

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

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CITY OF LEXINGTON, TENNESSEE
ROSTER OF PUBLICLY ELECTED OFFICIALS
JUNE 30, 2012

Tim Pierce	Mayor
Jerry Bingham	Alderman
Emmit Blankenship	Alderman
John Casselberry	Alderman
Jeff Griggs	Alderman
Jack Johnson	Alderman
Frankie Stanfill	Alderman
Sandra Wood	Alderman



Independent Auditors' Report

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

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, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lexington, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Lexington Electric System, which represent 61% and 81%, respectively, of the assets and revenues of the proprietary funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric System in the proprietary funds, is based 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2013, on our consideration of the City of Lexington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 8 and 59 through 60, be presented to supplement the basic financial statements. Such information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lexington, Tennessee's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the 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 financial statements. The information, except for that which has been marked "unaudited", has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and other supplemental information, except for that which is marked "unaudited" is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and the AWWA WLCC Free Water Audit Software: Reporting Worksheet - "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Godwin & Associates, PLLC

January 4, 2013

Member: American Institute of Certified Public Accountants • Tennessee Society of Certified Public Accountants

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012**

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, 2012. 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 Assets and the Statement of Activities (on pages 9 and 10) 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 11. 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 Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 9. 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 Assets 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.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

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

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

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 11. The fund financial statements begin on page 11 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 (e.g. DARE Fund). 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 Assets 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 Assets 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 Assets on page 31, and the Statement of Changes in the Fiduciary Net Assets for the Pension Trust fund is on page 32. 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 33 - 58.

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 59 - 60 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 61 - 63 of this report.

THE CITY AS A WHOLE

Net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Lexington, assets exceeded liabilities by \$68,907,588 of June 30, 2012.

CITY OF LEXINGTON'S NET ASSETS

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,983,269	\$ 5,695,516	\$ 27,558,767	\$ 18,234,916	\$ 34,542,036	\$ 23,930,432
Capital Assets	28,845,007	29,377,197	61,774,623	62,698,619	90,619,630	92,075,816
Total Assets	35,828,276	35,072,713	89,333,390	80,933,535	125,161,666	116,006,248
Long term liabilities	14,842,276	15,324,990	31,532,001	23,802,253	46,374,277	39,127,243
Other liabilities	2,600,008	2,650,644	7,279,793	8,709,532	9,879,801	11,360,176
Total liabilities	17,442,284	17,975,634	38,811,794	32,511,785	56,254,078	50,487,419
Net Assets:						
Invested in capital assets, net of related debt	15,477,232	14,134,248	40,908,430	40,376,680	56,385,662	54,510,928
Restricted	589,113	464,363	694,393	666,229	1,283,506	1,130,592
Unrestricted	2,319,647	2,498,468	8,918,773	7,378,841	11,238,420	9,877,309
Total Net Assets	\$ 18,385,992	\$ 17,097,079	\$ 50,521,596	\$ 48,421,750	\$ 68,907,588	\$ 65,518,829

There are a prior period adjustments that affected the General Fund and the School Tax Fund. For additional information see Note 4.F.

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 assets are described below:

- The City's Gas System had a profit of \$192,343 which is compared to a profit in the prior year of \$384,870.
- The City's Water Systems Fund operated at a profit of \$664,435 compared to a loss in the prior year of \$77,909. In the prior year the System had a lawsuit settlement payment of \$823,779 that was unique to that year.
- The City's Electric Department had a profit of \$1,243,068 compared to a profit in the prior year of \$1,012,163.

The following table provides a summary of the City's operations for the year ended June 30, 2012 with comparative totals for the year ended June 30, 2011.

CITY OF LEXINGTON'S CHANGES IN NET ASSETS

	Governmental Activities		Business Type Activities		TOTAL	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,571,507	\$ 1,583,732	\$ 58,955,903	\$ 61,320,055	\$ 60,527,410	\$ 62,903,787
Operating grants and contributions	8,319,281	8,069,972	-	-	8,319,281	8,069,972
Capital grants and contributions	112,315	150,082	15,118	126,487	127,433	276,569
General revenues:						
Property taxes	2,179,559	1,371,462	-	-	2,179,559	1,371,462
In-lieu of property taxes	98,720	95,191	-	-	98,720	95,191
Public service taxes	118,394	-	-	-	118,394	-
Sales taxes	3,979,470	3,779,563	-	-	3,979,470	3,779,563
Investment earnings	59,558	69,088	134,125	110,109	193,683	179,197
Gain(loss) on sale of capital assets	18,104	6,568	(778,094)	56,671	(759,990)	63,239
Miscellaneous	294,724	198,029	121,576	66,956	416,300	264,985
Total revenues	16,751,632	15,323,687	58,448,628	61,680,278	75,200,260	77,003,965
Expenses:						
General government and administration						
Public safety	2,782,653	2,974,685	-	-	2,782,653	2,974,685
Public works	1,655,171	1,668,673	-	-	1,655,171	1,668,673
Health, Welfare and Recreation	10,416,833	9,981,248	-	-	10,416,833	9,981,248
Economic development	34,018	118,550	-	-	34,018	118,550
Interest on long-term debt	482,167	572,210	-	-	482,167	572,210
Paying agent fees	2,561	3,196	-	-	2,561	3,196
Water Systems	-	-	5,142,019	5,907,438	5,142,019	5,907,438
Natural Gas	-	-	5,286,277	6,462,584	5,286,277	6,462,584
Electric Department	-	-	44,956,231	46,634,470	44,956,231	46,634,470
Total expenses	16,629,039	16,589,573	55,384,527	59,004,492	72,013,566	75,594,065
Increase (decrease) in net assets before transfers	122,593	(1,265,886)	3,064,101	2,675,786	3,186,694	1,409,900
Transfers	964,255	983,581	(964,255)	(1,356,662)	-	(373,081)
Increase (decrease) in net assets	1,086,848	(282,305)	2,099,846	1,319,124	3,186,694	1,036,819
Net assets at beginning of year, as originally stated	17,097,079	17,374,406	48,421,750	47,741,056	65,518,829	65,115,462
Prior period adjustment	219,153	-	-	(638,430)	219,153	(638,430)
Inventory adjustment	(17,088)	4,978	-	-	(17,088)	4,978
Net assets at beginning of year, as restated	17,299,144	17,379,384	48,421,750	47,102,626	65,720,894	64,482,010
Net assets at end of year	\$ 18,385,992	\$ 17,097,079	\$ 50,521,596	\$ 48,421,750	\$ 68,907,588	\$ 65,518,829

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$4,095,352 which is 39.2% above last year's total of \$2,941,234.

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, 2012, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2012	Percent of Total	Increase (Decrease) from June 30, 2011
Taxes	\$ 5,653,833	33.95%	\$ 988,842
Intergovernmental	9,085,300	54.55%	254,521
Licenses and permits	11,548	0.07%	(5,655)
Charges for services	991,553	5.95%	622
Fines and forfeitures	246,440	1.48%	(19,106)
Other revenues	666,349	4.00%	99,982
Total Revenues	\$ 16,655,023	100.00%	\$ 1,319,206

The increase in tax revenue is due to an increased property tax rate.

Expenditures	June 30, 2012	Percent of Total	Increase (Decrease) from June 30, 2011
General government	\$ 994,705	4.16%	\$ 16,034
Public Safety	2,562,321	10.70%	(145,065)
Public Works	1,525,911	6.37%	33,606
Health, welfare, and recreation	9,648,526	40.31%	342,642
Economic development	34,018	0.14%	(84,532)
Capital outlay	815,845	3.41%	585,088
Debt Service	8,356,335	34.91%	3,728,746
Total Expenditures	\$ 23,937,661	100.00%	\$ 4,476,519

The City's debt service expenditures increased primarily due to the issuance of refunding bonds.

General Fund Budgetary Highlights

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2012, the City had \$90,619,630 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 \$1,456,186, or 1.6% below the last year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$45,294,615 in outstanding long-term debt compared to \$37,954,990 last year. Of the total outstanding debt 33% belongs to the Governmental funds, 9% to the Gas Fund, 20% to the Water Systems Fund, and 38% to the Electric Department.

See Note 3.G for additional information.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Sue Wood
City Recorder

CITY OF LEXINGTON, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,077,284	\$ 20,697,630	\$ 23,774,914
Investments	-	112,918	112,918
Receivables:			
Property taxes	2,252,720	-	2,252,720
Accounts receivable, net of allowance	1,872	3,817,090	3,818,962
Grant receivables	281,290	165,817	447,107
Other receivables	63,191	372,222	435,413
Internal balances	118,527	(118,527)	-
Due from other governments	814,749	-	814,749
Inventory	15,579	659,163	674,742
Natural gas storage	-	739,777	739,777
Prepaid expenses	140,285	108,746	249,031
Other assets	217,772	943,931	1,161,703
Note receivable	-	60,000	60,000
Capital assets:			
Land and construction in progress	2,039,480	3,847,889	5,887,369
Other capital assets, net of depreciation	26,805,527	57,926,734	84,732,261
TOTAL ASSETS	\$ 35,828,276	\$ 89,333,390	\$ 125,161,666
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 455,021	\$ 6,588,292	\$ 7,043,313
Bank overdrafts	-	-	-
Deferred property taxes	2,129,934	-	2,129,934
Deferred revenue	7,789	-	7,789
Bond issue premiums	7,264	23,766	31,030
Compensated absences	-	667,735	667,735
Long-term liabilities:			
Advances from Home Installation Program	-	308,212	308,212
Other post employment benefits	-	392,360	392,360
Pension liability	-	687,302	687,302
Landfill closure costs	224,103	-	224,103
Compensated absences	1,039,890	744,127	1,784,017
Due within one year	1,035,761	1,755,000	2,790,761
Due in more than one year	12,542,522	27,645,000	40,187,522
TOTAL LIABILITIES	17,442,284	38,811,794	56,254,078
NET ASSETS			
Invested in capital assets, net of related debt	15,477,232	40,908,430	56,385,662
Restricted for:			
State Street Aid Fund	42,920	-	42,920
School Tax Fund	264,793	-	264,793
School Food Service	109,225	-	109,225
Solid Waste Collection	62,061	-	62,061
DARE Fund	2,751	-	2,751
Police Drug Fund	45,912	-	45,912
Debt service	20,083	694,393	714,476
Capital projects	73,696	-	73,696
Unrestricted	2,287,319	8,918,773	11,206,092
TOTAL NET ASSETS	18,385,992	50,521,596	68,907,588
TOTAL LIABILITIES AND NET ASSETS	\$ 35,828,276	\$ 89,333,390	\$ 125,161,666

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, 2012

Program Activities	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 1,255,636	\$ 112,484	\$ -	\$ 2,576	\$ (1,140,576)	\$ -	\$ (1,140,576)
Public Safety	2,782,653	250,399	22,800	109,739	(2,399,715)	-	(2,399,715)
Public Works	1,655,171	905,417	306,764	-	(442,990)	-	(442,990)
Health, Welfare and Recreation	10,416,833	303,207	7,989,717	-	(2,123,909)	-	(2,123,909)
Economic Development	34,018	-	-	-	(34,018)	-	(34,018)
Interest on long-term debt	482,167	-	-	-	(482,167)	-	(482,167)
Paying agent fees on long-term debt	2,561	-	-	-	(2,561)	-	(2,561)
Business-type activities:							
Gas Fund	5,286,277	5,511,678	-	3,539	-	228,940	228,940
Water Systems Fund	5,142,019	5,899,472	-	11,579	-	769,032	769,032
Electric Department	44,956,231	47,544,753	-	-	-	2,588,522	2,588,522
Total business-type activities	55,384,527	58,955,903	-	15,118	-	3,586,494	3,586,494
Total government	\$ 72,013,566	\$ 60,527,410	\$ 8,319,281	\$ 127,433	(6,625,936)	3,586,494	(3,039,442)
	16,629,039	General revenues:					
16,745,514	Taxes:						
	Property	2,179,559					2,179,559
	In-lieu of taxes	98,720					98,720
	Public service taxes	118,394					
	Sales	3,979,470					3,979,470
	Investment earnings	59,558			134,125		193,683
	Gain (loss) on sale/retirement of capital assets	18,104			(778,094)		(759,990)
	Miscellaneous	294,724			121,576		416,300
	Transfer in- in lieu of taxes	964,255			(964,255)		-
	Transfer out - in lieu of taxes - other government	-			-		-
	Total general revenues and transfers	7,712,784			(1,486,648)		6,226,136
	Change in net assets	1,086,848			2,099,846		3,186,694
	Net assets - beginning, as originally stated	17,097,079			48,421,750		65,518,829
	Prior period adjustment	219,153			-		219,153
	Inventory adjustment - school food service fund	(17,088)			-		(17,088)
	Net assets - beginning, as restated	17,299,144			48,421,750		65,720,894
	Net assets - ending	\$ 18,385,992			\$ 50,521,596		\$ 68,907,588

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

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 781,568	\$ 1,834,431	\$ 461,285	\$ 3,077,284
Taxes receivable	2,252,720	-	-	2,252,720
Accounts receivable	1,872	-	-	1,872
Grant receivable	39,873	226,792	14,625	281,290
Other receivables	62,648	500	43	63,191
Inventory	-	-	15,579	15,579
Due from other governments	484,333	78,892	251,524	814,749
Due from other funds	223,320	14,625	58,566	296,511
Prepaid expenses	126,633	-	13,652	140,285
TOTAL ASSETS	<u>\$ 3,972,967</u>	<u>\$ 2,155,240</u>	<u>\$ 815,274</u>	<u>\$ 6,943,481</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 253,803	\$ -	\$ 1,762	\$ 255,565
Accrued expenses	72,677	75,096	6,298	154,071
Deferred revenue	2,252,720	-	7,789	2,260,509
Due to other funds	-	-	177,984	177,984
TOTAL LIABILITIES	<u>2,579,200</u>	<u>75,096</u>	<u>193,833</u>	<u>2,848,129</u>
FUND BALANCE				
Nonspendable				
Inventory	-	-	15,579	15,579
Prepaid expenses	126,633	-	13,652	140,285
Restricted for:				
State street aid	-	-	42,920	42,920
School food authority	-	-	93,646	93,646
Drug fund	-	-	45,912	45,912
Assigned				
Special revenue funds	-	-	409,732	409,732
Education	-	302,258	-	302,258
Support services	-	5,000	-	5,000
Capital projects	-	245,000	-	245,000
Unassigned				
General fund	1,267,134	-	-	1,267,134
General purpose school fund	-	1,527,886	-	1,527,886
TOTAL FUND BALANCES	<u>1,393,767</u>	<u>2,080,144</u>	<u>621,441</u>	<u>4,095,352</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,972,967</u>	<u>\$ 2,155,240</u>	<u>\$ 815,274</u>	<u>\$ 6,943,481</u>

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

CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balance - total governmental funds	\$ 4,095,352
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	28,845,007
Unamortized bond issuance costs are not recorded on governmental funds but are expensed when incurred.	217,772
Unamortized bond issuance premiums are not recorded on governmental funds but are recognized as revenues when received.	(7,264)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	122,786
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(45,385)
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>(14,842,276)</u>
Net assets of governmental activities	<u>\$ 18,385,992</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, 2012

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 2,101,054	\$ -	\$ -	\$ 2,101,054
Penalty and interest	9,899	-	-	9,899
In lieu of taxes	10,113	-	-	10,113
Sales	1,497,260	-	1,247,717	2,744,977
Beer tax	413,509	-	-	413,509
Business	210,400	-	-	210,400
Liquour tax	35,170	-	-	35,170
Franchise	118,394	-	-	118,394
Hotel/motel tax	7,742	-	-	7,742
Privilege	2,575	-	-	2,575
Intergovernmental revenues	912,755	7,572,965	599,580	9,085,300
Licenses and permits	11,548	-	-	11,548
Charges for services	124,273	-	867,280	991,553
Fines, forfeits, and penalties	134,000	-	112,440	246,440
Other revenues	151,326	96,741	418,282	666,349
Total revenues	5,740,018	7,669,706	3,245,299	16,655,023
Expenditures				
Current:				
General government	994,705	-	-	994,705
Public safety	2,510,549	-	51,772	2,562,321
Public works	773,201	-	752,710	1,525,911
Health, welfare, and recreation	453,904	8,403,536	791,086	9,648,526
Economic development	34,018	-	-	34,018
Capital outlay	259,563	472,580	83,702	815,845
Debt service:				
Principal payments	70,000	78,808	7,575,529	7,724,337
Interest payments	56,095	18,772	435,530	510,397
Other debt costs	250	-	121,351	121,601
Total expenditures	5,152,285	8,973,696	9,811,680	23,937,661
Excess (deficiency) of revenues over (under) expenditures	587,733	(1,303,990)	(6,566,381)	(7,282,638)
Other financing sources (uses)				
Transfers in	1,063,623	1,063,000	1,142,444	3,269,067
Transfers out	(889,000)	-	(1,415,812)	(2,304,812)
Proceeds from new debt	-	352,332	6,900,000	7,252,332
Proceeds from sale of general fixed assets	3,804	-	14,300	18,104
Total other financing sources (uses)	178,427	1,415,332	6,640,932	8,234,691
Net Change in Fund Balances	766,160	111,342	74,551	952,053
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	508,069	1,968,802	464,363	2,941,234
Prior period adjustment	119,538	-	99,615	219,153
Inventory adjustment	-	-	(17,088)	(17,088)
FUND BALANCE AT BEGINNING OF YEAR, as restated	627,607	1,968,802	546,890	3,143,299
FUND BALANCE AT END OF YEAR	\$ 1,393,767	\$ 2,080,144	\$ 621,441	\$ 4,095,352

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, 2012

Net change in fund balances - total governmental funds	\$	952,053
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 assets, 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.		
		815,845
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds.		
		(1,348,035)
Long-term debt proceeds are recorded on the governmental funds as revenues, but the government-wide statement of activities does not report debt proceeds as revenue		
		(7,252,332)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
		7,720,524
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.		
		120,288
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.		
		78,505
Change in net assets of governmental activities	\$	1,086,848

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, 2012**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Property taxes - current	\$ 2,082,818	\$ 2,082,818	\$ 2,023,171	\$ (59,647)
Property taxes - delinquent	-	-	77,883	77,883
Penalties and interest	9,000	9,000	9,899	899
In lieu of taxes:				
Lexington Housing Authority	11,800	11,800	10,113	(1,687)
Local sales tax	1,408,010	1,448,010	1,497,260	49,250
Local beer tax	390,000	400,000	413,509	13,509
Business tax	230,000	200,000	210,400	10,400
Liquor tax	42,750	17,750	35,170	17,420
Franchise tax	120,000	118,000	118,394	394
Hotel/motel tax	37,500	7,500	7,742	242
Privilege tax	2,500	2,500	2,575	75
Total taxes	4,334,378	4,297,378	4,406,116	108,738
Intergovernmental				
TVA payments in lieu of taxes	84,708	84,708	88,607	3,899
State fire education	7,800	7,800	7,200	(600)
State law enforcement grant	15,600	15,600	14,400	(1,200)
FEMA grant	-	-	2,576	2,576
Police safety grant - alcohol saturation	-	10,390	10,392	2
Police - COPS	53,000	53,000	57,152	4,152
Police - vest grant	3,000	3,000	1,998	(1,002)
Police grant -network coordinator 2010	25,000	21,215	11,216	(9,999)
Police grant -network coordinator 2011	15,000	30,000	14,209	(15,791)
Police grant -high visibility	45,000	5,000	5,000	-
Police grant - other	-	-	9,772	9,772
State of Tennessee				
- Sales tax allocation	494,702	504,702	519,124	14,422
- Telecommunication tax	-	-	426	426
- Income tax allocation	21,500	21,500	33,613	12,113
- Beer tax allocation	3,903	3,903	3,756	(147)
- City street & transportation	15,687	15,687	15,705	18
- Street maintenance	92,684	92,684	92,684	-
- Excise tax	7,388	7,388	8,178	790
Grants from Local Governments				
- Crimestoppers	1,200	1,200	1,200	-
- County recreation grant	10,000	10,000	10,000	-
- Other miscellaneous grants	6,826	6,826	5,547	(1,279)
Total intergovernmental revenues	902,998	894,603	912,755	18,152
Licenses and permits				
Beer licenses	1,000	1,000	1,000	-
Liquor licenses	-	-	1,000	1,000
Building permits	15,000	10,000	8,684	(1,316)
Business license	-	-	63	63
Other permits	500	500	801	301
Total licenses and permits	16,500	11,500	11,548	48

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (continued)				
Charges for services				
Clerk's fees - business tax	23,600	23,600	27,736	4,136
Accident report filing fees	3,225	3,225	3,959	734
Maintenace charges for Caywood	82,000	82,000	82,000	-
SOR charges	500	500	300	(200)
Mowing and lot cleanup	-	1,042	1,956	914
Parks and recreation charges	9,150	9,150	8,322	(828)
Total charges for services	<u>118,475</u>	<u>119,517</u>	<u>124,273</u>	<u>4,756</u>
City court fines and costs	<u>142,000</u>	<u>135,000</u>	<u>134,000</u>	<u>(1,000)</u>
Other revenues				
Interest income	20,000	20,000	15,974	(4,026)
Community center revenue	22,000	18,000	16,585	(1,415)
Rent income	74,400	74,400	73,200	(1,200)
Sales of cemetery lots	12,000	12,000	15,900	3,900
Insurance recoveries	25,000	40,000	7,249	(32,751)
Sales of other materials	36,000	36,000	20,281	(15,719)
Miscellaneous income	-	-	2,137	2,137
Total other revenue	<u>189,400</u>	<u>200,400</u>	<u>151,326</u>	<u>(49,074)</u>
Total revenues	<u>5,703,751</u>	<u>5,658,398</u>	<u>5,740,018</u>	<u>81,620</u>
Expenditures				
General government				
General				
Salaries	57,480	57,769	57,696	73
Employee benefits	338,872	363,872	348,631	15,241
Memberships	2,300	2,300	2,164	136
Operating expenses	2,250	2,270	2,561	(291)
Other operating expenses	24,900	26,090	19,311	6,779
Insurance	177,293	139,793	133,577	6,216
Total general	<u>603,095</u>	<u>592,094</u>	<u>563,940</u>	<u>28,154</u>
Judicial				
Salaries	8,800	8,801	8,801	-
Total judicial	<u>8,800</u>	<u>8,801</u>	<u>8,801</u>	<u>-</u>

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

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	197,107	197,107	195,439	1,668
Employee benefits	28,123	28,123	27,702	421
Insurance	440	440	373	67
Office expense	10,500	10,600	8,948	1,652
Professional fees	43,100	39,600	37,566	2,034
Membership and dues	350	400	372	28
Repair and maintenance	8,550	56,550	19,210	37,340
Other operating expenses	150,157	160,657	114,575	46,082
Capital outlay	189,479	289,479	236,670	52,809
Total city recorder	627,806	782,956	640,855	142,101
City Hall				
Utilities	20,122	19,422	17,779	1,643
Total general government	1,259,823	1,403,273	1,231,375	171,898
Public safety				
Police department				
Salary	1,454,567	1,464,957	1,252,583	212,374
Employee benefits	223,654	223,654	207,750	15,904
Utilities	36,225	34,225	32,133	2,092
Repair and maintenance	31,300	31,300	16,711	14,589
Memberships and dues	650	700	675	25
Supplies	32,885	31,385	24,641	6,744
Uniforms and clothing	11,200	11,200	8,242	2,958
Gas, oil, and diesel	98,000	88,000	71,735	16,265
Insurance	3,520	3,520	2,776	744
Equipment rental	9,500	8,000	7,186	814
Office expense	35,400	36,500	35,037	1,463
Other grant expenses	88,000	50,312	18,287	32,025
Capital outlay	-	5,000	22,893	(17,893)
Total police department	2,024,901	1,988,753	1,700,649	288,104
Fire department				
Salaries	588,393	588,393	585,825	2,568
Employee benefits	95,400	97,400	93,740	3,660
Volunteer firemen	4,000	4,000	3,630	370
Volunteer firemen benefits	-	300	105	195
Utilities	38,312	36,762	32,528	4,234
Memberships	550	550	120	430
Repair and maintenance	14,000	13,700	10,996	2,704
Supplies	3,750	4,050	8,320	(4,270)
Clothing and uniforms	4,800	4,800	4,429	371
Gas, oil, diesel	10,000	10,000	9,815	185
Insurance	5,016	5,016	4,003	1,013
Travel	2,000	2,000	1,484	516
Equipment rent	2,500	2,750	2,726	24
Small items of equipment	4,949	4,949	11,110	(6,161)
Total fire department	773,670	774,670	768,831	5,839
Building inspector				
Salaries	54,374	54,374	54,265	109
Employee benefits	7,281	7,281	6,978	303
Insurance	110	110	90	20
Other operating expenses	4,003	5,045	2,629	2,416
Total building inspector	65,768	66,810	63,962	2,848
Total public safety	2,864,339	2,830,233	2,533,442	296,791

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, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	505,309	505,309	451,470	53,839
Employee benefits	85,870	85,870	84,325	1,545
Utilities	21,132	21,132	15,134	5,998
Repair and maintenance	111,400	114,900	92,384	22,516
Repair and maintenance - equipment	10,000	14,245	11,984	2,261
Clothing and uniforms	4,200	4,200	4,005	195
Gas, oil, diesel	60,000	55,000	46,081	8,919
Gravel and sand	3,000	1,500	-	1,500
Operating supplies	15,500	17,500	8,895	8,605
Insurance	1,320	1,320	1,109	211
Office supplies	3,125	3,125	2,557	568
Total highways and streets	820,856	824,101	717,944	106,157
Garage				
Repair and maintenance	2,000	2,500	1,256	1,244
Supplies	17,900	19,650	12,902	6,748
Fuel purchases	9,500	15,000	14,201	799
Total garage	29,400	37,150	28,359	8,791
Animal control				
Contract labor	19,200	19,200	19,200	-
Operating costs	4,000	4,000	4,000	-
Total animal control	23,200	23,200	23,200	-
Sanitation				
Landfill closure	10,250	10,000	3,698	6,302
Total public works	883,706	894,451	773,201	121,250
Health, welfare, and recreation				
Appropriations				
Library	31,000	31,000	31,000	-
Library utilities	13,651	13,426	11,094	2,332
RSVP	6,900	6,900	-	6,900
Senior Citizens	11,000	11,000	11,000	-
Rescue Squad	13,050	13,050	-	13,050
Rescue Squad utilities	893	893	761	132
Christmas parade	500	500	-	500
Carl Perkins	1,725	1,725	1,725	-
Lexington scholarship	500	500	500	-
JACOA	1,900	1,900	1,900	-
Hope utilities	5,355	5,580	5,573	7
Project graduation	1,000	1,100	965	135
Teen summit	250	250	-	250
Community beautification	25	25	22	3
Airport	21,646	21,646	21,646	-
Other appropriations	4,100	4,100	1,647	2,453
Total appropriations	113,495	113,595	87,833	25,762

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, 2012**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Museum				
Salaries	3,600	3,900	3,900	-
Employee benefits	-	400	298	102
Contract labor	10,800	10,800	10,800	-
Utilities	8,190	7,490	5,582	1,908
Repair and maintenance	-	100	6	94
Telephone	689	689	618	71
Security system	497	497	476	21
Operating costs	100	100	34	66
Janitorial costs	100	-	-	-
Total museum	23,976	23,976	21,714	2,262
Civic center				
Salaries	19,500	18,500	1,530	16,970
Employee benefits	-	1,000	117	883
Utilities	36,750	36,750	23,172	13,578
Repair and maintenance	28,000	27,700	13,921	13,779
Operating costs	1,000	1,000	446	554
Janitorial costs	2,000	2,300	2,067	233
Total civic center	87,250	87,250	41,253	45,997
Parks				
Salaries	178,710	178,710	152,731	25,979
Employee benefits	28,123	28,123	27,864	259
Repair and maintenance	33,800	40,550	26,031	14,519
Utilities	93,724	82,724	74,221	8,503
Insurance	1,000	1,000	753	247
Other operating expenses	23,250	26,150	21,504	4,646
Total parks	358,607	357,257	303,104	54,153
Total health, welfare, and recreation	583,328	582,078	453,904	128,174
Economic development				
State plan service	14,500	14,500	14,407	93
Professional fees	5,500	2,500	575	1,925
Travel	1,000	750	37	713
Miscellaneous	19,000	20,000	18,999	1,001
Capital outlay	10,000	23,050	-	23,050
Total economic development	50,000	60,800	34,018	26,782
Debt service				
Principal payments	70,000	70,000	70,000	-
Interest payments	56,131	56,131	56,095	36
Paying agent fees	-	500	250	250
Total debt service	126,131	126,631	126,345	286
Total expenditures	5,767,327	5,897,466	5,152,285	745,181

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, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(63,576)	(239,068)	587,733	826,801
Other financing sources (uses)				
Transfers in	962,526	1,042,526	1,063,623	21,097
Transfers out	(946,400)	(896,400)	(889,000)	7,400
Note proceeds	-	150,000	-	(150,000)
Sale of general fixed assets	10,000	12,745	3,804	(8,941)
Total other financing sources (uses)	26,126	308,871	178,427	(130,444)
Net change in fund balance	(37,450)	69,803	766,160	696,357
FUND BALANCE, Beginning of Year - as originally stated	508,069	508,069	508,069	-
Prior period adjustments	-	-	119,538	119,538
FUND BALANCE, Beginning of Year - as restated	508,069	508,069	627,607	119,538
FUND BALANCE AT END OF YEAR	<u>\$ 470,619</u>	<u>\$ 577,872</u>	<u>\$ 1,393,767</u>	<u>\$ 815,895</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, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2011	Encumbrances 6/30/2012		
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Wheel tax	\$ 85,000	\$ 85,000	\$ 87,101	\$ -	\$ -	\$ 87,101	\$ 2,101
Current year tax levy	460,000	460,000	463,415	-	-	463,415	3,415
Prior year tax receipts	31,000	31,000	33,250	-	-	33,250	2,250
Mixed drink tax	750	750	1,004	-	-	1,004	254
Local sales tax	730,000	730,000	761,571	-	-	761,571	31,571
Interstate telecommunication taxes	500	500	312	-	-	312	(188)
Bank excise tax	1,000	1,000	1,280	-	-	1,280	280
Marriage licenses	500	500	440	-	-	440	(60)
Other	6,000	6,000	7,068	-	-	7,068	1,068
State funds							
Basic education	4,705,000	4,711,000	4,711,000	-	-	4,711,000	-
Early childhood education	199,654	199,654	199,654	-	-	199,654	-
Career ladder	35,000	35,000	36,063	-	-	36,063	1,063
ACT reimbursement	-	-	631	-	-	631	631
Energy efficiency school initiative grant	-	-	13,059	-	-	13,059	13,059
Other State grants	8,956	10,069	1,113	-	-	1,113	(8,956)
Other State education funds	-	55,318	48,840	-	-	48,840	(6,478)
Federal funds							
Title I grants	193,413	192,779	186,611	-	-	186,611	(6,168)
Other Federal through State	277,468	282,042	158,762	(1,500)	-	157,262	(124,780)
Career ladder extended	-	35,200	35,783	-	-	35,783	583
Coordinated School Health	97,008	97,008	92,000	-	-	92,000	(5,008)
Special education grants to state	206,702	241,393	237,464	-	-	237,464	(3,929)
Special education preschool - idea	4,113	4,113	4,113	-	-	4,113	-
Special education - inclusion grant	30,591	30,591	30,591	-	-	30,591	-
Internet Connectivity	-	-	3,527	-	-	3,527	3,527
Student Management	-	-	2,659	-	-	2,659	2,659
English language acquisition grant	-	3,263	3,263	-	-	3,263	-
Safe schools grant	-	-	5,300	-	-	5,300	5,300
IDEA inclusion grant	17,342	22,454	22,454	-	-	22,454	-
Title IIA - improving teach quality	57,677	48,645	48,645	-	-	48,645	-
First to the top	-	220,463	154,291	-	-	154,291	(66,172)
Education job funds	217,946	221,701	221,701	-	-	221,701	-
Total Intergovernmental revenues	7,365,620	7,725,443	7,572,965	(1,500)	-	7,571,465	(153,978)
Other revenues							
Interest income	15,000	15,000	14,770	-	-	14,770	(230)
Contributions	16,450	19,875	3,425	-	-	3,425	(16,450)
Receipts from individual schools	5,000	5,000	2,375	-	-	2,375	(2,625)
Insurance recoveries	-	2,456	2,456	-	-	2,456	-
On-behalf payments	-	75,000	64,112	-	-	64,112	(10,888)
Miscellaneous revenues	2,000	3,153	9,603	-	-	9,603	6,450
Total other revenues	38,450	120,484	96,741	-	-	96,741	(23,743)
Total Revenues	7,404,070	7,845,927	7,669,706	(1,500)	-	7,668,206	(177,721)

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, 2012

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Instruction							
Regular instruction program							
Teachers	2,427,350	2,446,558	2,340,260	-	-	2,340,260	106,298
Career ladder program	19,500	19,500	15,905	-	-	15,905	3,595
Career ladder program	-	30,200	30,200	-	-	30,200	-
Paraprofessionals	70,300	76,233	76,233	-	-	76,233	-
Educational assistants	103,476	106,711	92,481	-	-	92,481	14,230
Other salaries and wages	60,276	76,776	39,302	-	-	39,302	37,474
Certified substitute teachers	30,000	29,324	23,114	-	-	23,114	6,210
Non-certified substitute teachers	32,000	32,676	32,676	-	-	32,676	-
Social security	167,769	157,722	150,084	-	-	150,084	7,638
State retirement	223,960	233,615	213,828	-	-	213,828	19,787
Life insurance	6,120	6,120	5,462	-	-	5,462	658
Medical insurance	355,064	357,520	357,517	-	-	357,517	3
Dental insurance	6,693	6,593	6,592	-	-	6,592	1
Unemployment compensation	2,523	4,497	4,046	-	-	4,046	451
Local retirement	2,200	1,807	1,241	-	-	1,241	566
Employer medicare	37,978	39,650	35,381	-	-	35,381	4,269
On-behalf payments	-	75,000	64,112	-	-	64,112	10,888
Maintenance and repair - equipment	3,000	-	-	-	-	-	-
Other contracted services	35,717	35,913	31,941	-	-	31,941	3,972
Instructional supplies	42,200	54,683	54,683	-	-	54,683	-
Textbooks	6,000	65,852	139,190	(73,339)	-	65,851	1
Other supplies and materials	25,000	29,897	22,938	-	7,500	30,438	(541)
Indirect costs	-	1,860	1,860	-	-	1,860	-
Other charges	6,000	7,000	1,163	-	-	1,163	5,837
Regular instruction equipment	88,239	114,239	141,922	(86,385)	-	55,537	58,702
Regular instruction capital outlay	-	-	49,770	-	-	49,770	(49,770)
Total regular instruction program	3,751,385	4,009,946	3,931,901	(159,724)	7,500	3,779,677	230,269
Alternative instruction							
Contracts with other school systems	26,000	26,000	26,000	-	-	26,000	-
Total alternative instruction	26,000	26,000	26,000	-	-	26,000	-
Special education							
Teachers	425,505	438,713	438,108	-	-	438,108	605
Career ladder program	4,000	4,125	4,125	-	-	4,125	-
Educational assistants	78,031	72,944	70,188	-	-	70,188	2,756
Speech pathology	44,118	44,118	42,792	-	-	42,792	1,326
Certified substitute teachers	2,000	3,000	2,021	-	-	2,021	979
Non-certified substitute teachers	2,000	5,500	5,448	-	-	5,448	52
Social security	34,172	34,385	31,369	-	-	31,369	3,016
State retirement	42,818	42,980	42,327	-	-	42,327	653
Medical insurance	77,997	69,337	63,236	-	-	63,236	6,101
Dental insurance	1,242	1,365	1,072	-	-	1,072	293
Unemployment compensation	720	801	801	-	-	801	-
Local retirement	1,066	1,066	540	-	-	540	526
Employer medicare	7,992	8,270	7,583	-	-	7,583	687
Other fringe benefits	483	483	302	-	-	302	181
Contracts with other schools	-	8,778	7,750	-	-	7,750	1,028
Evaluation and testing	100	1,100	293	-	-	293	807
Other contracted services	1,417	17,594	17,557	-	-	17,557	37
Instructional supplies	4,334	6,152	5,068	-	-	5,068	1,084
Other supplies and materials	-	100	-	-	-	-	100
Special education equipment	26,698	27,035	27,035	-	-	27,035	-
Total special education	754,693	787,846	767,615	-	-	767,615	20,231
Student body education							
Other salaries and wages	75,188	88,638	88,636	-	-	88,636	2
Social security	4,662	5,034	5,034	-	-	5,034	-
State retirement	6,805	8,022	8,022	-	-	8,022	-
Medical insurance	13,950	12,310	12,309	-	-	12,309	1
Dental insurance	276	139	139	-	-	139	-
Unemployment compensation	80	82	81	-	-	81	1
Employer medicare	1,090	1,178	1,177	-	-	1,177	1
Travel	500	5	-	-	-	-	5
Other contracted services	12,000	11,000	11,000	-	-	11,000	-
Other charges	13,000	11,941	11,846	-	-	11,846	95
Total student body education	127,551	138,349	138,244	-	-	138,244	105
Total instruction	4,659,609	4,962,141	4,863,760	(159,724)	7,500	4,711,536	250,605

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, 2012**

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Support services							
Attendance							
Social security	1,000	-	-	-	-	-	-
Postal charges	300	300	294	-	-	294	6
Other contracted services	14,000	14,736	14,696	-	-	14,696	40
Other supplies and materials	500	500	-	-	-	-	500
Inservice/staff development	1,000	2,000	1,063	-	-	1,063	937
Other charges	500	500	-	-	-	-	500
Total attendance	17,300	18,036	16,053	-	-	16,053	1,983
Health instruction program							
Supervisor/director	30,617	30,742	30,742	-	-	30,742	-
Medical personnel	54,734	54,734	50,981	-	-	50,981	3,753
Other salaries	18,200	18,325	18,325	-	-	18,325	-
Certified substitute teachers	1,000	1,240	240	-	-	240	1,000
Non-certified substitute teachers	-	730	730	-	-	730	-
Social security	6,265	6,087	5,256	-	-	5,256	831
State retirement	2,770	2,782	2,782	-	-	2,782	-
Health insurance	8,890	9,640	9,641	-	-	9,641	(1)
Dental insurance	207	219	219	-	-	219	-
Unemployment insurance	105	148	148	-	-	148	-
Employer medicare	1,463	1,448	1,239	-	-	1,239	209
Postal charges	-	198	198	-	-	198	-
Other contracted services	1,800	1,500	500	-	-	500	1,000
Other supplies and materials	10,500	30,679	27,973	-	-	27,973	2,706
Inservice/staff development	10,000	6,492	6,491	-	-	6,491	1
Other equipment	14,988	-	-	-	-	-	-
Total health instruction program	161,539	164,964	155,465	-	-	155,465	9,499
Other student support							
Career ladder program	5,000	6,000	6,000	-	-	6,000	-
Guidance personnel	85,332	101,962	101,960	-	-	101,960	2
Psychological personnel	13,000	13,000	12,920	-	-	12,920	80
Social workers	41,171	41,171	40,965	-	-	40,965	206
Assessment personnel	111,425	122,425	122,353	-	-	122,353	72
Speech pathologist	38,902	79	-	-	-	-	79
Social security	16,205	16,550	15,659	-	-	15,659	891
State retirement	23,653	24,539	24,515	-	-	24,515	24
Medical insurance	29,910	38,985	38,981	-	-	38,981	4
Dental insurance	552	717	692	-	-	692	25
Unemployment compensation	230	236	227	-	-	227	9
Employer medicare	3,790	3,872	3,663	-	-	3,663	209
Evaluation and testing	13,364	6,292	6,277	-	-	6,277	15
Other contracted services	40,735	38,610	-	-	-	-	38,610
Other supplies and materials	600	500	-	-	-	-	500
Inservice/staff development	5,000	9,174	4,174	-	-	4,174	5,000
Other charges	400	-	-	-	-	-	-
Other equipment	2,000	2,000	1,175	-	-	1,175	825
Total other student support	431,269	426,112	379,561	-	-	379,561	46,551
Regular instruction program							
Supervisor/Director	156,327	136,327	134,586	-	-	134,586	1,741
Career ladder program	5,500	6,560	6,558	-	-	6,558	2
Libraries	41,171	42,171	42,171	-	-	42,171	-
Other salaries	214,022	245,924	210,361	-	-	210,361	35,563
Certified substitute teachers	3,000	2,830	2,150	-	-	2,150	680
In-service training	5,000	31,950	21,540	-	-	21,540	10,410
Non-certified substitute teachers	6,000	4,720	2,550	-	-	2,550	2,170
Social security	23,679	28,663	23,426	-	-	23,426	5,237
State retirement	33,748	41,157	36,067	-	-	36,067	5,090

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Less: Encumbrances 7/1/2011</u>	<u>Add: Encumbrances 6/30/2012</u>	<u>Actual Revenues/ Expenditures (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>					
Expenditures(continued)							
Support services(continued)							
Regular instruction program(continued)							
Medical insurance	48,241	44,309	36,186	-	-	36,186	8,123
Dental insurance	828	828	653	-	-	653	175
Unemployment compensation	305	1,712	347	-	-	347	1,365
Employer medicare	5,853	6,975	5,719	-	-	5,719	1,256
Consultants	3,000	3,000	-	-	-	-	3,000
Dues and memberships	1,000	1,000	-	-	-	-	1,000
Travel	6,000	6,000	264	-	-	264	5,736
Other contracted services	25,000	65,000	50,002	-	-	50,002	14,998
Library books and media	9,000	9,000	8,966	-	-	8,966	34
Other supplies and materials	17,000	17,500	13,207	-	-	13,207	4,293
Inservice/staff development	33,282	114,587	67,807	(114)	-	67,693	46,894
Other charges	-	1,500	1,500	-	-	1,500	-
Other equipment	7,000	17,500	18,568	(1,415)	-	17,153	347
Total regular instruction program	<u>644,956</u>	<u>827,713</u>	<u>682,628</u>	<u>(1,529)</u>	<u>-</u>	<u>681,099</u>	<u>148,114</u>
Special Education						479,409	479,409
Supervisor/director	25,854	26,253	26,253	-	-	26,253	-
Psychological personnel	25,854	26,253	26,253	-	-	26,253	-
Social security	3,206	3,255	2,837	-	-	2,837	418
State retirement	4,679	4,752	4,752	-	-	4,752	-
Medical insurance	5,064	9,200	9,200	-	-	9,200	-
Dental insurance	-	138	140	-	-	140	(2)
Unemployment compensation	40	40	41	-	-	41	(1)
Employer medicare	750	761	663	-	-	663	98
Other supplies and materials	100	200	91	-	-	91	109
Inservice/staff development	500	3,375	3,064	-	-	3,064	311
Indirect cost	18,342	9,060	7,265	-	-	7,265	1,795
Total special education	<u>84,389</u>	<u>83,287</u>	<u>80,559</u>	<u>-</u>	<u>-</u>	<u>80,559</u>	<u>2,728</u>
Total support services	<u>1,339,453</u>	<u>1,520,112</u>	<u>1,314,266</u>	<u>(1,529)</u>	<u>-</u>	<u>1,312,737</u>	<u>208,875</u>
General administration							
Board of education							
Audit services	25,000	27,619	23,833	-	-	23,833	3,786
Dues and subscriptions	8,000	8,000	6,573	-	-	6,573	1,427
Legal services	3,000	3,000	1,253	-	-	1,253	1,747
Travel	1,000	1,000	53	-	-	53	947
Other contracted services	7,000	6,405	2,809	(5,250)	-	(2,441)	8,846
Other supplies and materials	1,000	1,000	171	-	-	171	829
Liability insurance	9,677	9,677	9,677	-	-	9,677	-
Surety bonds	386	386	386	-	-	386	-
Trustee's commission	19,000	19,000	18,486	-	-	18,486	514
Workmans compensation	17,000	17,000	14,009	-	-	14,009	2,991
Inservice/staff development	4,000	4,000	3,093	-	-	3,093	907
Refunds to applicants	500	500	288	-	-	288	212
Other charges	9,000	9,595	9,593	-	-	9,593	2
Total board of education	<u>104,563</u>	<u>107,182</u>	<u>90,224</u>	<u>(5,250)</u>	<u>-</u>	<u>84,974</u>	<u>22,208</u>
Office of education							
County officials	95,000	89,915	87,583	-	-	87,583	2,332
Assistant	35,192	40,072	40,068	-	-	40,068	4
Career ladder program	1,000	1,000	500	-	-	500	500
Clerical personnel	-	400	400	-	-	400	-
Social security	5,952	6,062	6,060	-	-	6,060	2
State retirement	8,688	888	883	-	-	883	5
Life insurance	2,260	-	-	-	-	-	-
Medical insurance	7,678	10,973	10,972	-	-	10,972	1
Dental insurance	138	163	162	-	-	162	1
Unemployment compensation	40	78	78	-	-	78	-
Employer medicare	1,832	1,855	1,855	-	-	1,855	-
Communication	3,500	6,316	6,315	-	-	6,315	1
Dues and memberships	1,000	1,000	579	-	-	579	421
Postage	1,500	1,500	1,376	-	-	1,376	124
Travel	2,000	2,000	966	-	-	966	1,034
Other contracted services	2,000	2,000	752	-	-	752	1,248
Office supplies	3,000	3,000	2,446	-	-	2,446	554
Inservice/staff development	5,000	5,000	4,860	-	-	4,860	140
Other charges	4,000	4,000	3,876	-	-	3,876	124
Administrative equipment	2,000	6,000	698	-	-	698	5,302
Capital outlay	-	-	5,040	-	-	5,040	(5,040)
Total office of education	<u>181,780</u>	<u>182,222</u>	<u>175,469</u>	<u>-</u>	<u>-</u>	<u>175,469</u>	<u>6,753</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, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of principal							
Principals	194,235	194,235	193,005	-	-	193,005	1,230
Career ladder program	2,000	3,000	3,000	-	-	3,000	-
Accountants and bookkeepers	44,976	44,976	44,561	-	-	44,561	415
Assistant principal	83,832	83,832	81,249	-	-	81,249	2,583
Clerical personnel	36,389	36,614	36,610	-	-	36,610	4
Social security	25,181	23,376	21,086	-	-	21,086	2,290
State retirement	25,436	25,436	25,091	-	-	25,091	345
Medical insurance	27,991	28,396	28,395	-	-	28,395	1
Dental insurance	552	727	725	-	-	725	2
Unemployment compensation	340	340	312	-	-	312	28
Local retirement	2,000	2,000	1,405	-	-	1,405	595
Employer medicare	5,888	5,888	4,932	-	-	4,932	956
Communication	1,000	1,000	-	-	-	-	1,000
Dues and memberships	2,000	2,000	2,000	-	-	2,000	-
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	1,500	1,500	-	-	-	-	1,500
Other contracted services	1,200	1,200	775	-	-	775	425
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	4,500	4,500	2,602	-	-	2,602	1,898
Other charges	1,500	2,613	1,976	-	-	1,976	637
Administrative equipment	1,000	1,000	-	-	-	-	1,000
Total office of principal	464,520	465,633	450,724	-	-	450,724	14,909
Fiscal services							
Internal audit personnel	20,000	26,310	26,306	-	-	26,306	4
Accountants and bookkeepers	40,528	56,333	48,138	-	-	48,138	8,195
Purchasing personnel	61,915	38,607	35,175	-	-	35,175	3,432
Clerical personnel	21,469	21,469	21,469	-	-	21,469	-
Other salaries and wages	7,000	7,000	-	-	-	-	7,000
Social security	9,173	9,173	6,708	-	-	6,708	2,465
Medical insurance	-	1,130	1,125	-	-	1,125	5
Dental insurance	-	58	57	-	-	57	1
Unemployment compensation	200	205	203	-	-	203	2
Local retirement	3,773	3,773	3,442	-	-	3,442	331
Employer medicare	2,058	2,058	1,910	-	-	1,910	148
Consultants	2,000	2,000	-	-	-	-	2,000
Dues and memberships	1,000	1,000	253	-	-	253	747
Other contracted services	6,650	6,650	6,603	-	-	6,603	47
Data processing supplies	1,000	1,000	767	-	-	767	233
Office supplies	2,000	2,000	825	-	-	825	1,175
Inservice/staff development	5,000	5,000	1,970	-	-	1,970	3,030
Administration equipment	3,000	3,000	-	-	-	-	3,000
Total fiscal services	186,766	186,766	154,951	-	-	154,951	31,815
Plant operations							
Janitorial services	328,000	328,000	324,813	-	-	324,813	3,187
Disposal fees	4,000	4,000	3,204	-	-	3,204	796
Other contracted services	20,000	20,000	16,971	-	-	16,971	3,029
Electricity	303,000	304,356	304,356	-	-	304,356	-
Natural gas	38,000	34,259	22,721	-	-	22,721	11,538
Water	27,000	29,385	29,381	-	-	29,381	4
Other supplies and materials	1,000	1,000	-	-	-	-	1,000
Building and contents insurance	22,302	22,302	22,302	-	-	22,302	-
Vehicle and equipment	6,208	6,208	6,208	-	-	6,208	-
Plant operation equipment	2,000	-	-	-	-	-	-
Total plant operations	751,510	749,510	729,956	-	-	729,956	19,554

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, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Plant maintenance							
Other salaries and wages	14,000	14,000	9,724	-	-	9,724	4,276
Social security	870	870	603	-	-	603	267
Unemployment compensation	35	35	13	-	-	13	22
Employer medicare	205	205	141	-	-	141	64
Maintenance and repair - buildings	55,000	72,400	72,318	-	-	72,318	82
Maintenance and repair - equipment	25,000	13,500	13,488	-	-	13,488	12
Maintenance and repair - vehicle	6,000	6,000	100	-	-	100	5,900
Other contracted services	185,000	172,000	171,728	-	-	171,728	272
Gasoline	1,500	3,590	3,586	(414)	-	3,172	418
Vehicle parts	1,000	1,000	698	-	-	698	302
Other supplies and materials	23,000	34,920	34,915	-	-	34,915	5
Inservice/staff development	2,000	890	-	-	-	-	890
Other charges	1,000	1,000	49	-	-	49	951
Maintenance equipment	6,000	11,600	9,788	-	-	9,788	1,812
Building improvements	-	92,000	30,974	-	-	30,974	61,026
Total plant maintenance	320,810	424,010	348,125	(414)	-	347,711	76,299
Central and other							
Computer programmers	40,500	40,500	39,972	-	-	39,972	528
Data processing personnel	45,646	45,646	42,566	-	-	42,566	3,080
Social security	5,188	5,138	4,551	-	-	4,551	587
Medical insurance	8,057	8,057	7,953	-	-	7,953	104
Dental insurance	414	414	415	-	-	415	(1)
Unemployment compensation	120	120	117	-	-	117	3
Local retirement	2,061	2,111	2,104	-	-	2,104	7
Employer medicare	1,213	1,213	1,064	-	-	1,064	149
Dues and memberships	500	500	60	-	-	60	440
Maintenance and repair - equipment	17,000	17,355	5,344	-	-	5,344	12,011
Travel	1,000	1,000	514	-	-	514	486
Other contracted services	54,000	54,000	46,552	-	-	46,552	7,448
Other supplies and materials	12,000	12,000	11,239	-	-	11,239	761
Inservice/staff development	2,900	2,900	2,016	-	-	2,016	884
Other charges	2,000	2,000	370	-	-	370	1,630
Data processing equipment	8,000	8,000	5,266	-	1,575	6,841	1,159
Other equipment	15,000	87,466	8,980	(150)	70,720	79,550	7,906
Total central and other	215,599	288,410	179,083	(150)	72,295	251,228	37,182
Total general administration	2,225,348	2,403,733	2,128,532	(5,814)	72,295	2,195,013	208,720
Early childhood education							
Teachers	88,352	81,326	81,325	-	-	81,325	1
Educational assistants	46,935	47,020	47,021	-	-	47,021	(1)
Other salaries and wages	-	5,827	5,827	-	-	5,827	-
Certified substitute teachers	400	2,080	2,080	-	-	2,080	-
Non-certified substitute teachers	1,200	515	515	-	-	515	-
Social security	8,125	8,480	8,480	-	-	8,480	-
State retirement	7,469	7,359	7,360	-	-	7,360	(1)
Medical insurance	13,631	13,631	13,631	-	-	13,631	-
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	350	266	266	-	-	266	-
Local retirement	552	558	558	-	-	558	-
Employer medicare	1,985	1,983	1,983	-	-	1,983	-
Travel	-	87	88	-	-	88	(1)
Instructional supplies	2,000	1,348	1,348	-	-	1,348	-
Other supplies and materials	2,000	3,062	3,062	-	-	3,062	-
Indirect costs	6,820	6,922	6,923	-	-	6,923	(1)
Inservice/staff development	2,050	619	619	-	-	619	-
Other charges	510	385	385	-	-	385	-
Regular instruction equipment	17,000	17,911	1,015	-	-	1,015	16,896
Capital outlay	-	-	16,895	-	-	16,895	(16,895)
Total early childhood education	199,655	199,655	199,657	-	-	199,657	(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, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Debt service							
Principal payments	105,232	105,232	78,808	-	-	78,808	26,424
Interest payments	18,772	18,772	18,772	-	-	18,772	-
Total debt service	124,004	124,004	97,580	-	-	97,580	26,424
Capital outlay							
HVAC equipment	-	-	369,901	(376,000)	-	(6,099)	6,099
Total capital outlay	-	-	369,901	(376,000)	-	(6,099)	6,099
Total Expenditures	8,548,069	9,209,645	8,973,696	(543,067)	79,795	8,510,424	700,721
Excess (deficiency) of revenues over (under) expenditures	(1,143,999)	(1,363,718)	(1,303,990)	541,567	(79,795)	(842,218)	523,000
Other financing sources and (uses)							
Proceeds from loan	-	-	352,332	-	-	352,332	352,332
Transfers out	(47,722)	(47,722)	-	-	-	-	47,722
Transfers in	1,091,000	1,091,000	1,063,000	-	-	1,063,000	(28,000)
Total other financing sources and (uses)	1,043,278	1,043,278	1,415,332	-	-	1,415,332	372,054
Net change in fund balance	(100,721)	(320,440)	111,342	541,567	(79,795)	573,114	895,054
Fund balance - beginning of year	1,425,735	1,425,735	1,968,802	(541,567)	-	1,427,235	-
Fund balance - end of year	\$ 1,325,014	\$ 1,105,295	\$ 2,080,144	\$ -	\$ (79,795)	\$ 2,000,349	\$ 895,054

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

ASSETS	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,340,418	\$ 503,133	\$ 6,864,367	\$ 11,707,918
Cash and cash equivalents - restricted	-	-	8,989,712	8,989,712
Investments	-	12,918	-	12,918
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	746,760	-	3,070,330	3,817,090
Current portion of notes receivable	60,000	-	-	60,000
Grant receivables	35,425	130,392	-	165,817
Other receivables	-	113,043	259,179	372,222
Due from other funds	29,866	607,593	-	637,459
Inventory	222,708	189,720	246,735	659,163
Natural gas storage	739,777	-	-	739,777
Prepaid expenses	25,209	70,339	13,198	108,746
TOTAL CURRENT ASSETS	6,200,163	1,627,138	19,543,521	27,370,822
PROPERTY, PLANT AND EQUIPMENT				
Land	116,227	76,153	-	192,380
Buildings	427,299	366,124	-	793,423
Equipment	1,591,525	1,931,348	-	3,522,873
General plant	-	-	4,810,908	4,810,908
Distribution plant	13,556,127	30,492,419	48,928,963	92,977,509
Construction in progress	861,911	1,651,973	1,141,625	3,655,509
TOTAL PROPERTY, PLANT AND EQUIPMENT	16,553,089	34,518,017	54,881,496	105,952,602
Less accumulated depreciation	(8,143,926)	(15,800,189)	(20,233,864)	(44,177,979)
NET PROPERTY, PLANT AND EQUIPMENT	8,409,163	18,717,828	34,647,632	61,774,623
OTHER ASSETS				
Note receivable - TVA Home Insulation Program	-	-	307,852	307,852
Noncurrent portion of notes receivable	65,000	-	-	65,000
Deposits	-	65	-	65
Other deferred costs	-	-	104,866	104,866
Bond issue costs, net of accumulated amortization	87,138	196,669	182,341	466,148
TOTAL OTHER ASSETS	152,138	196,734	595,059	943,931
TOTAL ASSETS	\$ 14,761,464	\$ 20,541,700	\$ 54,786,212	\$ 90,089,376
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 138,757	\$ 106,169	\$ 4,019,075	\$ 4,264,001
Accrued expenses	356,065	400,917	273,926	1,030,908
Accrued interest	33,665	88,387	145,319	267,371
Bond premium	6,440	17,326	-	23,766
Compensated absences	-	-	667,735	667,735
Customer deposits	362,308	168,038	495,666	1,026,012
Due to other funds	684,813	71,173	-	755,986
Current portion of long-term debt	345,000	910,000	500,000	1,755,000
TOTAL CURRENT LIABILITIES	1,927,048	1,762,010	6,101,721	9,790,779
LONG-TERM LIABILITIES				
Compensated absences	-	-	744,127	744,127
Bonds and notes payable	3,530,000	8,235,000	15,880,000	27,645,000
Pension liability	-	-	687,302	687,302
Other post employment benefits	-	-	392,360	392,360
Advances from Home Installation Program	-	-	308,212	308,212
TOTAL LONG-TERM LIABILITIES	3,530,000	8,235,000	18,012,001	29,777,001
TOTAL LIABILITIES	5,457,048	9,997,010	24,113,722	39,567,780
NET ASSETS				
Invested in capital assets, net of related debt	4,621,301	9,769,497	26,517,632	40,908,430
Restricted for debt service	-	-	694,393	694,393
Unrestricted net assets	4,683,115	775,193	3,460,465	8,918,773
TOTAL NET ASSETS	9,304,416	10,544,690	30,672,490	50,521,596
TOTAL LIABILITIES AND NET ASSETS	\$ 14,761,464	\$ 20,541,700	\$ 54,786,212	\$ 90,089,376

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
OPERATING REVENUES				
Charges for services	\$ 5,508,806	\$ 5,891,612	\$ 46,762,916	\$ 58,163,334
Operating grants	-	-	-	-
Miscellaneous	2,872	7,860	781,837	792,569
TOTAL OPERATING REVENUES	<u>5,511,678</u>	<u>5,899,472</u>	<u>47,544,753</u>	<u>58,955,903</u>
OPERATING EXPENSES				
Natural gas purchases	2,947,867	-	-	2,947,867
Water purchases	-	91,606	-	91,606
Purchased for resale	-	-	36,496,477	36,496,477
Personnel expenses	1,218,394	2,007,587	-	3,225,981
Supplies	52,304	347,881	-	400,185
Utilities	25,428	423,991	-	449,419
Repairs and maintenance	123,862	776,152	1,333,714	2,233,728
Professional fees	22,800	24,448	-	47,248
Operating expenses	73,330	41,000	4,911,686	5,026,016
Rent	46,800	26,400	-	73,200
Office expense	81,648	63,790	-	145,438
Transportation expense	-	90,563	-	90,563
Insurance	29,643	82,135	-	111,778
Taxes and tax equivalents	11,261	-	-	11,261
Memberships and subscriptions	-	29,014	-	29,014
Miscellaneous	-	3,018	-	3,018
Depreciation and amortization	476,032	799,645	1,654,541	2,930,218
TOTAL OPERATING EXPENSES	<u>5,109,369</u>	<u>4,807,230</u>	<u>44,396,418</u>	<u>54,313,017</u>
OPERATING INCOME (LOSS)	<u>402,309</u>	<u>1,092,242</u>	<u>3,148,335</u>	<u>4,642,886</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	33,742	2,478	97,905	134,125
Donation of capital asset	-	-	-	-
Miscellaneous revenue	-	-	2,644	2,644
Lawsuit settlement payment	(56,737)	-	-	(56,737)
TN Gas Pipeline settlement	102,168	-	-	102,168
Gain on sale of asset	-	-	(778,094)	(778,094)
Insurance reimbursements	7,510	9,254	-	16,764
Interest expense	(120,171)	(334,789)	(559,813)	(1,014,773)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(33,488)</u>	<u>(323,057)</u>	<u>(1,237,358)</u>	<u>(1,593,903)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>368,821</u>	<u>769,185</u>	<u>1,910,977</u>	<u>3,048,983</u>
Transfers to other funds	(180,017)	(116,329)	(667,909)	(964,255)
Capital contributions	3,539	11,579	-	15,118
CHANGE IN NET ASSETS	<u>192,343</u>	<u>664,435</u>	<u>1,243,068</u>	<u>2,099,846</u>
NET ASSETS - BEGINNING OF YEAR, as originally stated	<u>9,112,073</u>	<u>9,880,255</u>	<u>29,429,422</u>	<u>48,421,750</u>
Prior period adjustment	-	-	-	-
NET ASSETS - BEGINNING OF YEAR	<u>9,112,073</u>	<u>9,880,255</u>	<u>29,429,422</u>	<u>48,421,750</u>
NET ASSETS - END OF YEAR	<u>\$ 9,304,416</u>	<u>\$ 10,544,690</u>	<u>\$ 30,672,490</u>	<u>\$ 50,521,596</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, 2012

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 5,484,298	\$ 5,879,301	\$ 47,564,361	\$ 58,927,960
Cash received from other funds for services	171,383	61,796	-	233,179
Other operating cash receipts	10,382	17,114	-	27,496
Cash payments to city - tax equivalents	-	-	(667,909)	(667,909)
Cash payments to suppliers for goods and services	(3,530,137)	(2,944,917)	(40,888,509)	(47,363,563)
Cash payments to employees for services	(1,124,797)	(2,007,587)	(1,424,752)	(4,557,136)
Customer deposits received	-	-	244,842	244,842
Customer deposits refunded	-	-	(220,370)	(220,370)
Cash payments to other funds for services	-	(21,232)	-	(21,232)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,011,129	984,475	4,607,663	6,603,267
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	102,168	-	(260,000)	(157,832)
Amounts paid to other funds	(180,017)	(116,329)	-	(296,346)
Advances from Home Insulation Program	-	-	48,125	48,125
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(77,849)	(116,329)	(211,875)	(406,053)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(143,375)	(228,700)	(2,128,094)	(2,500,169)
Plant removal cost	-	-	(307,966)	(307,966)
Materials salvaged from retirements	-	-	55,694	55,694
TDOT grant revenue	2,430	3,458	-	5,888
Bond proceeds	-	-	8,250,000	8,250,000
Principal payments on long-term debt	(340,000)	(880,000)	-	(1,220,000)
Interest paid on long-term debt	(122,346)	(344,479)	-	(466,825)
Bond issue costs	(490)	-	(101,168)	(101,658)
Bond issue premium	-	(1,154)	-	(1,154)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(603,781)	(1,450,875)	5,768,466	3,713,810
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases/redemptions of investment securities	-	368,315	-	368,315
Purchase of investments	-	-	(100,000)	(100,000)
Proceeds from sale of investments	-	-	200,000	200,000
Notes receivable - TVA Home Insulation Program	-	-	(48,175)	(48,175)
Interest on cash and investments	33,742	2,478	(371,137)	(334,917)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	33,742	370,793	(319,312)	85,223
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	363,241	(211,936)	9,844,942	9,996,247
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,977,177	715,069	6,009,137	10,701,383
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,340,418	\$ 503,133	\$ 15,854,079	\$ 20,697,630
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 402,309	\$ 1,092,242	\$ 3,155,955	\$ 4,650,506
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	476,032	799,645	1,646,921	2,922,598
Amounts paid to City - tax equivalents	-	-	(667,909)	(667,909)
Insurance reimbursements	7,510	9,254	-	16,764
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(46,855)	-	19,608	(27,247)
(Increase) decrease in other receivables	-	(8,186)	-	(8,186)
(Increase) decrease in notes receivable	60,000	-	-	60,000
(Increase) decrease in inventory	(11,061)	24,926	42,097	55,962
(Increase) decrease in prepaid assets	-	-	8,915	8,915
(Increase) decrease in due from other funds	17,427	(21,232)	-	(3,805)
(Increase) decrease in prepaid insurance	934	(575)	-	359
(Increase) decrease in natural gas storage	89,029	-	-	89,029
Increase (decrease) in accounts payable	(194,096)	(950,154)	33,311	(1,110,939)
Increase (decrease) in due to other funds	93,956	61,796	-	155,752
Increase (decrease) in pension liability	-	-	150,387	150,387
Increase (decrease) in OPEB	-	-	193,906	193,906
Increase (decrease) in customer deposits	5,679	(4,125)	24,472	26,026
Increase (decrease) in accrued liabilities	110,265	(19,116)	-	91,149
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,011,129	\$ 984,475	\$ 4,607,663	\$ 6,603,267
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
OPEB	\$ -	\$ -	\$ 193,906	\$ 193,906

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>School Activity</u>	<u>Pension Trust Funds</u>	
	<u>Agency Fund</u>	<u>Municipal Employees</u>	<u>Electric Employees</u>
ASSETS			
Cash and cash equivalents	\$ 50,797	\$ -	\$ -
Investments:			
Mutual funds (market value)	-	5,878,567	4,837,353
Annuities (market value)	-	257,381	-
TOTAL ASSETS	<u>\$ 50,797</u>	<u>\$ 6,135,948</u>	<u>\$ 4,837,353</u>
LIABILITIES			
Accrued liabilities	<u>\$ 50,797</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS			
Reserved for restricted accounts	-	-	-
Held in trust for pension benefits	-	6,135,948	4,837,353
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 50,797</u>	<u>\$ 6,135,948</u>	<u>\$ 4,837,353</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 ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
Additions			
Contributions and other additions	\$ 714,443	\$ 568,851	\$ 1,283,294
Investment income	43,980	-	43,980
Change in market value	18,142	47,567	65,709
Total Additions	<u>776,565</u>	<u>616,418</u>	<u>1,392,983</u>
Deductions			
Fees	3,542	-	3,542
Dividends and interest paid	8,698	-	8,698
Benefits	339,793	318,808	658,601
Net depreciation in fair value of investments	-	-	-
Total Deductions	<u>352,033</u>	<u>318,808</u>	<u>670,841</u>
Net increase in plan assets	424,532	297,610	722,142
NET ASSETS - BEGINNING OF YEAR	<u>5,711,416</u>	<u>4,539,743</u>	<u>10,251,159</u>
NET ASSETS - END OF YEAR	<u>\$ 6,135,948</u>	<u>\$ 4,837,353</u>	<u>\$ 10,973,301</u>

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those 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 Assets 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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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.

Proprietary Fund

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

Enterprise Fund

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

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

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

Pension Trust Funds

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

Major and Nonmajor Funds

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

Fund	Brief Description
Major: General	See above for description.
<i>Special Revenue Fund:</i> General Purpose School	Accounts for revenues and expenditures of the City's school.
<i>Proprietary Fund:</i> Natural Gas Fund	Accounts for activities of the government's natural gas distribution operations.
Water Systems Fund	Accounts for operations of the sewage facilities and the distribution of water.
Electric Department	Accounts for activities of the government's electric distribution operations.
Nonmajor Special Revenue Funds: State Street Aid	Accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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School Tax Fund	Accounts for revenues, which are primarily a portion of the State-shared sales tax revenues and transfers from the General Fund, and expenditures, which are primarily capital in nature.
School Food Service	Accounts for the school cafeteria revenues and the expenditures.
Solid Waste Collection	Accounts for the solid waste collection revenue and expenditures related to disposal services.
Dare Fund	Accounts for project revenues and expenditures related to drug awareness programs.
Police Drug Fund	Accounts for revenues and expenditures on drug fines and enforcement costs.
Debt Service Fund	See above for description.
Capital Projects Fund	See above for description.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales and use taxes, intergovernmental revenues, interest income, etc...).

The City does not allocate indirect costs.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

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

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due 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 Assets. 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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 and issuance costs are treated as period costs in the year of issue. Bond issuance costs are shown as other financing uses. In the proprietary funds, bond discounts and issuance costs 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.

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, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed 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.

The capitalization policy is as listed below:

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

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

	<u>Years</u>
Buildings	10-50
Equipment	5-17
Vehicles	5-7
Plant	15-50

Fund Financial Statements

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

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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and any related unamortized bond issue costs.
- b. Restricted net assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental Fund Statements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. *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).
2. *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.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by formal action (ordinance) of the Board of Education (the System's highest level of decision-making authority).
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts are determined by the Board of Education.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

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.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

Proprietary Fund Statements

Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

Sales Tax

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

Property Tax

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

Operating Revenues and Expenses

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

Expenditures/ Expenses

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

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

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

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.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
Police Drug Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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

2.C. REVENUE RESTRICTIONS

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

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

2.D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The City had no deficit fund balances at June 30, 2012.

2.E. BUDGET

The School Debt Service Fund had expenditures that exceeded appropriations for the year ended June 30, 2012.

Lexington City Schools

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, 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, 2012, \$4,087,151 of 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). \$74,480 of the System's deposits were exposed to custodial credit risk because it was uninsured and uncollateralized.

Water Systems

As of June 30, 2012, 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, 2012, the Department's bank deposits were fully collateralized or insured.

School System

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

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of amounts due from the various local sources. Receivables detail at June 30, 2012, is as follows:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 13,250	\$ 4,006,122	\$ 4,019,372
Allowance for doubtful accounts	(11,378)	(189,032)	(200,410)
Net accounts receivable	\$ 1,872	\$ 3,817,090	\$ 3,818,962

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

	<u>Balance 7/1/11</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/12</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,022,838	\$ -	\$ -	\$ 2,022,838
Construction in Progress	18,692	14,625	16,675	16,642
Total Capital assets not being depreciated	<u>2,041,530</u>	<u>14,625</u>	<u>16,675</u>	<u>2,039,480</u>
Capital assets being depreciated				
Buildings	27,274,685	-	-	27,274,685
Equipment	6,593,272	403,840	95,073	6,902,039
Equipment under capital lease	-	-	-	-
Infrastructure	16,096,825	-	-	16,096,825
Improvements	5,416,813	428,680	-	5,845,493
Total Capital assets being depreciated	<u>55,381,595</u>	<u>832,520</u>	<u>95,073</u>	<u>56,119,042</u>
Less accumulated depreciation for:				
Buildings	9,160,702	541,860	-	9,702,562
Equipment	4,963,180	486,957	95,073	5,355,064
Equipment under capital lease	-	-	-	-
Infrastructure	11,528,100	38,445	-	11,566,545
Improvements	2,408,571	280,773	-	2,689,344
Total accumulated depreciation	<u>28,060,553</u>	<u>1,348,035</u>	<u>95,073</u>	<u>29,313,515</u>
Total capital assets, being depreciated, net	<u>27,321,042</u>			<u>26,805,527</u>
Governmental activities capital assets, net	<u>\$ 29,362,572</u>			<u>\$ 28,845,007</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 224,934	\$ -	\$ -	\$ 224,934
Construction in Progress	7,691,727	21,751	4,057,969	3,655,509
Total Capital assets not being depreciated	<u>7,916,661</u>	<u>21,751</u>	<u>4,057,969</u>	<u>3,880,443</u>
Capital assets being depreciated				
Buildings	1,546,679	13,069	-	1,559,748
Equipment	6,575,378	1,002,561	237,935	7,340,004
Plant	89,148,719	5,640,449	1,616,760	93,172,408
Total Capital assets being depreciated	<u>97,270,776</u>	<u>6,656,079</u>	<u>1,854,695</u>	<u>102,072,160</u>
Less accumulated depreciation for:				
Buildings	858,958	23,148	-	882,106
Equipment	5,015,480	420,264	237,935	5,197,809
Plant	36,614,380	2,574,623	1,090,938	38,098,065
Total accumulated depreciation	<u>42,488,818</u>	<u>3,018,035</u>	<u>1,328,873</u>	<u>44,177,980</u>
Total capital assets, being depreciated, net	<u>54,781,958</u>			<u>57,894,180</u>
Business-type activities capital assets, net	<u>\$ 62,698,619</u>			<u>\$ 61,774,623</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 253,920
Public safety	220,362
Public works	132,458
Health, recreation and welfare	741,295
Total depreciation expense	<u>\$1,348,035</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012**

3.D. ACCOUNTS PAYABLE

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

3.E. OPERATING LEASES

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

3.F. PREPAID MEALS

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

3.G. LONG-TERM DEBT

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

During the year the City issued \$6,900,000 in refunding bonds. Revenue bonds with a variable interest rate were issued to refund \$6,765,000 in existing bonds. Issuance costs associated with this refunding were approximately \$119,040. The City will be amortizing these costs over the next 20 years. The bonds were issued at a premium of \$3,904 which will be accreted over the next 20 years. The City refunded these bonds to benefit from lower interest rates.

During the year the School System received an Energy Efficient Schools Initiative Loan from the State of Tennessee to complete projects at local schools. This loan is a 0% interest loan.

Governmental Activities

As of June 30, 2012, the governmental long-term debt of the financial reporting entity consisted of the following:

**CITY OF LEXINGTON, TENNESSEE
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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%. \$ 3,125,000

2003 General Obligation Refunding Bonds dated March 12, 2003, due December 1, 2003, through December 1, 2016, bearing interest rates of 1.75% to 5.40%. 790,000

2012 General Obligation School Bonds dated May 1, 2012, due June 1, 2013, through June 1, 2032, bearing interest rates of 1.00 to 3.125%. 6,900,000

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%, 1,340,000

2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest. 679,759

Capital Outlay Notes

2005 capital outlay note. Interest 4.05% with final payment due September 1, 2017. 275,000

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest. 343,524

2008 capital outlay note. Interest 4.40% with final payment due July 1, 2010. 125,000

13,578,283

Other Debt

Compensated absences 1,039,890

Landfill closure costs 224,103

Total Government Activity Debt \$ 14,842,276

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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%	\$ 1,705,000
2011 Gas Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	2,170,000
2011 Water Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	2,635,000
2009 Water and Sewer Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	6,125,000
2000 Water and Sewer Revenue and Tax Refunding Bonds, dated June 1, 2000, due September 1, 2000, through September 1, 2012, bearing interest rates of 4.20% to 5.40%.	385,000
2007 Electric Department Revenue Bonds, dated April 24, 2007, due November 1, 2007 through May 1, 2032, bearing an interest rate of 4.09%.	8,130,000
2011 Electric Plant Revenue Bonds, variable interest of 2.0% to 4.0% due serially through 2037	<u>8,250,000</u>
Total Business-type Activities	<u><u>\$ 29,400,000</u></u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

**CITY OF LEXINGTON, TENNESSEE
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	<u>Balance 7/1/2011</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2012</u>	<u>Due within one year</u>
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 13,550,288	\$ 6,900,000	\$ 7,615,529	\$ 12,834,759	\$ 900,529
Notes Payable	500,000	352,332	108,808	743,524	135,232
Landfill Closure Costs	227,801	-	3,698	224,103	-
Compensated Absences	1,046,901	-	7,011	1,039,890	-
Total governmental type activities	<u>15,324,990</u>	<u>7,252,332</u>	<u>7,735,046</u>	<u>14,842,276</u>	<u>1,035,761</u>
<u>Business Type Activities</u>					
Revenue Bonds	<u>22,630,000</u>	<u>8,250,000</u>	<u>1,480,000</u>	29,400,000	<u>1,755,000</u>
<u>Electric Department</u>					
Compensated Absences				744,127	
Advances from Home Installation Program				308,212	
Total business type activities				<u>30,452,339</u>	
Total government	<u>\$ 37,954,990</u>	<u>\$ 15,502,332</u>	<u>\$ 9,215,046</u>	<u>\$ 45,294,615</u>	<u>\$ 2,790,761</u>

Other Long-term liabilities

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

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2012 are as follows:

**CITY OF LEXINGTON, TENNESSEE
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Year Ending June 30,	<u>General Obligation Bonds</u> Governmental Activities		<u>Revenue Bonds</u> Business-type Activities		Principal and Interest Total
	Principal	Interest	Principal	Interest	
2013	\$ 900,529	\$ 334,753	\$ 1,755,000	\$ 1,027,067	\$ 4,017,349
2014	930,529	302,883	1,600,000	979,717	3,813,129
2015	950,529	282,997	1,635,000	937,964	3,806,490
2016	970,529	262,407	1,680,000	896,503	3,809,439
2017	1,000,529	239,146	1,295,000	856,350	3,391,025
2018-2022	3,392,114	924,500	5,705,000	3,685,611	13,707,225
2023-2027	2,090,000	623,078	5,530,000	2,734,588	10,977,666
2028-2032	2,420,000	287,358	6,805,000	1,539,800	11,052,158
2033-2037	180,000	12,487	3,395,000	315,158	3,902,645
Total	\$ 12,834,759	\$ 3,269,609	\$ 29,400,000	\$ 12,972,758	\$ 58,477,126

Notes Payable

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Principal and Interest Total
	Principal	Interest	Principal	Interest	
2013	\$ 135,232	\$ 15,328	\$ -	\$ -	\$ 150,560
2014	145,232	11,206	-	-	156,438
2015	80,232	6,784	-	-	87,016
2016	80,232	4,961	-	-	85,193
2017	85,232	3,038	-	-	88,270
2018-2022	217,364	1,013	-	-	218,377
	\$ 743,524	\$ 42,330	\$ -	\$ -	\$ 785,854

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	<u>TRANSFER TO</u>					<u>Totals</u>
	<u>General</u>	<u>DARE</u>	<u>School Tax</u>	<u>School Debt</u>	<u>General Purpose School</u>	
TRANSFER FROM						
General	\$ -	\$ -	\$ 209,000	\$ -	\$ 680,000	\$ 889,000
Police Drug Fund	-	3,000	-	-	-	3,000
Solid Waste	99,368	-	-	-	-	99,368
School Tax	-	-	-	930,444	383,000	1,313,444
Electric	667,909	-	-	-	-	667,909
Water	116,329	-	-	-	-	116,329
Gas	180,017	-	-	-	-	180,017
GRAND TOTALS	\$ 1,063,623	\$ 3,000	\$ 209,000	\$ 930,444	\$ 1,063,000	\$ 3,269,067

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 and operating transfers. Transfers from the Sales Tax Fund to the School Debt Fund are for debt payments.

Interfund Receivables and Payables

**CITY OF LEXINGTON, TENNESSEE
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	DUE TO:					Totals
	General	General Purpose School	Solid Waste	Water Systems	Gas	
DUE FROM:						
Solid Waste	\$ -	\$ -	\$ -	\$ -	\$ 3,859	\$ 3,859
School tax fund	159,500	14,625	-	-	-	174,125
Gas	18,654	-	58,566	607,593	-	684,813
Water Systems	45,166	-	-	-	26,007	71,173
	<u>\$ 223,320</u>	<u>\$ 14,625</u>	<u>\$ 58,566</u>	<u>\$ 607,593</u>	<u>\$ 29,866</u>	<u>\$ 933,970</u>

Transactions arising from Water, Sewer, and Garbage Fund billing of utility services are recorded in these accounts between the Gas, Water System, and Solid Waste Funds. The amounts due to the General Fund from the Water and Gas Funds are for insurance payments made by the General Fund and not yet reimbursed by the other funds. The amount due to the General Fund from the School Tax fund is for debt service costs.

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, 2012 were \$53,717 and \$10,394, 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. The City has also adopted a resolution for a defined contribution pension plan, as of June 30, 2012 no employees were eligible for that plan. School department information is included in another note. The plan was established by City ordinance and may be amended by such.

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Ending: 06/30/2012

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.

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Normal Retirement Date: First day of the month coinciding with or next following attainment of age 60. As of January 1, 1999, all new participants must attain age 60 with 10 years of service.

Normal Retirement Benefit Formula: Monthly annuity is equal to the sum of (1) and (2) below:

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

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

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

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

Normal Form of Benefits: Single life annuity with 120 months certain.

Maximum Annual Benefit: \$ 200,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

Employee Contributions: Monthly contributions equal to 6% of member's monthly earnings. Effective, July 1, 1999, these contributions will be made with pre-tax dollars.

Credited Interest: 5% per annum compounded annually.

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

Effective November 22, 2004, any member who is actively employed by the City and is credited with at least 10 years of Credited Service may elect to retire under the terms of the City of Lexington Early Retirement Incentive Program, with the following Accrued Benefit enhancements:

- (1) Each member who meets the requirements shall be credited with an additional 5 years of Credited Service.
- (2) Each member who meets the requirements shall receive an unreduced Accrued Benefit.

Eligible members must elect to retire under the terms of the City of Lexington Early Retirement Incentive Program on or before January 10, 2005.

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.

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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%

The benefit will be forfeited if the member is less than 50% vested and elects a return of employee contributions with interest before the commencement of benefits.

Actuarial Valuation

An actuarial valuation was performed on the plan as of January 1, 2012. The actuarial cost method used was the projected unit credit cost method. Under this method, annual contributions consist of normal cost plus amortization of the unfunded actuarial accrued liability (UL) over a fixed period of years, selected within the minimum (10 years) and maximum (30 years) periods. Each year the maximum contribution is determined by 10-year amortization of the UL. The minimum contribution is determined by amortization over the remaining period at date of valuation. This period is 20 years as of January 1, 2012.

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

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

Actuarial assumptions used for post-retirement, mortality from the 2012 Combined Static Mortality Table with investment return of 7.0% per annum. For pre-retirement the mortality used was from the 2012 Combined Static Mortality Table with investment return of 7.5% per annum, salary projection of 4.0% per annum, retirement age of age 60 or current age if later.

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Actuarial Present Values of Accumulated Plan Benefits	January 1, 2012
Vested Benefits	
Participants currently receiving payments	\$ 242,582
Other Participants	
Active Employees	5,193,275
Deceased and Disabled Employees	86,099
Deferred Vested Terminated Employees	358,232
Total - Other Participants	5,637,606
Total Vested Benefits	5,880,188
Nonvested Benefits	899,245
Total Actuarial Present Values of Accumulated Plan Benefits	\$ 6,779,433

Statement of Changes in Accumulated Plan Benefits

Actuarial Present Value of Accumulated Plan Benefits at Beginning of Year	\$ 5,615,141
Increase (decrease) during the year attributable to:	
Benefits paid	(431,105)
Interest due to change in the discount period	421,136
Assumption change	666,016
Plan amendment	-
Benefits accumulated and actuarial gains and losses	508,245
Actuarial Present Value of Accumulated Plan Benefits at End of Year	\$ 6,779,433

Discount Assumption:

Pre-retirement	7.50%
Post-retirement	7.00%

Electric System

Plan Description

The Board provides all retirement benefits for employees through a single-employer, defined benefit plan. Under the plan, all full-time employees are eligible. The System's payroll for employees covered by the plan for the year ended June 30, 2012, was \$2,243,050 and the total payroll for the year was \$2,819,039.

All employees of the System become participants on the first day of the calendar month on or immediately after completion of one year of service and attainment of age 20. The Plan provides normal retirement benefits at age 60. Effective March 1, 2000, the monthly annuity is equal to the sum of 2.25% of the members Average Monthly Earnings multiplied by years of Credited Service for the member's first 30 years of Credited Service and 1.85% of the member's Average Monthly Earnings, multiplied by years of Credited Service in excess of 30 years. For contributing members as of April 1, 1986, minimum monthly annuity will equal to 3.33% of member's Average Monthly Earnings multiplied by years of Credited Service subject to a maximum of 15 years. A member of the plan will receive a benefit of no less than 40% of the average of monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater. Average Monthly Earnings means the greater of (1) the average of monthly compensation for the 5 consecutive years of highest compensation, and (2) monthly compensation during the year immediately preceding the participant's 60th birthday. Maximum annual compensation is \$195,000. A reduced retirement benefit is available to employees upon early retirement.

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Funding Policy

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

Annual Pension Cost

For the year ended June 30, 2012, the System's annual pension cost of \$615,170 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2011. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5% a year and (b) 4.5% projected salary increases.

Year Ended June 30,	Annual Required Contribution (ARC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 246,417	146.83%	\$ 95,275
2005	291,565	105.82%	76,928
2006	355,927	86.13%	125,010
2007	393,254	93.06%	148,825
2008	411,050	79.52%	227,954
2009	434,982	89.07%	266,054
2010	577,370	68.94%	433,557
2011	634,550	80.41%	536,915
2012	615,170	71.49%	687,302

School Department

Professional Staff:

Plan Description

The Lexington City School System contributes to the State Employee, Teachers, and Higher Education Employees Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury while the member was in performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The maximum annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee

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Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

Most teachers are required by state statute to contribute 5% of salary to the plan. The employer contribution rate for Lexington City School System is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2012, was 9.05% of annual covered payroll. The employer contribution requirement for Lexington City School System is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2012, 2011, and 2010, were \$365,668, \$366,000, and \$275,349, respectively, equal to the required contributions for each year.

Non-Professional Staff:

The non-professional staff members of the System may elect a retirement plan option. The Lexington City School Board authorized funds for a 403-b tax sheltered individual annuity plan for each of the 25 qualifying individuals. The system would match a minimum of \$300 for the individual staff's \$300, for a total of \$600 required as a minimum contribution by Horace Mann authorized carriers to provide the plan. The system would match 3.5% of staff total yearly salary, with minimum match of \$300. Total contributions by the system amounted to \$ 11,829 for the 11-12 school year.

4.B. POST EMPLOYMENT HEALTHCARE PLAN – Electric System

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

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

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

Components of Net OPEB Obligation

Annual required contribution	\$ 244,051
Interest on Net OPEB obligation	7,939
Adjustment to annual required contribution	(9,268)
Annual OPEB cost (expense)	<u>242,722</u>
Contributions and subsidy	(48,826)
Increase in net obligation	<u>193,896</u>
Net OPEB obligation (BOY)	198,464
Net OPEB (asset) obligation (EOY)	<u><u>\$ 392,360</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 2012 and the preceding two years are as follows:

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Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 242,722	20.12%	\$ 390,360
6/30/2011	261,396	73.00%	198,464
6/30/2010	252,905	73.00%	146,868
6/30/2009	243,920	67.80%	78,619

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

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

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

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5% after ten years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2011 was 30 years.

4.C. RISK MANAGEMENT

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

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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, 2012 the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

4.D. LANDFILL POSTCLOSURE COSTS

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$224,103 as a long-term liability in the statement of net assets. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

4.E. COMMITMENTS AND CONTINGENCIES

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

Electric System

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

4.F. PRIOR PERIOD ADJUSTMENTS

General Fund

An adjustment was made to increase due from other governments by \$119,538 to properly include all receivables that were due on June 30, 2011.

School Tax Fund

An adjustment was made to increase due from other governments by \$99,615 to properly include all receivables that were due on June 30, 2011.

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2012

GENERAL GOVERNMENT

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
1/1/2012	\$ 5,645,217	\$ 8,077,844	\$ 2,432,627	69.89%	\$4,318,514	56.33%
1/1/2011	5,263,575	7,416,172	2,152,597	70.97%	4,595,481	46.84%
1/1/2010	4,474,711	6,579,039	2,104,328	68.01%	4,628,511	45.46%
1/1/2009	3,364,586	5,714,387	2,349,801	58.88%	4,221,025	55.67%
1/1/2008	3,450,120	4,708,371	1,258,251	73.28%	3,644,686	34.52%
1/1/2007	2,721,571	4,206,514	1,484,943	64.70%	3,541,656	41.93%
1/1/2006	2,186,366	3,609,216	1,422,850	60.58%	3,108,489	45.77%
1/1/2005	3,665,785	4,636,744	970,959	79.06%	3,239,833	29.97%
1/1/2004	3,254,596	4,145,005	890,409	78.52%	3,006,230	29.62%
1/1/2003	2,795,414	3,544,790	749,376	78.86%	2,822,430	26.55%

Schedule of Employer Contribution

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2012	\$ 427,381	\$ 289,500	67.74%
2011	398,640	269,407	67.58%
2010	386,982	320,248	82.76%
2009	261,914	381,582	145.69%
2008	290,636	242,848	83.56%
2007	247,300	267,291	108.08%
2006	213,923	213,923	100.00%
2005	195,826	232,628	118.79%
2004	185,129	185,129	100.00%
2003	344,002	552,880	160.72%

ELECTRIC DEPARTMENT RETIREMENT SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
7/1/2011	\$ 4,498,615	\$ 8,639,525	\$ 4,140,910	52.07%	\$2,243,050	184.61%
7/1/2010	4,048,748	7,645,387	3,596,639	52.96%	2,380,389	151.09%
7/1/2009	3,735,311	7,168,167	3,432,856	52.11%	2,280,295	150.54%
7/1/2008	3,548,113	6,140,101	2,591,988	57.79%	2,058,102	125.94%
7/1/2007	2,926,987	5,279,482	2,352,495	55.44%	2,085,068	112.83%
7/1/2006	2,300,623	4,840,881	2,540,258	47.52%	1,965,177	129.26%
7/1/2005	1,783,470	4,273,195	2,489,725	41.74%	1,886,617	131.97%
7/1/2004	4,768,022	6,281,761	1,513,739	75.90%	2,304,175	65.70%
7/1/2003	4,025,893	5,443,842	1,417,949	73.95%	2,078,093	68.23%

ELECTRIC DEPARTMENT POST-EMPLOYMENT SCHEDULE OF FUNDING PROGRESS

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2012

Schedule of Funding Progress

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

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 Police Drug Fund and the School Food Service Fund had expenditures that exceeded legal appropriations.

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

- Prior to May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The proposed budget is published in the local newspaper with invitations for the public to attend the budget hearings.
- Prior to July 1, the budget is legally adopted by the Mayor and City Council through adoption of the appropriation ordinance upon two readings.
- The Mayor is responsible for controlling expenditures of the various agencies of the City government within the appropriated amounts. No expenditures shall be made in excess of the appropriations.

Budgeted amounts of the revenues and expenditures presented for the General and Special Revenue Funds are shown as originally adopted and after final amendments by the City Council. Budget appropriations lapse at year end. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, of the General Fund and the General Purpose School Fund are presented as fund financial statements.

CITY OF LEXINGTON, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue										Debt Service			Capital	Total Other Governmental Funds
	State Street Aid	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police Drug Fund	General Sinking Fund	School Debt Fund	Post Office Fund						
ASSETS															
Cash and cash equivalents	7,701	208,048	100,172	-	2,708	48,877	-	-	-	-	-	-	-	-	481,285
Grant receivables	-	14,625	-	-	-	-	-	-	-	-	-	-	-	-	14,625
Other receivables	-	-	-	-	43	-	-	-	-	-	-	-	-	-	43
Due from other funds	-	-	-	58,566	-	-	-	-	-	-	-	-	-	-	58,566
Prepaid insurance	-	-	-	13,652	-	-	-	-	-	-	-	-	-	-	13,652
Inventory	-	-	15,579	-	-	-	-	-	-	-	-	-	-	-	15,579
Due from other governments	35,219	216,305	-	-	-	-	-	-	-	-	-	-	-	-	251,524
TOTAL ASSETS	\$ 42,920	\$ 438,978	\$ 115,751	\$ 72,218	\$ 2,751	\$ 48,877	\$ 20,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,696	\$ -	\$ 815,274
LIABILITIES AND FUND BALANCES															
LIABILITIES															
Accounts payable	-	60	-	-	-	1,702	-	-	-	-	-	-	-	-	1,762
Accrued liabilities	-	-	-	6,298	-	-	-	-	-	-	-	-	-	-	6,298
Deferred income	-	-	6,526	-	-	1,263	-	-	-	-	-	-	-	-	7,789
Due to other funds	-	174,125	-	3,859	-	-	-	-	-	-	-	-	-	-	177,984
TOTAL LIABILITIES	\$ -	\$ 174,185	\$ 6,526	\$ 10,157	\$ -	\$ 2,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,833
FUND BALANCES															
Nonspendable	-	-	15,579	-	-	-	-	-	-	-	-	-	-	-	15,579
Inventory	-	-	-	13,652	-	-	-	-	-	-	-	-	-	-	13,652
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	42,920	-	-	-	-	-	-	-	-	-	-	-	-	-	42,920
State street aid	-	-	93,646	-	-	-	-	-	-	-	-	-	-	-	93,646
School food authority	-	-	-	-	-	45,912	-	-	-	-	-	-	-	-	45,912
Drug fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	2,751	-	-	-	-	-	-	-	-	-	2,751
DARE fund	-	-	-	48,409	-	-	-	-	-	-	-	-	-	-	48,409
Solid waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	264,793	-	-	-	-	20,083	-	-	-	-	-	-	-	284,876
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	73,696	-	73,696
TOTAL FUND BALANCES	\$ 42,920	\$ 264,793	\$ 109,225	\$ 62,061	\$ 2,751	\$ 45,912	\$ 20,083	\$ -	\$ -	\$ -	\$ 73,696	\$ -	\$ 73,696	\$ -	\$ 621,441
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,920	\$ 438,978	\$ 115,751	\$ 72,218	\$ 2,751	\$ 48,877	\$ 20,083	\$ -	\$ -	\$ -	\$ 73,696	\$ -	\$ 73,696	\$ -	\$ 815,274

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, 2012

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police Drug Fund	Debt Service		Capital Projects Post Office Fund	Total Other Governmental Funds
							General City Sinking Fund	School Debt Fund		
Revenues:										
Taxes	\$ -	\$ 1,247,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,247,717
Intergovernmental	198,375	-	401,205	-	-	-	-	-	-	599,580
Charges for services	-	-	228,805	638,475	-	-	-	-	-	867,280
Fines, forfeitures, and penalties	-	-	-	-	-	112,440	-	-	-	112,440
Other revenue	17	21,663	811	7,450	128	858	196,001	191,354	191,354	418,282
Total Revenues	198,392	1,269,380	630,821	645,925	128	113,298	196,001	191,354	191,354	3,245,299
Expenditures:										
Current:										
Public works	203,744	-	-	548,582	-	-	-	-	384	752,710
Public safety	-	-	-	-	3,258	48,514	-	-	-	51,772
Health, welfare and recreation	-	2,417	625,382	-	-	83,702	4,645	158,642	-	791,086
Capital outlay	-	-	-	-	-	-	-	-	-	83,702
Debt Service	-	7,020,868	-	-	-	-	181,098	-	-	8,132,410
Total Expenditures	203,744	7,023,285	625,382	548,582	3,258	132,216	185,743	159,026	159,026	9,811,680
Revenues over Expenditures	(5,352)	(5,753,905)	5,439	97,343	(3,130)	(18,918)	10,258	(930,444)	32,328	(6,566,381)
Other Financing Sources (Uses)										
Bond proceeds	-	6,900,000	-	-	-	-	-	-	-	6,900,000
Sale of capital assets	-	-	-	-	-	14,300	-	-	-	14,300
Operating transfer in	-	208,000	-	-	3,000	-	-	-	-	1,142,444
Operating transfer (out)	-	(1,313,444)	-	(99,368)	-	(3,000)	-	-	-	(1,415,812)
Total Other Financing Sources and (Uses)	-	5,795,556	-	(99,368)	3,000	11,300	-	930,444	-	6,640,932
Net Change in Fund Balances	(5,352)	41,651	5,439	(2,025)	(130)	(7,618)	10,258	32,328	32,328	74,551
Fund Balance at Beginning of Year, as originally stated	48,272	123,527	120,874	64,086	2,881	53,530	9,825	41,368	41,368	464,363
Prior period adjustment	-	99,615	-	-	-	-	-	-	-	99,615
Change in reserve for inventory	-	-	(17,088)	-	-	-	-	-	-	(17,088)
Fund Balance at Beginning of Year, as restated	48,272	223,142	103,786	64,086	2,881	53,530	9,825	41,368	41,368	546,890
Fund Balance at End of Year	\$ 42,920	\$ 264,793	\$ 109,225	\$ 62,061	\$ 2,751	\$ 45,912	\$ 20,083	\$ 73,696	\$ 73,696	\$ 621,441

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, 2012**

STUDENT ACTIVITY FUND	<u>Balance 7/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2012</u>
ASSETS				
Cash	\$ 42,870	\$ 199,530	\$ 191,603	\$ 50,797
Liabilities				
Due to student groups	\$ 42,870	\$ 199,530	\$ 191,603	\$ 50,797

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State gas and motor fuel tax	\$ 203,926	\$ 203,926	\$ 198,375	\$ (5,551)
Other revenues				
Interest income	50	50	17	(33)
Total revenues	<u>203,976</u>	<u>203,976</u>	<u>198,392</u>	<u>(5,584)</u>
Expenditures:				
Public Works:				
Street lighting	221,550	221,550	203,744	17,806
Total expenditures	<u>221,550</u>	<u>221,550</u>	<u>203,744</u>	<u>17,806</u>
Revenues over (under) Expenditures	<u>(17,574)</u>	<u>(17,574)</u>	<u>(5,352)</u>	<u>12,222</u>
Other financing sources and uses:				
Transfers out	-	-	-	-
Total Other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(17,574)	(17,574)	(5,352)	12,222
Fund Balance at Beginning of Year	48,272	48,272	48,272	-
Fund Balance at End of Year	<u>\$ 30,698</u>	<u>\$ 30,698</u>	<u>\$ 42,920</u>	<u>\$ 12,222</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,169,256	\$ 1,207,756	\$ 1,247,717	\$ 39,961
Other revenues:				
Interest income	500	500	17,759	17,259
Miscellaneous	-	-	3,904	3,904
Total Revenues	<u>1,169,756</u>	<u>1,208,256</u>	<u>1,269,380</u>	<u>61,124</u>
Expenditures:				
Health, Welfare and Recreation:				
Operating costs	3,000	2,500	2,417	83
Principal payments	220,000	6,985,000	6,900,000	85,000
Bond issue costs	-	121,041	119,040	2,001
Paying agent fees	-	-	1,828	(1,828)
Capital outlay	9,500	9,500	-	9,500
Total Expenditures	<u>232,500</u>	<u>7,118,041</u>	<u>7,023,285</u>	<u>94,756</u>
Revenues over (under) Expenditures	<u>937,256</u>	<u>(5,909,785)</u>	<u>(5,753,905)</u>	<u>155,880</u>
Other financing sources and uses:				
Sale of bonds	-	6,900,000	6,900,000	-
Transfers in	266,400	209,000	209,000	-
Transfers out	(1,213,139)	(1,228,445)	(1,313,444)	(84,999)
Total Other financing sources and uses	<u>(946,739)</u>	<u>5,880,555</u>	<u>5,795,556</u>	<u>(84,999)</u>
Net Change in Fund Balances	<u>(9,483)</u>	<u>(29,230)</u>	<u>41,651</u>	<u>70,881</u>
Fund Balance at Beginning of Year	123,527	123,527	123,527	-
Prior period adjustment	-	-	99,615	99,615
Fund Balance at Beginning of Year, as restated	<u>123,527</u>	<u>123,527</u>	<u>223,142</u>	<u>99,615</u>
Fund Balance at End of Year	<u>\$ 114,044</u>	<u>\$ 94,297</u>	<u>\$ 264,793</u>	<u>\$ 170,496</u>

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

**CITY OF LEXINGTON, TENNESSEE
SCHOOL FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenue/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Payment for lunches							
Student	\$ 97,800	\$ 101,750	\$ 102,024	\$ -	\$ -	\$ 102,024	\$ 274
Adult	26,000	26,000	26,107	-	-	26,107	107
Payment for breakfast							
Student	19,000	28,400	28,691	-	-	28,691	291
USDA - lunch programs	241,400	252,700	252,798	-	-	252,798	98
USDA - breakfast programs	95,500	111,000	111,084	-	-	111,084	84
USDA - commodities	40,000	27,200	27,132	-	-	27,132	(68)
USDA - other	10,300	4,500	4,403	-	-	4,403	(97)
State matching funds	6,000	5,800	5,788	-	-	5,788	(12)
A La Carte sales	36,600	32,000	31,974	-	-	31,974	(26)
Revenues from individual schools	42,300	40,100	40,009	-	-	40,009	(91)
Interest income	650	650	755	-	-	755	105
Other revenues	-	-	56	-	-	56	56
Total Revenues	615,550	630,100	630,821	-	-	630,821	721
Expenditures							
Food supplies	275,288	279,023	278,482	-	-	278,482	541
Personnel expenditures							
Supervisor/director	26,697	26,697	26,697	-	-	26,697	-
Cafeteria personnel	197,400	199,850	199,845	-	-	199,845	5
Other salaries and wages	7,000	2,810	2,798	-	-	2,798	12
Inservice training	1,225	1,675	1,635	-	-	1,635	40
Social security	14,405	12,855	12,821	-	-	12,821	34
Medical insurance	34,045	40,182	40,181	-	-	40,181	1
Dental insurance	552	1,112	1,106	-	-	1,106	6
Unemployment compensation	689	689	678	-	-	678	11
Retirement	3,355	3,890	3,890	-	-	3,890	-
Employer medicare	3,369	3,369	2,999	-	-	2,999	370
Operations and maintenance							
Maintenance and repair	4,400	8,855	8,851	-	-	8,851	4
Nonfood supplies							
Food preparation supplies	18,100	20,465	20,463	-	-	20,463	2
Office supplies	3,375	3,375	776	-	-	776	2,599
Uniforms	1,000	1,000	720	-	-	720	280
Other supplies and materials	4,500	4,500	2,485	-	-	2,485	2,015
Other							
Travel	150	150	-	-	-	-	150
Other contracted services	11,600	11,600	10,023	-	-	10,023	1,577
Other transportation	4,000	3,603	1,806	-	-	1,806	1,797
Inservice/staff development	4,300	4,300	3,879	-	-	3,879	421
Other charges	100	100	-	-	-	-	100
Equipment	7,500	7,500	5,247	-	-	5,247	2,253
Total Expenditures	623,050	637,600	625,382	-	-	625,382	12,218
Excess (deficiency) of revenues over (under) expenditures	(7,500)	(7,500)	5,439	-	-	5,439	12,939
Fund Balance at Beginning of Year, as originally stated	120,874	120,874	120,874	-	-	109,904	-
Change in reserve for inventory	-	-	(17,088)	-	-	4,978	(17,088)
Fund Balance at Beginning of Year, as restated	120,874	120,874	103,786	-	-	114,882	(17,088)
Fund Balance at End of Year	\$ 113,374	\$ 113,374	\$ 109,225	\$ -	\$ -	\$ 120,321	\$ (4,149)

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services:				
Collection charges	\$ 600,000	\$ 600,000	\$ 601,467	\$ 1,467
Landfill use fees	45,000	45,000	37,008	(7,992)
Other revenues:				
Miscellaneous income	7,500	7,500	7,450	(50)
Total revenues	<u>652,500</u>	<u>652,500</u>	<u>645,925</u>	<u>(6,575)</u>
Expenditures				
Public Works:				
Salaries	233,380	233,380	232,059	1,321
Payroll taxes	17,854	17,854	16,709	1,145
Hospital and health insurance	49,216	49,216	48,641	575
Workers compensation insurance	14,893	14,893	10,070	4,823
Unemployment insurance	770	770	753	17
Utilities	1,323	1,323	893	430
Telephone	512	512	461	51
Consultant's services	2,000	2,000	-	2,000
Tires, flats, etc.	1,000	4,000	3,218	782
R&M vehicles	10,000	10,000	8,351	1,649
R&M machinery and equipment	3,000	3,000	1,407	1,593
R&M buildings	400	400	134	266
R&M other	2,000	2,000	1,603	397
Office supplies	300	300	174	126
Operating supplies	750	750	607	143
Other operating	13,000	28,000	22,840	5,160
Janitorial supplies	250	250	97	153
Clothing and uniforms	2,450	2,450	2,283	167
Fuel supplies	35,785	34,285	32,158	2,127
Consumable tools	100	300	180	120
Safety supplies	1,000	1,000	732	268
Insurance	8,991	8,991	6,656	2,335
Tipping fees	150,000	145,000	143,866	1,134
Permit fees	3,000	3,000	3,000	-
Soil testing	3,500	3,500	3,261	239
Bad debt expense	10,000	10,000	8,429	1,571
New cell	5,000	5,000	-	5,000
Total expenditures	<u>570,474</u>	<u>582,174</u>	<u>548,582</u>	<u>33,592</u>
Revenues over (under) expenditures	<u>82,026</u>	<u>70,326</u>	<u>97,343</u>	<u>27,017</u>
Other financing sources and uses:				
Transfers in (out)	(82,026)	(82,026)	(99,368)	(17,342)
Net change in fund balances	-	(11,700)	(2,025)	9,675
Fund Balance at Beginning of Year	<u>64,086</u>	<u>64,086</u>	<u>64,086</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 64,086</u>	<u>\$ 52,386</u>	<u>\$ 62,061</u>	<u>\$ 9,675</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Donations	\$ -	\$ -	\$ 128	\$ 128
Total revenues	<u>-</u>	<u>-</u>	<u>128</u>	<u>128</u>
Expenditures:				
Public Safety:				
Employee education	400	250	250	-
Public relations	1,900	2,390	2,390	-
Travel	400	665	618	47
Office supplies	50	-	-	-
Operating supplies	250	-	-	-
Total expenditures	<u>3,000</u>	<u>3,305</u>	<u>3,258</u>	<u>47</u>
Revenues over (under) expenditures	<u>(3,000)</u>	<u>(3,305)</u>	<u>(3,130)</u>	<u>175</u>
Other financing sources and uses:				
Transfers in	3,000	3,000	3,000	-
Net change in fund balances	-	(305)	(130)	175
Fund Balance at Beginning of Year	<u>2,881</u>	<u>2,881</u>	<u>2,881</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,881</u>	<u>\$ 2,576</u>	<u>\$ 2,751</u>	<u>\$ 175</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Drug related fines	\$ 105,000	\$ 105,000	\$ 112,440	\$ 7,440
Other revenues:				
Interest income	500	500	321	(179)
Miscellaneous income	2,000	2,000	537	(1,463)
Total revenues	<u>107,500</u>	<u>107,500</u>	<u>113,298</u>	<u>5,798</u>
Expenditures:				
Public Safety:				
Salaries	34,400	34,400	34,400	-
Vehicle tow (seized property)	1,200	1,200	650	550
Telephone	1,800	1,800	1,640	160
Repair and maintenance	1,400	1,500	1,318	182
Operating costs	2,500	8,500	10,006	(1,506)
Other costs	-	1,000	500	500
Capital outlay	65,600	85,600	83,702	1,898
Total expenditures	<u>106,900</u>	<u>134,000</u>	<u>132,216</u>	<u>1,784</u>
Revenues over (under) expenditures	<u>600</u>	<u>(26,500)</u>	<u>(18,918)</u>	<u>7,582</u>
Other financing sources and uses:				
Sale of capital assets	-	-	14,300	14,300
Transfer out	(3,000)	(3,000)	(3,000)	-
Total other financing sources and uses	<u>(3,000)</u>	<u>(3,000)</u>	<u>11,300</u>	<u>14,300</u>
Net change in fund balances	(2,400)	(29,500)	(7,618)	21,882
Fund Balance at Beginning of Year	<u>53,530</u>	<u>53,530</u>	<u>53,530</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 51,130</u>	<u>\$ 24,030</u>	<u>\$ 45,912</u>	<u>\$ 21,882</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Rent - U. S. Post Office	\$ 196,000	\$ 196,000	\$ 196,000	\$ -
Interest income	-	-	1	1
Total revenues	<u>196,000</u>	<u>196,000</u>	<u>196,001</u>	<u>1</u>
Expenditures:				
Health, Welfare and Recreation:				
Repair and maintenance	1,000	1,000	605	395
Insurance	3,807	4,307	4,040	267
Debt Service:				
Principal payments	135,000	135,000	135,000	-
Interest payments	45,615	45,615	45,615	-
Paying agent fees	500	500	483	17
Total expenditures	<u>185,922</u>	<u>186,422</u>	<u>185,743</u>	<u>679</u>
Revenues over (under) expenditures	<u>10,078</u>	<u>9,578</u>	<u>10,258</u>	<u>680</u>
Other financing sources and uses:				
Transfer out	-	-	-	-
Net change in fund balances	10,078	9,578	10,258	680
Fund Balance at Beginning of Year	<u>9,825</u>	<u>9,825</u>	<u>9,825</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 19,903</u>	<u>\$ 19,403</u>	<u>\$ 20,083</u>	<u>\$ 680</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt Service:				
Principal payments	385,256	527,098	540,529	(13,431)
Interest payments	527,098	385,256	389,915	(4,659)
Paying agent fees	-	-	-	-
Total expenditures	<u>912,354</u>	<u>912,354</u>	<u>930,444</u>	<u>(18,090)</u>
Revenues over (under) expenditures	<u>(912,354)</u>	<u>(912,354)</u>	<u>(930,444)</u>	<u>(18,090)</u>
Other financing sources and uses:				
Transfer in	<u>912,354</u>	<u>912,354</u>	<u>930,444</u>	<u>18,090</u>
Net change in fund balances	-	-	-	-
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF LEXINGTON, TENNESSEE
 CAPITAL PROJECTS - POST OFFICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Interest income	\$ 100	\$ 100	\$ 62	\$ (38)
Fireworks contributions	-	4,724	-	(4,724)
Insurance recoveries	-	141,600	178,013	36,413
Miscellaneous income	-	2,500	13,279	10,779
Total Revenues	<u>100</u>	<u>148,924</u>	<u>191,354</u>	<u>42,430</u>
Expenditures:				
General expenses:				
Repair and maintenance	16,500	16,500	-	16,500
Public works:				
Repair and maintenance	4,500	4,500	384	4,116
Health, welfare and recreation:				
Fireworks	-	13,000	12,933	67
Museum exhibits	-	2,500	2,284	216
Repair and maintenance	14,400	14,400	3,100	11,300
Storm damage	-	141,600	140,325	1,275
Total Expenditures	<u>35,400</u>	<u>192,500</u>	<u>159,026</u>	<u>33,474</u>
Revenues over (under) Expenditures	(35,300)	(43,576)	32,328	75,904
Other financing sources and uses:				
Transfers in	-	8,138	-	(8,138)
Net Change in Fund Balances	(35,300)	(35,438)	32,328	67,766
Fund Balance at Beginning of Year	<u>41,368</u>	<u>41,368</u>	<u>41,368</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 6,068</u>	<u>\$ 5,930</u>	<u>\$ 73,696</u>	<u>\$ 67,766</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, 2012

<u>Levy for Year</u>	<u>Tax Rate</u>	<u>Assessed Value</u>	<u>Original Tax Levy</u>	<u>Outstanding Taxes Beginning</u>	<u>Taxes Levied</u>	<u>Releases and Adjustments</u>	<u>Collections</u>	<u>Outstanding Taxes Ending</u>
2012	\$1.23	\$ 173,164,260	\$ 2,129,934	\$ -	\$ 2,129,934	\$ -	\$ -	\$ 2,129,934
2011	1.23	172,560,623	2,122,526	2,089,033	33,493	(7,462)	2,022,211	92,853
2010	0.86	160,123,486	1,377,074	65,131	-	6,589	61,802	9,918
2009	0.86	160,348,230	1,378,984	12,649	-	3,237	14,996	890
2008	0.86	157,854,649	1,357,547	851	-	-	416	435
2007	0.86	161,370,663	1,387,770	513	-	-	416	97
2006	0.86	163,746,473	1,408,213	87	-	-	-	87
2005	0.71	166,009,807	1,156,947	353	-	-	-	353
2004	0.75	147,415,262	1,084,969	8,005	-	-	-	8,005
2003	0.75	140,461,875	1,081,818	6,420	-	-	-	6,420
2002	0.75	135,825,925	1,018,798	3,637	-	-	-	3,637
2001	0.75	129,764,140	1,018,037	91	-	-	-	91
2000	0.75	128,382,065	963,002	175	-	(175)	-	-
				<u>\$ 2,186,945</u>	<u>\$ 2,163,427</u>	<u>\$ 2,189</u>	<u>\$ 2,099,841</u>	<u>\$ 2,252,720</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, 2012

Year Ending June 30,	Capital Outlay - 2005		Schools Capital Outlay - 2009		EESI Loan		2004 - CZAB Bonds		Refunding Bond Series 2003		Refunding Bond Series 2012		Bond Series 2009		Refunding Bond Series 2010		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 40,000	\$ 10,328	\$ 60,000	\$ 5,000	\$ 35,232	\$ -	\$ 75,529	\$ -	\$ 140,000	\$ 38,670	\$ 280,000	\$ 171,585	\$ 40,000	\$ 54,755	\$ 365,000	\$ 69,743	\$ 1,035,761	\$ 350,081
2014	45,000	8,606	65,000	2,600	35,232	-	75,529	-	150,000	31,050	295,000	155,586	40,000	53,854	370,000	62,393	1,075,761	314,089
2015	45,000	6,784	-	-	35,232	-	75,529	-	155,000	22,815	295,000	152,636	45,000	52,654	390,000	54,892	1,030,761	289,781
2016	45,000	4,981	-	-	35,232	-	75,529	-	165,000	14,175	300,000	149,666	45,000	51,304	385,000	47,242	1,050,761	267,368
2017	50,000	3,038	-	-	35,232	-	75,529	-	180,000	4,860	305,000	145,188	45,000	49,954	395,000	39,146	1,085,761	242,184
2018	50,000	1,013	-	-	35,232	-	75,529	-	-	-	310,000	140,612	45,000	48,604	400,000	29,900	915,761	220,129
2019	-	-	-	-	35,232	-	75,529	-	-	-	315,000	135,862	50,000	47,199	410,000	16,750	885,761	201,911
2020	-	-	-	-	35,232	-	75,529	-	-	-	320,000	129,662	50,000	44,689	420,000	6,300	900,761	180,661
2021	-	-	-	-	35,232	-	75,527	-	-	-	325,000	123,290	55,000	42,698	-	-	490,759	165,958
2022	-	-	-	-	26,436	-	-	-	-	-	335,000	116,355	55,000	40,499	-	-	416,436	156,854
2023	-	-	-	-	-	-	-	-	-	-	340,000	108,817	55,000	38,299	-	-	395,000	147,116
2024	-	-	-	-	-	-	-	-	-	-	350,000	100,318	60,000	38,099	-	-	410,000	138,417
2025	-	-	-	-	-	-	-	-	-	-	360,000	91,566	60,000	33,689	-	-	420,000	125,267
2026	-	-	-	-	-	-	-	-	-	-	365,000	82,118	60,000	31,224	-	-	425,000	113,342
2027	-	-	-	-	-	-	-	-	-	-	375,000	72,262	65,000	28,674	-	-	440,000	100,936
2028	-	-	-	-	-	-	-	-	-	-	385,000	61,950	70,000	25,830	-	-	455,000	87,780
2029	-	-	-	-	-	-	-	-	-	-	395,000	50,400	70,000	22,767	-	-	465,000	73,167
2030	-	-	-	-	-	-	-	-	-	-	410,000	38,550	75,000	19,687	-	-	485,000	56,237
2031	-	-	-	-	-	-	-	-	-	-	420,000	28,250	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
	\$ 275,000	\$ 34,730	\$ 125,000	\$ 7,600	\$ 345,524	\$ -	\$ 679,759	\$ -	\$ 790,000	\$ 111,570	\$ 6,900,000	\$ 2,065,888	\$ 1,340,000	\$ 763,785	\$ 3,125,000	\$ 328,366	\$ 13,578,283	\$ 3,311,939

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, 2012

Year Ending June 30,	2000 Refunding Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 385,000	\$ 10,395	\$ 190,000	\$ 249,884	\$ 335,000	\$ 53,608	\$ 910,000	\$ 313,887
2014	-	-	195,000	245,608	545,000	44,808	740,000	290,416
2015	-	-	195,000	239,758	555,000	33,808	750,000	273,566
2016	-	-	205,000	233,908	565,000	22,607	770,000	256,515
2017	-	-	210,000	227,758	155,000	15,290	365,000	243,048
2018	-	-	215,000	221,458	155,000	11,687	370,000	233,145
2019	-	-	220,000	214,740	160,000	7,350	380,000	222,090
2020	-	-	230,000	203,740	165,000	2,475	395,000	206,215
2021	-	-	235,000	194,540	-	-	235,000	194,540
2022	-	-	245,000	185,140	-	-	245,000	185,140
2023	-	-	255,000	175,340	-	-	255,000	175,340
2024	-	-	265,000	165,140	-	-	265,000	165,140
2025	-	-	280,000	154,540	-	-	280,000	154,540
2026	-	-	295,000	142,990	-	-	295,000	142,990
2027	-	-	305,000	130,452	-	-	305,000	130,452
2028	-	-	320,000	117,108	-	-	320,000	117,108
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>\$ 385,000</u>	<u>\$ 10,395</u>	<u>\$ 6,125,000</u>	<u>\$ 3,480,899</u>	<u>\$ 2,635,000</u>	<u>\$ 191,633</u>	<u>\$ 9,145,000</u>	<u>\$ 3,682,927</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - NATURAL GAS FUND
JUNE 30, 2012

Year Ending June 30,	2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 55,000	\$ 69,598	\$ 290,000	\$ 45,897	\$ 345,000	\$ 115,495
2014	55,000	68,361	295,000	40,048	350,000	108,409
2015	55,000	66,711	305,000	34,047	360,000	100,758
2016	55,000	65,061	310,000	27,898	365,000	92,959
2017	55,000	63,411	315,000	21,411	370,000	84,822
2018	60,000	61,761	325,000	13,962	385,000	75,723
2019	60,000	59,886	330,000	4,950	390,000	64,836
2020	60,000	56,886	-	-	60,000	56,886
2021	65,000	54,486	-	-	65,000	54,486
2022	70,000	51,886	-	-	70,000	51,886
2023	70,000	49,086	-	-	70,000	49,086
2024	75,000	46,286	-	-	75,000	46,286
2025	75,000	43,286	-	-	75,000	43,286
2026	80,000	40,192	-	-	80,000	40,192
2027	85,000	36,792	-	-	85,000	36,792
2028	90,000	33,073	-	-	90,000	33,073
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>\$1,705,000</u>	<u>\$ 973,684</u>	<u>\$ 2,170,000</u>	<u>\$ 188,213</u>	<u>\$ 3,875,000</u>	<u>\$ 1,161,897</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, 2012

Year Ending June 30,	Series 2007 Revenue Bonds		Series 2011 Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 270,000	\$ 332,517	\$ 230,000	\$ 265,168	\$ 500,000	\$ 597,685
2014	280,000	321,474	230,000	259,418	510,000	580,892
2015	290,000	310,022	235,000	253,618	525,000	563,640
2016	305,000	298,161	240,000	248,868	545,000	547,029
2017	315,000	285,687	245,000	242,793	560,000	528,480
2018	330,000	272,803	250,000	236,618	580,000	509,421
2019	345,000	259,306	255,000	230,293	600,000	489,599
2020	355,000	245,195	265,000	223,156	620,000	468,351
2021	370,000	230,676	270,000	216,806	640,000	447,482
2022	390,000	215,543	280,000	210,268	670,000	425,811
2023	405,000	199,592	290,000	202,962	695,000	402,554
2024	420,000	183,028	295,000	194,731	715,000	377,759
2025	440,000	165,849	310,000	185,656	750,000	351,505
2026	455,000	147,854	320,000	176,006	775,000	323,860
2027	475,000	129,244	335,000	165,562	810,000	294,806
2028	495,000	109,817	345,000	154,297	840,000	264,114
2029	515,000	89,571	360,000	142,176	875,000	231,747
2030	535,000	68,507	375,000	129,079	910,000	197,586
2031	560,000	46,626	390,000	114,969	950,000	161,595
2032	580,000	23,722	405,000	100,062	985,000	123,784
2033	-	-	425,000	84,234	425,000	84,234
2034	-	-	445,000	67,100	445,000	67,100
2035	-	-	465,000	48,900	465,000	48,900
2036	-	-	485,000	29,900	485,000	29,900
2037	-	-	505,000	10,100	505,000	10,100
	<u>\$ 8,130,000</u>	<u>\$ 3,935,194</u>	<u>\$ 8,250,000</u>	<u>\$ 4,192,740</u>	<u>\$ 16,380,000</u>	<u>\$ 8,127,934</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, 2012

<u>Tax Year</u>	<u>Outstanding Balance</u>
2010	\$ 9,918
2009	890
2008	435
2007	97
2006	97
2005	353
2004	8,005
2003	6,420
2002	3,637
2001	91
Total	<u>\$ 29,943</u>

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

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2012**

GAS FUND					
Residential Rate	<u>Minimum</u>	<u>Base Rate</u>	+	<u>PGA Rate</u>	
First 500 cubic feet (minimum)	\$ 6.70				
Over 500 cubic feet: Inside city (per MCF)		\$ 1.60	+	current PGA	= Rate Per Cubic Foot
Outside city (per MCF)		\$ 2.30	+	current PGA	= Rate Per Cubic Foot
Small Commercial Rate					
First 500 cubic feet (minimum)	\$ 7.50				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.40	+	current PGA	= Rate Per Cubic Foot
Outside city (per MCF)		\$ 3.20	+	current PGA	= Rate Per Cubic Foot
Medium Commercial Rate					
First 500 cubic feet (minimum)	\$ 24.85				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.60	+	current PGA	= Rate Per Cubic Foot
Outside city (per MCF)		\$ 3.40	+	current PGA	= Rate Per Cubic Foot
Large Commercial Rate					
First 500 cubic feet (minimum)	\$ 124.60				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.70	+	current PGA	= Rate Per Cubic Foot
Outside city (per MCF)		\$ 3.50	+	current PGA	= Rate Per Cubic Foot
Transport (Customer buys from 3rd party)		\$ 1.88			
Number of customers at year end:	<u>8,843</u>				

+ PGA (Purchased Gas Adjustment) - This Rate is set monthly from calculations based on the average total costs associated with natural gas purchases. During the 2011/2012 fiscal year the PGA varied from a low of \$4.03 to a high of \$6.87 with an average rate of \$5.18.

WATER SYSTEMS

INSIDE CITY LIMITS	
WATER RATES - RESIDENTIAL	
0-2,000 gallons	\$ 12.50
All over 2,000 gallons	\$2.00 per 1,000 gallons
WATER RATES - COMMERCIAL RATES	
Small Commercial Rate 0-2,000 gallons	\$ 14.00
All over 2,000 gallons	\$2.15 per 1,000 gallons
Medium Commercial Rate 0-2,000 gallons	\$ 16.00
All over 2,000 gallons	\$2.25 per 1,000 gallons
Large Commercial Rate	\$ 18.00
All over 2,000 gallons	\$2.35 per 1,000 gallons
OUTSIDE CITY LIMITS	
WATER RATES - RESIDENTIAL	
0-2,000 gallons	\$ 21.00
All over 2,000 gallons	\$3.50 per 1,000 gallons
WATER RATES - COMMERCIAL RATES	
Small Commercial Rate 0-2,000 gallons	\$ 22.50
All over 2,000 gallons	\$3.75 per 1,000 gallons
Medium Commercial Rate 0-2,000 gallons	24.50
All over 2,000 gallons	\$3.90 per 1,000 gallons
Large Commercial Rate	26.50
All over 2,000 gallons	\$4.05 per 1,000 gallons
NUMBER OF CUSTOMERS AT YEAR END:	<u>9,698</u>
SEWER RATES - RESIDENTIAL	
0-2,000 gallons	\$ 15.00
All over 2,000 gallons	\$4.00 per 1,000 gallons
SEWER RATES - COMMERCIAL RATES	
Small Commercial Rate	\$ 15.00
Medium Commercial Rate	37.00
Large Commercial Rate	62.00
All over 2,000 gallons	\$4.00 per 1,000 gallons
NUMBER OF CUSTOMERS AT YEAR END:	<u>3,401</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED
JUNE 30, 2012

Electric Department

Residential Rate Schedule - RS	
Customer Charge - per delivery point per month	\$ 13.10
Energy Charges - cents per kWh	0.09251
General Power Rate Schedule - GSA	
GSA-1 (0.50 kw)	
Customer Charge - per delivery point per month	\$ 12.96
Energy Charges - per kWh	0.10383
GSA-2 (51-1,000 kw)	
Customer charge - per delivery point per month	\$ 89.03
Demand charge - per kw per month - First 50 kW	-
- Additional kW	12.10
Energy charge - per kw - First 15,000 kWh	0.10383
- Additional kWh	0.06257
GSA-3 (1,000-5,000 kw)	
Customer charge - per delivery point per month	\$ 223.58
Demand charge - per kw per month - First 1,000 kW	11.99
- Excess over 1,000 kW	14.12
Energy charge - per kW	0.06431
GSB	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16.45
Energy charge - cents per kWh use of metered demand per month	0.09694
OffPeak:	
All kW - per kW per month	\$ 4.00
Energy charge - cents per kWh for up to 425 hours	0.06226
Next 195 kWh	0.04360
Over 620 kWh	0.02775
GSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	15.49
Energy charge - cents per kWh use of metered demand per month	0.09334
OffPeak:	
All kW - per kW per month	\$ 3.49
Energy charge - cents per kWh for up to 425 hours	0.05965
Next 195 kWh	0.04097
Over 620 kWh	0.02512
GSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15.83
Energy charge - cents per kWh use of metered demand per month	0.09181
OffPeak:	
All kW - per kW per month	\$ 3.38
Energy charge - cents per kWh for up to 425 hours	0.05707
Next 195 kWh	0.03840
Over 620 kWh	0.02255
MSB1	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16.45
Energy charge - cents per kWh use of metered demand per month	0.08177
OffPeak:	
All kW - per kW per month	\$ 4.00
Energy charge - cents per kWh for up to 425 hours	0.04748
Next 195 kWh	0.02882
Over 620 kWh	0.01297
MSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15.94
Energy charge - cents per kWh use of metered demand per month	0.08259
OffPeak:	
All kW - per kW per month	\$ 3.49
Energy charge - cents per kWh for up to 425 hours	0.04735
Next 195 kWh	0.02868
Over 620 kWh	0.01284
MSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15.83
Energy charge - cents per kWh use of metered demand per month	0.08091
OffPeak:	
All kW - per kW per month	\$ 3.38
Energy charge - cents per kWh for up to 425 hours	0.04569
Next 195 kWh	0.02702
Over 620 kWh	0.01119
OL	
Energy charge	0.06580

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, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued Revenue at July 1, 2011	Receipts	Expenditures	Accrued Revenue at June 30, 2012
FEDERAL AWARDS						
Department of Justice						
COPS - Community Oriented Policing Services	N/A	2009RKWX0806	\$ 15,457	\$ 59,068	\$ 57,152	\$ 13,541
Bulletproof Vest Partnership Program	N/A	-	-	-	1,998	1,998
Total Department of Justice			15,457	59,068	59,150	15,539
Department of Military - General Government						
FEMA	97.036	1909-DR-TN	20,607	20,607	-	-
FEMA	97.036	4005-DR-TN	-	2,446	2,446	-
Total Department of Military	97.036		20,607	23,053	2,446	-
Department of Transportation - Gas System						
412 West to Madison County Line	N/A	HPP-STP-20(28)	3,068	1,943	-	1,125
412 East to Decatur County Line	N/A	STP-20(29)	9,699	-	1,238	10,937
Lexington Bypass	N/A	STP-459(1)	14,686	-	1,594	16,280
Department of Transportation - Water Systems						
412 West to Madison County Line	N/A	HPP-STP-20(28)	2,766	2,766	-	-
412 East to Decatur County Line	N/A	STP-20(29)	32,728	-	627	33,355
Decatur County Water Line	N/A	STP-20(30)	-	-	-	29,734
Lexington Bypass	N/A	STP-459(1)	34,988	-	8,637	43,625
Department of Transportation - General Government						
Governor's Highway Safety Office - Network Coordinator	20.607/20.600	Z-12-GHS173	-	1,209	14,209	13,000
Governor's Highway Safety Office - High Visibility	20.600	Z-12-GHS-395	-	-	5,000	5,000
Governor's Highway Safety Office - Crash Intervention	20.600	Z-11-GHS298	7,826	18,218	10,392	-
Governor's Highway Safety Office - Crash Intervention	20.600	Z-12-GHS174	-	3,438	9,772	6,334
Governor's Highway Safety Office - Network Coordinator	20.600	Z-11-GHS263	174	11,390	11,216	-
Total for CFDA #	20.600		8,000	34,255	50,589	24,334
Safe Routes to School	20.205	Contract #090236	14,625	-	-	14,625
City Wide Spot Sidewalk Repair and Replacement	N/A	STP-11-3900(15)	32,507	32,507	-	-
Total Department of Transportation			182,801	71,471	62,685	174,015
TOTAL FEDERAL AWARDS			218,865	153,592	124,281	189,554
STATE FINANCIAL ASSISTANCE						
Tennessee Department of Transportation - Gas System						
412 West to Madison County Line	N/A	HPP-STP-20(28)	768	487	-	281
412 East to Decatur County Line	N/A	STP-20(29)	2,424	-	309	2,733
Lexington Bypass	N/A	STP-459(1)	3,671	-	399	4,070
Tennessee Department of Transportation - Water Systems						
412 West to Madison County Line	N/A	HPP-STP-20(28)	692	692	-	-
412 East to Decatur County Line	N/A	STP-20(29)	5,180	-	157	5,337
Decatur County Water Line	N/A	STP-20(30)	7,434	-	-	7,434
Lexington Bypass	N/A	STP-459(1)	8,748	-	2,159	10,907
Tennessee Department of Military	-	4005-DR-TN	-	129	129	-
State Law Enforcement Supplement	-	-	-	14,400	14,400	-
State Fire Grant Supplement	-	-	-	7,200	7,200	-
TOTAL STATE AWARDS			28,917	22,908	24,753	30,762
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			\$ 247,782	\$ 176,500	\$ 149,034	\$ 220,316

Memo: "Accrued" is due from grantor.
"Deferred" is unexpended revenue.

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 2: Lexington Electric System

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

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

**CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS
 FOR THE YEAR ENDED JUNE 30, 2012**

<u>Name</u>	<u>Title</u>	<u>Amount of Official Bond</u>	<u>Type of Official Bond</u>
Tim Pierce	Mayor	\$150,000/loss \$1,000,000/occurrence \$1,000,000/occurrence	employee dishonesty errors or omissions employment practices liability
Sue Wood	City Recorder/CMFOA	\$150,000/loss \$1,000,000/occurrence \$1,000,000/occurrence	employee dishonesty errors or omissions employment practices liability

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

AWWA WLCC Free Water Audit Software: Reporting Worksheet					Back to Instructions	
Copyright © 2010, American Water Works Association. All Rights Reserved.					WASv4.2	
Water Audit Report for: Lexington Water System						
Reporting Year: 2012		7/2011 - 6/2012				
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						
All volumes to be entered as: MILLION GALLONS (US) PER YEAR						
WATER SUPPLIED						
<< Enter grading in column 'E'						
Volume from own sources:	[?] 8	1,114.200	Million gallons (US)/yr (MG/Yr)			
Master meter error adjustment (enter positive value):	[?] 7	0.010	under-registered	MG/Yr		
Water imported:	[?] 10	0.002	MG/Yr			
Water exported:	[?] n/a		MG/Yr			
WATER SUPPLIED:		1,114.212	MG/Yr			
AUTHORIZED CONSUMPTION						
Billed metered:	[?] 10	861.600	MG/Yr	Click here: [?] for help using option buttons below		
Billed unmetered:	[?] 7		MG/Yr			
Unbilled metered:	[?] 8	30.000	MG/Yr	Pcnt:	Value:	
Unbilled unmetered:	[?] 6	13.928	MG/Yr	1.4%	10	
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed						
AUTHORIZED CONSUMPTION:	[?] 10	905.528	MG/Yr	Use buttons to select percentage of water supplied OR value		
WATER LOSSES (Water Supplied - Authorized Consumption)						
Apparent Losses		208.684	MG/Yr	Pcnt:	Value:	
Unauthorized consumption:	[?] 10	2.786	MG/Yr	0.4%	0	
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed						
Customer metering inaccuracies:	[?] 10	9.006	MG/Yr	1.4%	0	
Systematic data handling errors:	[?] 10	5.000	MG/Yr			
Apparent Losses:	[?] 10	16.792	MG/Yr	Choose this option to enter a percentage of billed metered consumption. This is NOT a default value		
Real Losses (Current Annual Real Losses or CARL)						
Real Losses = Water Losses - Apparent Losses:	[?] 10	191.893	MG/Yr			
WATER LOSSES:		208.684	MG/Yr			
NON-REVENUE WATER						
NON-REVENUE WATER:	[?] 10	252.612	MG/Yr			
= Total Water Loss + Unbilled Metered + Unbilled Unmetered						
SYSTEM DATA						
Length of mains:	[?] 6	376.0	miles			
Number of active AND inactive service connections:	[?] 8	9,600				
Connection density:		26	conn./mile main			
Average length of customer service line:	[?] 5	20.0	ft	(pipe length between curbstop and customer meter or property boundary)		
Average operating pressure:	[?] 2	85.0	psi			
COST DATA						
Total annual cost of operating water system:	[?] 9	\$3,732,831	\$/Year			
Customer retail unit cost (applied to Apparent Losses):	[?] 7	\$4.74	\$/1000 gallons (US)			
Variable production cost (applied to Real Losses):	[?] 9	\$1.10	\$/Million gallons			
PERFORMANCE INDICATORS						
Financial Indicators						
Non-revenue water as percent by volume of Water Supplied:				22.76		
Non-revenue water as percent by cost of operating system:				2.13		
Annual cost of Apparent Losses:				\$79,592		
Annual cost of Real Losses:				\$211		
Operational Efficiency Indicators						
Apparent Losses per service connection per day:				4.79 gallons/connection/day		
Real Losses per service connection per day*:				N/A gallons/connection/day		
Real Losses per length of main per day*:				1,398.23 gallons/mile/day		
Real Losses per service connection per day per psi pressure:				gallons/connection/day/psi		
[?] 10	Unavoidable Annual Real Losses (UARL):		116.25 million gallons/year			
From Above, Real Losses = Current Annual Real Losses (CARL):				191.89 million gallons/year		
[?] 10	Infrastructure Leakage Index (ILI) [CARL/UARL]:		1.65			
* only the most applicable of these two indicators will be calculated						
WATER AUDIT DATA VALIDITY SCORE:						
*** YOUR SCORE IS: 83 out of 100 ***						
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score						
PRIORITY AREAS FOR ATTENTION:						
Based on the information provided, audit accuracy can be improved by addressing the following components:						
1: Volume from own sources						
2: Master meter error adjustment						
3: Unauthorized consumption						
For more information, click here to see the Grading Matrix worksheet						

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



**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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lexington, Tennessee (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 4, 2013. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described below as Lexington Gas System's findings 95-08, 2007-01, and 2012-01; Lexington Water Systems' findings 2003-12 and 2007-01; and Internal School Funds' finding SAF 2007-01 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency below as Government-Wide Financials' finding GW 2007-01 to be a significant deficiency.

LEXINGTON GAS SYSTEM

95-08 WORK ORDERS AND INVENTORY

Work orders are being maintained but are inadequate. Due to inadequate inventory costing controls, the materials costs on work orders and inventory are misstated. Also, the person responsible for maintenance and storage of materials in the storeroom is also responsible for the recordkeeping of inventory.

Recommendation: Maintain inventory on a software module which tracks the average costs of materials. Also, this should be integrated with a work order module that is interfaced with the general ledger. Someone separate from the storekeeper should have responsibility for maintaining the recordkeeping function of inventory. The physical maintenance of assets should always be separate from recordkeeping of those same assets.

Management's Response: We are still working on setting up procedures to do this.

2007-01 NO INVENTORY OF FIXED ASSETS

The System did not take an annual physical inventory of fixed assets.

Recommendation: An annual inventory should be taken of all fixed assets.

Management's Response: We agree and will correct this finding.

2012-01 FINANCIAL STATEMENTS BEFORE AUDIT ADJUSTMENTS MATERIALLY MISSTATED

The financial statements before audit adjustments were materially misstated. A journal entry had been made to record a note receivable for a transaction that actually didn't occur until after yearend.

Recommendation: Personnel should properly record all financial transactions as they occur. Infrequent transactions should be properly classified to present financials in accordance with generally accepted accounting principles.

Management's response: We agree and will correct this finding.

LEXINGTON WATER SYSTEMS

2003-12 INVENTORY

There is not an adequate system in place to monitor, track, and provide a full accounting of all inventory transactions. Workorders are being maintained but are inadequate. Due to inadequate costing controls, the materials costs on workorders and inventory are misstated. Also, the person responsible for maintenance and storage of materials in the storeroom is also responsible for the recordkeeping of inventory.

Recommendation: Maintain inventory on a software module which tracks the average costs of materials. Also, this should be integrated with a work order module that is interfaced with the general ledger. Someone separate from the storekeeper should have responsibility for maintaining the recordkeeping function of inventory. The physical maintenance of assets should always be separate from recordkeeping of those same assets.

Management's Response: We agree and will improve this finding.

2007-01 NO INVENTORY OF FIXED ASSETS

The System did not take a physical inventory of its fixed assets.

Recommendation: An annual inventory should be taken of all fixed assets.

Management's Response: We agree and will correct this finding.

GENERAL PURPOSE SCHOOL FUND

NONE

SCHOOL FOOD AUTHORITY

NONE

INTERNAL SCHOOL FUNDS

SAF 2007 – 01 INADEQUATE SEGREGATION OF DUTIES

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

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

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

Recommendation: An effective internal control system provides for adequate segregation of duties. Therefore, we recommend that the principals review the current level of control and modify where deemed necessary. At a minimum, a second person should be selected to make deposits and reconcile the bank statements.

Management's Response: School System has employed full-time bookkeeper at each school and provided training program through attendance at workshops, accounting system vendor and in-house support from central finance office. Principals will review procedures and develop plans to implement segregation of duties within the constraints of the limited office staff.

GOVERNMENT-WIDE FINANCIALS

GW 2007 – 01 CAPITAL ASSETS

The System did not have a complete listing of all capital asset.

Recommendation: We recommend the System take an annual inventory of all its capital assets and compute the required depreciation.

Management's Response: The System will establish and have a complete listing of all capital assets and compute depreciation.

GENERAL GOVERNMENT

NONE

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lexington, Tennessee's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below as Lexington Gas Systems' findings 2012-02 and 2012-03; Lexington Water Systems' finding 2000-02; Internal School Funds' findings ISF 2011-03 and ISF 2011-04; and General Government's finding 2004-06.

LEXINGTON GAS SYSTEM

2012 – 02 CUSTODIAL CREDIT RISK

The System's deposits at one local bank were exposed to custodial credit risk because they did not have enough pledged securities.

Recommendation: We recommend that the System enter into formal written security agreements with each bank and its pledging agent and obtain sufficient amounts of pledged securities to cover deposits.

Management's Response: We agree and have corrected this finding.

FINDING 2012-03 NONPAYMENT OF INTERFUND RECEIVABLES/PAYABLES

Interfund payables that were on the financial statements at June 30, 2011, were still present at June 30, 2012. These payables should be resolved within one year's time.

Recommendation: Retire this payable during the year and periodically review to ensure that future payables are paid timely.

Management's Response: We agree and will correct this within the next fiscal year.

LEXINGTON WATER SYSTEMS

2000-02 NONPAYMENT OF INTERFUND RECEIVABLES

Interfund receivables that were on the financial statements at June 30, 2011, were still present at June 30, 2012. These receivables should be resolved within one year's time.

Recommendation: Retire this receivable during the year and periodically review to ensure that future receivables are paid timely.

Management's Response: We agree and will correct this within the next fiscal year.

INTERNAL SCHOOL FUNDS

ISF 2011 – 03 TICKET RECONCILIATIONS

One school held an event where they issued pre-numbered tickets; however, there was no continuity with the various rolls of tickets used.

Section 5, Title 2, Page 5-5 of the TISUAPM provides the guidance on the correct procedures for using ticket reconciliations.

School Still Deficient From the Prior Period Audit Finding: Caywood Elementary.

Recommendation: We recommend that ticket reconciliations be prepared properly and retained in accordance with the TISUAPM.

Management's Response: Pre-numbered tickets and ticket reconciliations will be prepared as required by the *Tennessee Internal School Uniform Accounting Policy Manual*.

ISF 2011 – 04 DIVISION OF PROFITS NOT COMPUTED

The school personnel did not prepare records to determine whether or not the school received a fair division of profits.

Section 4, Title 8, Page 4-27 of the *TISUAPM* states that a school must independently verify total sales and total collections to ensure proper division of profits if an outside vendor makes the collections.

School Becoming Deficient During the Current Year: Caywood Elementary

School No Longer Deficient: Lexington Middle School.

Recommendation: School personnel should independently verify the amount of profit to be received.

Management's Response: We will verify the sales and total collections to ensure proper division of profits is made.

GENERAL GOVERNMENT

2004 – 06 EXPENDITURES EXCEEDED BUDGET

Expenditures exceeded budgeted appropriations in the School Debt Fund. The City should not expend unappropriated funds. However, if circumstances suggest that expenditures are expected to exceed appropriations, the budget should be amended.

Recommendation: Closely monitor expenses and adequately budget for expenditures to avoid overruns.

Management's Response: We will closely monitor expenses and adequately budget for expenditures to avoid overruns.

The City of Lexington, Tennessee's response to the findings identified in our audit is described above. We did not audit the City of Lexington, Tennessee's response and, accordingly, we express no opinion on it. This report is intended solely for the information and use of management, City Council, others within the entity, the State of Tennessee Division of Audit, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PRIOR YEAR DISPOSITIONS

LEXINGTON GAS SYSTEM

95-10 Cash receipts – corrected.
2009-01 Purchase orders – corrected.

LEXINGTON WATER SYSTEMS

2000-03 Purchase orders – corrected.
2000-07 Inadequate segregation of duties – corrected.
2001-03 Reconciliations of various general ledger accounts – corrected.

INTERNAL SCHOOL FUNDS

SAF 2009-01 Purchase orders – corrected.
ISF 2011-01 Expenses/revenues – corrected.
ISF 2011-02 Equipment not properly identified – corrected.

GENERAL GOVERNMENT

1998-17 Segregation of Duties – Corrected
2006-02 Untimely Receipting of Building Permit Fees - Corrected
2008-02 Nonpayment of Interfund Receivables - corrected
2011-01 Police Citations – corrected.

McQuinn Associates, PLLC

January 4, 2013

