	<u>9,419</u>	<u>81,784</u>	<u>-</u>	<u>58,581</u>	<u>-</u>	<u>528,344</u>	<u>1,353,842</u>
<b>Fund Balance at End of Year</b>	<u>\$ 62,294</u>	<u>\$ 454,887</u>	<u>\$ 190,718</u>	<u>\$ 5,883</u>	<u>\$ 733</u>	<u>\$ 15,295</u>	<u>\$ 145,954</u>	<u>\$ 66,209</u>	<u>\$ 1,936</u>	<u>\$ -</u>	<u>\$ 922,005</u>	<u>\$ 1,865,914</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, 2017**

<b>STUDENT ACTIVITY FUND</b>	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2017</u>
<b>ASSETS</b>				
Cash	\$ 95,332	\$ 236,699	\$ 227,406	\$ 104,625
Accounts receivable	-	13	-	13
	<u>\$ 95,332</u>	<u>\$ 236,712</u>	<u>\$ 227,406</u>	<u>\$ 104,638</u>
 <b>Liabilities</b>				
Due to student groups	\$ 92,991	\$ 236,712	\$ 226,214	\$ 103,489
Accounts Payable	2,341	1,149	2,341	1,149
	<u>\$ 95,332</u>	<u>\$ 237,861</u>	<u>\$ 228,555</u>	<u>\$ 104,638</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, 2017**

	<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	\$ 214,256	\$ 214,256	\$ 144,768	\$ (69,488)
State gas 1989 tax	-	-	23,469	23,469
State gas three cent tax	-	-	43,558	43,558
<b>Other revenues</b>				
Interest income	-	120	132	12
<b>Total revenues</b>	<u>214,256</u>	<u>214,376</u>	<u>211,927</u>	<u>(2,449)</u>
<b>Expenditures:</b>				
Public Works:				
Street lighting	210,000	210,000	206,891	3,109
<b>Total expenditures</b>	<u>210,000</u>	<u>210,000</u>	<u>206,891</u>	<u>3,109</u>
<b>Revenues over (under) Expenditures</b>	<u>4,256</u>	<u>4,376</u>	<u>5,036</u>	<u>660</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>	4,256	4,376	5,036	660
<b>Fund Balance at Beginning of Year</b>	<u>57,258</u>	<u>57,258</u>	<u>57,258</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 61,514</u>	<u>\$ 61,634</u>	<u>\$ 62,294</u>	<u>\$ 660</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Local option sales tax	\$ 1,378,530	\$ 1,385,000	\$ 1,424,556	\$ 39,556
Other revenues:				
Interest income	16,850	16,050	15,979	(71)
<b>Total Revenues</b>	<u>1,395,380</u>	<u>1,401,050</u>	<u>1,440,535</u>	<u>39,485</u>
<b>Expenditures:</b>				
Health, Welfare and Recreation:				
Operating costs	4,500	4,500	3,199	1,301
Paying agent fees	2,000	2,000	1,213	787
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>6,500</u>	<u>6,500</u>	<u>4,412</u>	<u>2,088</u>
<b>Revenues over (under) Expenditures</b>	<u>1,388,880</u>	<u>1,394,550</u>	<u>1,436,123</u>	<u>41,573</u>
<b>Other financing sources and uses:</b>				
Transfers in	-	-	-	-
Transfers out	(1,355,490)	(1,355,490)	(1,355,487)	3
<b>Total Other financing sources and uses</b>	<u>(1,355,490)</u>	<u>(1,355,490)</u>	<u>(1,355,487)</u>	<u>3</u>
<b>Net Change in Fund Balances</b>	33,390	39,060	80,636	41,576
<b>Fund Balance at Beginning of Year</b>	<u>374,251</u>	<u>374,251</u>	<u>374,251</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 407,641</u>	<u>\$ 413,311</u>	<u>\$ 454,887</u>	<u>\$ 41,576</u>

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

CITY OF LEXINGTON, TENNESSEE  
SCHOOL FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Budgetary Basis)  
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2016	Add: Encumbrances 6/30/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Revenues</b>							
Payment for lunches							
Student	\$ 70,000	\$ 62,509	\$ 62,508	\$ -	\$ -	\$ 62,508	\$ (1)
Adult	16,000	12,680	12,680	-	-	12,680	-
Payment for breakfast							
Student	30,000	27,253	27,193	-	-	27,193	(60)
USDA - lunch programs	252,000	247,938	247,937	-	-	247,937	(1)
USDA - breakfast programs	135,000	127,999	127,999	-	-	127,999	-
USDA - commodities	47,462	54,549	56,726	-	-	56,726	2,177
USDA - other	5,000	12,322	12,322	-	-	12,322	-
State matching funds	4,929	4,713	4,713	-	-	4,713	-
A La Carte sales	47,000	43,268	43,267	-	-	43,267	(1)
Revenues from individual schools	2,000	2,135	2,135	-	-	2,135	-
Interest income	500	500	601	-	-	601	101
Other revenues	-	1,589	1,588	-	-	1,588	(1)
<b>Total Revenues</b>	<b>609,891</b>	<b>597,455</b>	<b>599,669</b>	<b>-</b>	<b>-</b>	<b>599,669</b>	<b>2,214</b>
<b>Expenditures</b>							
Food supplies	282,462	252,949	254,864	-	-	254,864	(1,915)
Personnel expenditures							
Supervisor/director	29,897	30,017	30,017	-	-	30,017	-
Accountants and bookkeepers	19,238	21,344	21,344	-	-	21,344	-
Cafeteria personnel	152,000	147,476	147,442	-	-	147,442	34
Other salaries and wages	4,000	3,570	3,370	-	-	3,370	200
Inservice training	1,650	550	27	-	-	27	523
Social security	12,543	11,243	11,106	-	-	11,106	137
Medical insurance	44,730	56,866	56,866	-	-	56,866	-
Dental insurance	690	834	777	-	-	777	57
Unemployment compensation	700	707	633	-	-	633	74
Retirement	10,031	9,987	9,982	-	-	9,982	5
Employer medicare	2,933	2,933	2,597	-	-	2,597	336
Dues and memberships	250	250	47	-	-	47	203
Operations and maintenance							
Maintenance and repair	5,000	6,500	5,766	-	-	5,766	734
Nonfood supplies							
Food preparation supplies	14,082	14,082	12,603	-	-	12,603	1,479
Office supplies	1,000	1,000	724	-	-	724	276
Printing, stationery and forms	400	400	235	-	-	235	165
Uniforms	800	828	744	-	-	744	84
Other supplies and materials	6,000	3,021	2,689	-	-	2,689	332
Other							
Travel	100	100	-	-	-	-	100
Postal charges	135	135	49	-	-	49	86
Other contracted services	10,000	14,460	9,610	-	-	9,610	4,850
Other transportation	3,000	4,811	4,811	-	-	4,811	-
Inservice/staff development	5,000	5,900	5,713	-	-	5,713	187
Other charges	750	750	29	-	-	29	721
Food service equipment	2,500	6,742	6,742	-	-	6,742	-
<b>Total Expenditures</b>	<b>609,891</b>	<b>597,455</b>	<b>588,787</b>	<b>-</b>	<b>-</b>	<b>588,787</b>	<b>8,668</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>10,882</b>	<b>-</b>	<b>-</b>	<b>10,882</b>	<b>10,882</b>
<b>Fund balance - beginning of year, as previously reported</b>	<b>167,298</b>	<b>167,298</b>	<b>167,298</b>	<b>-</b>	<b>-</b>	<b>167,298</b>	<b>-</b>
<b>Change in reserve for inventory</b>	<b>-</b>	<b>-</b>	<b>12,538</b>	<b>-</b>	<b>-</b>	<b>12,538</b>	<b>12,538</b>
<b>Fund balance - beginning of year, as restated</b>	<b>167,298</b>	<b>167,298</b>	<b>179,836</b>	<b>-</b>	<b>-</b>	<b>179,836</b>	<b>12,538</b>
<b>Fund balance - end of year</b>	<b>\$ 167,298</b>	<b>\$ 167,298</b>	<b>\$ 190,718</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 190,718</b>	<b>\$ 23,420</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, 2017**

	<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>				
Charges for Services:				
Collection charges	\$ 670,203	\$ 656,000	\$ 664,529	\$ 8,529
Landfill use fees	60,000	50,000	58,349	8,349
Other revenues:				
Donations	-	-	36,500	36,500
Miscellaneous income	8,000	10,000	6,983	(3,017)
<b>Total revenues</b>	<u>738,203</u>	<u>716,000</u>	<u>766,361</u>	<u>50,361</u>
<b>Expenditures</b>				
Public Works:				
Salaries	251,500	251,956	249,959	1,997
Payroll taxes	19,240	19,275	19,073	202
Hospital and health insurance	55,775	54,775	54,070	705
Retirement	-	20,255	20,255	-
Other benefits	-	4,000	4,000	-
Workers compensation insurance	17,000	17,000	14,843	2,157
Unemployment insurance	448	450	353	97
Utilities	3,219	2,500	2,200	300
Telephone	605	500	489	11
Consultant's services	1,000	3,000	1,835	1,165
Tires, flats, etc.	4,000	4,000	3,884	116
R&M vehicles	10,000	9,000	8,839	161
R&M machinery and equipment	5,000	7,000	6,984	16
R&M grounds	500	1,500	616	884
R&M buildings	500	2,000	1,226	774
R&M other	3,000	3,200	3,114	86
Office supplies	650	650	519	131
Operating supplies	750	750	1,284	(534)
Other operating	42,000	40,647	37,982	2,665
Janitorial supplies	400	400	297	103
Clothing and uniforms	2,450	2,450	2,365	85
Fuel supplies	33,000	31,750	28,518	3,232
Consumable tools	1,000	1,000	429	571
Small items of equipment	1,000	500	63	437
Safety supplies	1,500	1,500	1,002	498
Insurance	10,000	8,600	7,623	977
Tipping fees	162,500	158,000	156,147	1,853
Permit fees	4,000	4,000	3,993	7
Soil testing	4,000	4,000	3,326	674
Bad debt expense	10,000	6,000	7,351	(1,351)
Capital outlay	55,000	50,000	180,626	(130,626)
<b>Total expenditures</b>	<u>700,037</u>	<u>710,658</u>	<u>823,265</u>	<u>(112,607)</u>
<b>Revenues over (under) expenditures</b>	<u>38,166</u>	<u>5,342</u>	<u>(56,904)</u>	<u>(62,246)</u>
<b>Other financing sources and uses:</b>				
Transfers in (out)	(38,166)	-	11	11
Insurance recoveries	-	-	-	-
<b>Total other financing sources and uses</b>	<u>(38,166)</u>	<u>-</u>	<u>11</u>	<u>11</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>5,342</u>	<u>(56,893)</u>	<u>(62,235)</u>
<b>Fund Balance at Beginning of Year</b>	<u>62,776</u>	<u>62,776</u>	<u>62,776</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 62,776</u>	<u>\$ 68,118</u>	<u>\$ 5,883</u>	<u>\$ (62,235)</u>

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, 2017**

	<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	3,000	2,860	140
<b>Total expenditures</b>	<u>2,000</u>	<u>3,000</u>	<u>2,860</u>	<u>140</u>
<b>Revenues over (under) expenditures</b>	<u>(2,000)</u>	<u>(3,000)</u>	<u>(2,860)</u>	<u>140</u>
<b>Other financing sources and uses:</b>				
Transfers in	2,000	2,000	2,000	-
<b>Net change in fund balances</b>	-	(1,000)	(860)	140
<b>Fund Balance at Beginning of Year</b>	<u>1,593</u>	<u>1,593</u>	<u>1,593</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 1,593</u>	<u>\$ 593</u>	<u>\$ 733</u>	<u>\$ 140</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, 2017

	<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	\$ 5,000	\$ 5,000	\$ 5,810	\$ 810
Other revenues:				
Interest income	-	50	66	16
<b>Total revenues</b>	<u>5,000</u>	<u>5,050</u>	<u>5,876</u>	<u>826</u>
<b>Expenditures:</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>5,000</u>	<u>5,050</u>	<u>5,876</u>	<u>826</u>
<b>Other financing sources and uses:</b>				
Transfer in	-	-	-	-
<b>Total other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	5,000	5,050	5,876	826
<b>Fund Balance at Beginning of Year</b>	<u>9,419</u>	<u>9,419</u>	<u>9,419</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 14,419</u>	<u>\$ 14,469</u>	<u>\$ 15,295</u>	<u>\$ 826</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, 2017**

	<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	\$ 25,000	\$ 12,000	\$ 14,555	\$ 2,555
Forfeitures	30,000	45,000	44,279	(721)
Sale of seized property	25,000	10,000	9,655	(345)
Other revenues:				
Interest income	300	750	721	(29)
Miscellaneous income	250	-	200	200
<b>Total revenues</b>	<u>80,550</u>	<u>67,750</u>	<u>69,410</u>	<u>1,660</u>
<b>Expenditures:</b>				
Public Safety:				
Personnel services	34,400	34,400	-	34,400
Vehicle tow (seized property)	1,500	1,000	675	325
Repair and maintenance	2,000	1,000	660	340
Operating costs	20,000	15,000	15,289	(289)
Educational costs	2,500	2,000	1,716	284
Other operating costs	2,000	500	-	500
Capital outlay	16,150	11,850	2,900	8,950
<b>Total expenditures</b>	<u>78,550</u>	<u>65,750</u>	<u>21,240</u>	<u>44,510</u>
<b>Revenues over (under) expenditures</b>	<u>2,000</u>	<u>2,000</u>	<u>48,170</u>	<u>46,170</u>
<b>Other financing sources and uses:</b>				
Sale of capital assets	-	-	18,000	18,000
Transfer in	-	-	-	-
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>16,000</u>	<u>18,000</u>
<b>Net change in fund balances</b>	-	-	64,170	64,170
<b>Fund Balance at Beginning of Year</b>	<u>81,784</u>	<u>81,784</u>	<u>81,784</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 81,784</u>	<u>\$ 81,784</u>	<u>\$ 145,954</u>	<u>\$ 64,170</u>

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

**CITY OF LEXINGTON, TENNESSEE**  
**LEXINGTON-HENDERSON COUNTY ALLIANCE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2017**

	<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:				
Contributions	\$ 108,660	\$ 108,660	\$ 109,660	\$ 1,000
Interest earned	-	-	148	148
<b>Total Revenues</b>	<u>108,660</u>	<u>108,660</u>	<u>109,808</u>	<u>1,148</u>
<b>Expenditures:</b>				
Economic and community development				
Salaries	51,321	51,321	51,161	160
Payroll taxes	3,926	3,926	3,814	112
Health insurance	4,000	4,000	3,931	69
Retirement	1,800	1,800	1,777	23
Workers compensation	155	155	-	155
Unemployment insurance	200	200	96	104
Registration and fees	2,000	2,000	1,639	361
Postage and shipping	250	250	-	250
Public notices	2,000	2,000	1,239	761
Memberships	1,000	1,000	520	480
Telephone	500	500	292	208
Data processing	520	520	502	18
Consulting fees	1,500	1,500	-	1,500
Repair and maintenance	250	250	50	200
Travel	11,000	11,000	7,613	3,387
Office supplies	2,800	2,800	2,012	788
Office equipment	3,500	3,500	3,099	401
Operating costs	7,500	7,500	5,896	1,604
Janitorial costs	500	500	121	379
Fuel	1,000	1,000	-	1,000
Utilities	2,151	2,151	1,177	974
<b>Total Expenditures</b>	<u>97,873</u>	<u>97,873</u>	<u>84,939</u>	<u>12,934</u>
<b>Revenues over (under) Expenditures</b>	<u>10,787</u>	<u>10,787</u>	<u>24,869</u>	<u>14,082</u>
<b>Other financing sources and uses:</b>				
Transfers in	41,340	41,340	41,340	-
<b>Net Change in Fund Balances</b>	52,127	52,127	66,209	14,082
<b>Fund Balance at Beginning of Year</b>	-	-	-	-
<b>Fund Balance at End of Year</b>	<u>\$ 52,127</u>	<u>\$ 52,127</u>	<u>\$ 66,209</u>	<u>\$ 14,082</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, 2017**

	<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	\$ 87,989	\$ 87,989	\$ 87,989	\$ -
Interest income	-	94	88	(6)
Miscellaneous	-	-	10	10
<b>Total revenues</b>	<u>87,989</u>	<u>88,083</u>	<u>88,087</u>	<u>4</u>
<b>Expenditures:</b>				
Health, Welfare and Recreation:				
Repair and maintenance	500	325	325	-
Insurance	4,710	4,547	4,547	-
Debt Service:				
Principal payments	180,000	180,000	180,000	-
Interest payments	4,860	4,860	4,860	-
<b>Total expenditures</b>	<u>190,070</u>	<u>189,732</u>	<u>189,732</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>(102,081)</u>	<u>(101,649)</u>	<u>(101,645)</u>	<u>4</u>
<b>Other financing sources and uses:</b>				
Transfer in	45,000	45,000	45,000	-
<b>Net change in fund balances</b>	(57,081)	(56,649)	(56,645)	4
<b>Fund Balance at Beginning of Year</b>	<u>58,581</u>	<u>58,581</u>	<u>58,581</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 1,500</u>	<u>\$ 1,932</u>	<u>\$ 1,936</u>	<u>\$ 4</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, 2017**

	<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	790,000	790,000	785,693	4,307
Interest payments	190,000	190,000	186,794	3,206
Paying agent fees	-	-	-	-
<b>Total expenditures</b>	<u>980,000</u>	<u>980,000</u>	<u>972,487</u>	<u>7,513</u>
<b>Revenues over (under) expenditures</b>	<u>(980,000)</u>	<u>(980,000)</u>	<u>(972,487)</u>	<u>7,513</u>
<b>Other financing sources and uses:</b>				
Transfers in	<u>980,000</u>	<u>980,000</u>	<u>972,487</u>	<u>(7,513)</u>
<b>Total other financing sources and uses</b>	<u>980,000</u>	<u>980,000</u>	<u>972,487</u>	<u>(7,513)</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>	<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, 2017**

	<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	\$ 140,000	\$ 90,000	\$ 98,070	\$ 8,070
Intergovernmental revenues:				
Park grant	-	-	160,853	160,853
Other revenues:				
Interest income	-	3,000	3,635	635
Fireworks contributions	12,500	12,500	10,300	(2,200)
Donations	-	-	250	250
Miscellaneous	-	295,000	55,830	(239,170)
<b>Total Revenues</b>	<u>152,500</u>	<u>400,500</u>	<u>328,938</u>	<u>(71,562)</u>
<b>Expenditures:</b>				
Health, welfare and recreation:				
Fireworks	12,500	12,500	12,000	500
Museum exhibits	-	900	768	132
Museum improvements	-	-	1,089	(1,089)
Animal shelter	65	65	-	65
Miscellaneous	-	60,234	1,821	58,413
Capital projects	9,779	19,600	19,599	1
<b>Total Expenditures</b>	<u>22,344</u>	<u>93,299</u>	<u>35,277</u>	<u>58,022</u>
<b>Revenues over (under) Expenditures</b>	<u>130,156</u>	<u>307,201</u>	<u>293,661</u>	<u>(13,540)</u>
<b>Other financing sources and uses:</b>				
Transfers in	-	100,000	100,000	-
<b>Net Change in Fund Balances</b>	130,156	407,201	393,661	(13,540)
<b>Fund Balance at Beginning of Year</b>	<u>528,344</u>	<u>528,344</u>	<u>528,344</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 658,500</u>	<u>\$ 935,545</u>	<u>\$ 922,005</u>	<u>\$ (13,540)</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, 2017

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2017	\$1.23	\$ 181,085,919	\$ 2,186,612	\$ -	\$ 2,186,612	\$ -	\$ -	\$ 2,186,612
2016	1.23	175,652,631	2,160,565	2,124,966	35,599	(4,628)	2,066,913	89,024
2015	1.23	174,738,487	2,155,335	97,064	-	(4,412)	84,866	7,786
2014	1.23	175,884,882	2,163,382	11,697	-	(1,019)	8,676	2,002
2013	1.23	176,525,774	2,171,302	89	-	106	18	177
2012	1.23	176,045,704	2,165,379	1,891	-	253	-	2,144
2011	1.23	172,560,623	2,122,526	188	-	-	-	188
2010	0.86	160,123,486	1,377,074	-	-	-	-	-
2009	0.86	160,348,230	1,378,984	-	-	-	-	-
2008	0.86	157,854,649	1,357,547	-	-	-	-	-
2007	0.86	161,370,663	1,387,770	-	-	-	-	-
2006	0.86	163,746,473	1,408,213	-	-	-	-	-
2005	0.71	166,009,807	1,156,947	-	-	-	-	-
2004	0.75	147,415,262	1,084,969	-	-	-	-	-
2003	0.75	140,461,875	1,081,818	-	-	-	-	-
2002	0.75	135,825,925	1,018,798	-	-	-	-	-
2001	0.75	129,764,140	1,018,037	-	-	-	-	-
				<u>\$ 2,235,895</u>	<u>\$ 2,222,211</u>	<u>\$ (9,700)</u>	<u>\$ 2,160,473</u>	<u>\$ 2,287,933</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, 2017**

Year Ending June 30,	Capital Outlay - 2005		EESI Loan		2004 - QZAB Bonds		Refunding Bond Series 2012		Bond Series 2009		Refunding Bond Series 2010		Refunding Bond Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 50,000</u>	<u>\$ 1,013</u>	<u>\$ 167,364</u>	<u>\$ -</u>	<u>\$ 302,115</u>	<u>\$ -</u>	<u>\$ 5,425,000</u>	<u>\$ 1,291,209</u>	<u>\$ 1,125,000</u>	<u>\$ 501,264</u>	<u>\$ 1,230,000</u>	<u>\$ 54,950</u>	<u>\$ 246,439</u>	<u>\$ 28,896</u>	<u>\$ 8,545,918</u>	<u>\$ 1,877,332</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, 2017**

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 3,266,666</u>	<u>\$ 383,033</u>	<u>\$ 5,130,000</u>	<u>\$ 2,283,983</u>	<u>\$ 480,000</u>	<u>\$ 21,512</u>	<u>\$ 8,876,666</u>	<u>\$ 2,688,528</u>

Note #1: The Water System has drawn \$1,634,146 on a \$2,000,000 Local Government Loan Program Bond. This amount is shown as current long-term debt.

**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, 2017**

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	1,196	24	90,000	33,073	-	-	91,196	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>\$ 16,895</u>	<u>\$ 1,981</u>	<u>\$ 1,430,000</u>	<u>\$ 640,542</u>	<u>\$ 655,000</u>	<u>\$ 18,912</u>	<u>\$ 2,101,895</u>	<u>\$ 661,435</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, 2017**

Year Ending June 30,	Revenue Refunding Bond Series 2017		Series 2011 Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 480,000	\$ 150,706	\$ 250,000	\$ 236,618	\$ 730,000	\$ 387,324
2019	395,000	144,531	255,000	230,293	650,000	374,824
2020	400,000	136,631	265,000	223,156	665,000	359,787
2021	410,000	128,631	270,000	216,806	680,000	345,437
2022	420,000	120,431	280,000	210,268	700,000	330,699
2023	425,000	112,031	290,000	202,962	715,000	314,993
2024	435,000	103,531	295,000	194,731	730,000	298,262
2025	445,000	94,831	310,000	185,656	755,000	280,487
2026	450,000	85,931	320,000	176,006	770,000	261,937
2027	460,000	75,806	335,000	165,562	795,000	241,368
2028	475,000	65,456	345,000	154,297	820,000	219,753
2029	485,000	53,581	360,000	142,176	845,000	195,757
2030	495,000	41,456	375,000	129,079	870,000	170,535
2031	510,000	28,463	390,000	114,969	900,000	143,432
2032	525,000	14,438	405,000	100,062	930,000	114,500
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>\$ 6,810,000</u>	<u>\$ 1,356,454</u>	<u>\$ 7,070,000</u>	<u>\$ 2,922,875</u>	<u>\$ 13,880,000</u>	<u>\$ 4,279,329</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, 2017**

<u>Tax Year</u>	<u>Outstanding Balance</u>
2015	\$ 7,786
2014	2,002
2013	177
2012	1,116
2011	188
2009	-
2008	-
2007	-
2006	-
2005	-
Total	<u>\$ 11,269</u>

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

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE  
JUNE 30, 2017**

<b>GAS FUND</b>					
<b>Residential Rate</b>	<b>Minimum</b>	<b>Base Rate</b>	<b>+</b>	<b>PGA Rate</b>	
First 500 cubic feet (minimum)	\$ 6.70				
Over 500 cubic feet: Inside city (per MCF)		\$ 1.84	+	current PGA	= Rate FMCF
Outside city (per MCF)		\$ 2.65	+	current PGA	= Rate Per MCF
<b>Small Commercial Rate</b>					
First 500 cubic feet (minimum)	\$ 7.50				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.76	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.68	+	current PGA	= Rate Per MCF
<b>Medium Commercial Rate</b>					
First 1,500 cubic feet (minimum)	\$ 24.85				
Over 1,500 cubic feet: Inside city (per MCF)		\$ 2.99	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.91	+	current PGA	= Rate Per MCF
<b>Large Commercial Rate</b>					
First 10,000 cubic feet (minimum)	\$ 124.60				
Over 10,000 cubic feet: Inside city (per MCF)		\$ 3.11	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.03	+	current PGA	= Rate Per MCF
<b>Transport (Customer buys from 3rd party)</b>		\$ 2.70			
<b>Number of customers at year end:</b>	<u>9,107</u>				

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

**WATER RATES**

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

	<b>Meter Charge</b>	<b>Maint Fee</b>	<b>2,000 gallons @ cons. Rate</b>	<b>Customer Charge</b>
5/8"	\$8.72 +	\$1.00 +	\$5.00 =	\$14.72
1"	\$12.20 +	\$1.00 +	\$5.00 =	\$18.20
1.5"	\$15.69 +	\$1.00 +	\$5.00 =	\$21.69
2"	\$25.28 +	\$1.00 +	\$5.00 =	\$31.28
3"	\$95.89 +	\$1.00 +	\$5.00 =	\$101.89
4"	\$122.04 +	\$1.00 +	\$5.00 =	\$128.04
6"	\$183.06 +	\$1.00 +	\$5.00 =	\$189.06

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

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

	<b>Meter Charge</b>	<b>Maint Fee</b>	<b>2,000 gallons @ cons. Rate</b>	<b>Customer Charge</b>
5/8"	\$15.68 +	\$1.60 +	\$7.00 =	\$24.28
1"	\$21.96 +	\$1.60 +	\$7.00 =	\$30.56
1.5"	\$28.23 +	\$1.60 +	\$7.00 =	\$36.83
2"	\$45.48 +	\$1.60 +	\$7.00 =	\$54.08
3"	\$172.50 +	\$1.60 +	\$7.00 =	\$181.10
4"	\$219.55 +	\$1.60 +	\$7.00 =	\$228.15
6"	\$329.33 +	\$1.60 +	\$7.00 =	\$337.93

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

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

**NUMBER OF CUSTOMERS AT YEAR END:** 9,898

**SEWER RATES**

<b>LEXINGTON</b>		<b>PARKERS CROSSROADS</b>	
Customer Charge 0-2,000 gallons		Customer Charge 0-2,000 gallons	
5/8"	\$15.00	5/8"	\$31.50
1"	\$15.00	1"	\$31.50
1.5"	\$37.00		
2"	\$37.00		
3"	\$62.00		
4"	\$62.00		
6"	\$62.00		

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

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

**NUMBER OF CUSTOMERS AT YEAR END:** 3,747

**GARBAGE RATES**

Inside Residential and housing project	\$ 12.75	Class 1	\$ 78.50
Outside Residential	\$ 23.50	Class 2	\$137.50
		Class 3	\$196.50
		Class 4	\$255.25

**NUMBER OF CUSTOMERS AT YEAR END:** 3,641

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

CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED  
JUNE 30, 2017

Electric Department

<b>Residential Rate Schedule - RS</b>	
Customer Charge - per delivery point per month	\$ 17.10
Energy Charges - cents per kWh	0.09707
<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	0.10979
<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	13.50
Energy charge - per kw - First 15,000 kWh	0.10979
- Additional kWh	0.06511
<b>GSA-3 (1,000-5,000 kw)</b>	
Customer charge - per delivery point per month	\$ 223.58
Demand charge - per kw per month - First 1,000 kW	13.14
- Excess over 1,000 kW	15.52
Energy charge - per kW	0.06685
<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	\$ 10.36
Energy charge - cents per kWh use of metered demand per month	0.09252
OffPeak:	
All kW - per kW per month	\$ 10.36
Energy charge - first 200 HUD	0.06873
Next 200 HUD	0.02453
Additional HUD	0.02127
<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	10.12
Energy charge - cents per kWh use of metered demand per month	0.09252
OffPeak:	
All kW - per kW per month	\$ 4.49
Energy charge - first 200 HUD	0.06873
Next 200 HUD	0.02453
Additional HUD	0.02127
<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	\$ 10.12
Energy charge - cents per kWh use of metered demand per month	0.09252
OffPeak:	
All kW - per kW per month	\$ 4.38
Energy charge - first 200 HUD	0.06873
Next 200 HUD	0.02343
Additional HUD	0.02127
<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	\$ 9.74
Energy charge - cents per kWh use of metered demand per month	0.07412
OffPeak:	
All kW - per kW per month	\$ 2.16
Energy charge - first 200 HUD	0.05034
Next 200 HUD	0.02209
Additional HUD	0.01966
<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	\$ 9.74
Energy charge - cents per kWh use of metered demand per month	0.07305
OffPeak:	
All kW - per kW per month	\$ 1.65
Energy charge - first 200 HUD	0.04926
Next 200 HUD	0.02343
Additional HUD	0.02343
<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	\$ 9.74
Energy charge - cents per kWh use of metered demand per month	0.07090
OffPeak:	
All kW - per kW per month	\$ 1.54
Energy charge - first 200 HUD	0.04711
Next 200 HUD	0.02182
Additional HUD	0.02127
<b>OL</b>	
Energy charge	0.06771

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, 2017**

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
<b>FEDERAL AWARDS</b>			
<b>Department of Defense</b>			
<b>State Department of General Services</b>			
Law Enforcement Support Office - Program 1033			
Non-cash Assistance	12.005	n/a	\$ 53,110
<b>Total Department of Defense</b>			<b>53,110</b>
<b>Department of Justice</b>			
Cops Grant	N/A	2014UMWX0191	41,794
Byrne Grant	16.738	"unavailable"	15,000
Bulletproof Vest Partnership Program	N/A	"unavailable"	742
<b>Total Department of Justice</b>			<b>57,536</b>
<b>Department of Transportation - General Government</b>			
Governor's Highway Safety Office - Network Coordinator	20.600	Z-16-GHS199	1,576
Governor's Highway Safety Office - Network Coordinator	20.600	Z-17-GHS-044	8,145
<b>Total for CFDA #</b>	<b>20.600</b>		<b>9,721</b>
Governor's Highway Safety Office - High Visibility	20.607	Z-16-GHS-200	2,554
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z-16-GHS-198	3,526
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z-17-GHS-216	7,679
			13,759
<b>Total Department of Transportation</b>			<b>23,480</b>
<b>TOTAL FEDERAL AWARDS</b>			<b>134,126</b>
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>Tennessee Department of Transportation</b>			
Lexington Multimodal Transportation Access Project	N/A	39LPLM-S3-025	5,853
<b>Tennessee Department of Environment and Conservation</b>			
State Law Enforcement Supplement	-	-	13,200
State Fire Grant Supplement	-	-	7,200
<b>TOTAL STATE AWARDS</b>			<b>26,253</b>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<b>\$ 160,379</b>

**Note 1: Basis of Presentation**

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

**Note 2: Single Audit**

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

**Note 3: Lexington Electric System**

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

**Note 4: Indirect Cost Rate**

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

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

**CITY OF LEXINGTON, TENNESSEE**  
**AWWA WLCC Free Water Audit Software: Reporting Worksheet - "Unaudited"**  
**JUNE 30, 2017**



Click to access definition  
 Click to add a comment

**Water Audit Report for: City of Lexington / Lexington Water System (0000402)**  
**Reporting Year: 2017 7/2016 - 6/2017**

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

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

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

**WATER SUPPLIED**

Volume from own sources:		1,102.386	MG/Yr		0.12%	<input checked="" type="radio"/>	<input type="radio"/>	MG/Yr
Water imported:			MG/Yr			<input checked="" type="radio"/>	<input type="radio"/>	MG/Yr
Water exported:			MG/Yr			<input checked="" type="radio"/>	<input type="radio"/>	MG/Yr
<b>WATER SUPPLIED:</b>		<b>1,101.065</b>	<b>MG/Yr</b>					

Master Meter and Supply Error Adjustments

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

**AUTHORIZED CONSUMPTION**

Billed metered:		760.478	MG/Yr					
Billed unmetered:		0.363	MG/Yr					
Unbilled metered:		22.758	MG/Yr					
Unbilled unmetered:		13.763	MG/Yr					
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed								
<b>AUTHORIZED CONSUMPTION:</b>		<b>797.362</b>	<b>MG/Yr</b>					

Click here: for help using option buttons below  
 Use buttons to select percentage of water supplied OR value

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

**303.702** MG/Yr

**Apparent Losses**

Unauthorized consumption:		2.753	MG/Yr					
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed								
Customer metering inaccuracies:		7.911	MG/Yr					
Systematic data handling errors:		1.901	MG/Yr					
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed								
<b>Apparent Losses:</b>		<b>12.565</b>	<b>MG/Yr</b>					

Use buttons to select percentage of water supplied OR value

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

**Real Losses = Water Losses - Apparent Losses: 291.137** MG/Yr

**WATER LOSSES: 303.702** MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER: 340.224** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains:		680.0	miles					
Number of active AND inactive service connections:		11,235						
Service connection density:		17	conn./mile main					
Are customer meters typically located at the curbstop or property line?		Yes						(length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line:								Average length of customer service line has been set to zero and a data grading score of 10 has been applied
Average operating pressure:		65.0	psi					

**COST DATA**

Total annual cost of operating water system:		\$3,779,977	\$/Year					
Customer retail unit cost (applied to Apparent Losses):		\$7.35	\$/1000 gallons (US)					
Variable production cost (applied to Real Losses):		\$753.79	\$/Million gallons					

**WATER AUDIT DATA VALIDITY SCORE:**

\*\*\* YOUR SCORE IS: 89 out of 100 \*\*\*

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

**PRIORITY AREAS FOR ATTENTION:**

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

- 1: Unauthorized consumption
- 2: Systematic data handling errors
- 3: Billed unmetered

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

CITY OF LEXINGTON, TENNESSEE  
 AWWA WLCC Free Water Audit Software: System Attributes and Performance Indicators - "Unaudited"  
 JUNE 30, 2017



Water Audit Report for:   
 Reporting Year:

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 89 out of 100 \*\*\*

System Attributes:

Apparent Losses:		<input type="text" value="12.565"/>	MG/Yr	
+	Real Losses:	<input type="text" value="291.137"/>	MG/Yr	
=	<b>Water Losses:</b>	<input type="text" value="303.702"/>	MG/Yr	
Unavoidable Annual Real Losses (UARL):		<input type="text" value="127.26"/>	MG/Yr	
Annual cost of Apparent Losses:		<input type="text" value="\$ 92,355"/>		
Annual cost of Real Losses:		<input type="text" value="\$ 219,456"/>	Valued at Variable Production Cost	
			<small>Return to Reporting Worksheet to change this assumption</small>	

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="30.9%"/>	
		Non-revenue water as percent by cost of operating system:	<input type="text" value="9.0%"/>	Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	<input type="text" value="3.06"/>	gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="N/A"/>	gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="1,172.99"/>	gallons/mile/day
		Real Losses per service connection per day per meter (head) pressure:	<input type="text" value="N/A"/>	gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="291.14"/>	million gallons/year
		Infrastructure Leakage Index (ILI) [CARL/UARL]:	<input type="text" value="2.29"/>	

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

The accompany 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, 2017, 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 April 23, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described below as SAF 2017-001 to be a material weakness.

**SAF 2017-001 INADEQUATE SEGREGATION OF DUTIES**

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

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

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

**Cause:** Not enough available staff.

**Effect:** Weakened internal controls.

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed some instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below as findings 2017 - 001, and SAF 2017 – 002.

**2017 – 001 EXPENDITURES EXCEEDING APPROPRIATIONS**

**Condition:** Expenditures exceeding budgeted appropriations for the Solid Waste Fund.

**Criteria:** Tennessee Code Annotated (TCA) 6-56-203 states “no municipality may expend any monies regardless of their source (including moneys derived from bond and long-term note proceeds, federal, state or private grants or loans, or special assessments), except in accordance with a budget ordinance adopted under this section”.

**Cause:** The City failed to monitor spending and amend the budget for the overages.

**Effect:** The City is in violation with TCA 6-56-203 by having expenditures exceeding budget appropriations.

**Management’s Response:** The City will monitor the adjusted expenditures closer and make sure that they are properly approved through budget amendments in a timely manner.

## **SAF 2017 – 002 CLOSING OF GRADUATING CLASS ACCOUNT**

**School Still Deficient From the Prior Audit Finding 2016 – 002:** Lexington Middle School.

**Condition:** One school failed to close out the graduating class account at the end of the fiscal year.

**Criteria:** Section 5, Title 8, Page 5-23 of the *Tennessee Internal School Uniform Accounting Policy Manual (TISUAPM)* states the graduating class must be closed at the end of the fiscal year.

**Cause:** Oversight.

**Effect:** Noncompliance.

**Recommendation:** The graduating class should make provisions for the disposition of unexpended money prior to graduation or the account should be closed at the end of fiscal year and the balance transferred to the general fund.

**Managements' Responses: *Lexington Middle School***

Transfer has been made to correct this oversight. End of year procedure checklist has been modified to include this task to avoid oversight in the future.

**City of Lexington, Tennessee's Response to Findings**

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

**Purpose of this Report**

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



April 23, 2018

**CITY OF LEXINGTON, TENNESSEE  
 SCHEDULE OF DISPOSITION OF PRIOR AUDIT FINDINGS  
 JUNE 30, 2017**

**Financial Statement Findings**

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status/Current Year Finding Number</b>
2016-001	Inadequate Controls Over Self Insured Plan	Corrected
2016-002	Expenditures Exceeded Budget	Repeated/2017-001
SAF 2016-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated/SAF 2017-001
SAF-2016-002	Closing of Graduating Class	Repeated/SAF 2017-002
SAF-2016-003	Untimely Bank Deposits	Corrected

**CITY OF LEXINGTON, TENNESSEE  
CORRECTIVE ACTION PLAN  
JUNE 30, 2017**

**2017 – 001 EXPENDITURES EXCEEDED BUDGET APPROPRIATIONS**

Corrective action planned

The City will monitor the adjusted expenditures closer and make sure that they are properly approved through budget amendments in a timely manner.

Anticipated completion date

Immediately

Responsible party

City Recorder

**INTERNAL SCHOOL FUNDS**

**SAF FINDING 2017 – 001 INADEQUATE SEGREGATION OF DUTIES**

Corrective action planned

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

Anticipated completion date

Immediately

Responsible party

Each individual school's principal

**SAF FINDING 2017-002 CLOSING OF GRADUATING CLASS ACCOUNT**

Corrective action planned

Transfer has been made to correct this oversight. End of year procedure checklist has been modified to include this task to avoid oversight in the future.

Anticipated completion date

Immediately

Responsible party

School's principal