

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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CITY OF LEXINGTON, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

JUNE 30, 2013

PUBLICLY ELECTED OFFICIALS

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

MANAGEMENT OFFICIALS

Sue Wood	CMFOA Designee
Michael Harper	Utility General Manager



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee, (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the the financial statements of the Lexington Electric System, which is both a major fund and 59%, 61%, and 80% respectively, of the assets, net position, and revenues of the business-type activities.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Electric System, which represent 59%, 61%, and 80% respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included for Lexington Electric System, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4.F., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14*

and No. 34); Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. The City early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 4 through 9 and page 62 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hobbs & Associates, PLLC

December 5, 2013

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 - 61.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 62 - 63 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 64 - 66 of this report.

THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Lexington, assets exceeded liabilities and deferred inflows of resources by \$71,822,514 at June 30, 2013.

CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 7,002,045	\$ 6,983,269	\$ 25,232,151	\$ 27,558,767	\$ 32,234,196	\$ 34,542,036
Capital Assets	28,818,537	28,845,007	68,963,205	61,774,623	97,781,742	90,619,630
Total Assets	<u>35,820,582</u>	<u>35,828,276</u>	<u>94,195,356</u>	<u>89,333,390</u>	<u>130,015,938</u>	<u>125,161,666</u>
Long term liabilities	14,159,078	14,842,276	34,892,806	31,532,001	49,051,884	46,374,277
Other liabilities	407,683	470,074	6,597,171	7,279,793	7,004,854	7,749,867
Total liabilities	<u>14,566,761</u>	<u>15,312,350</u>	<u>41,489,977</u>	<u>38,811,794</u>	<u>56,056,738</u>	<u>54,124,144</u>
Deferred inflows of resources	2,136,686	2,129,934	-	-	2,136,686	2,129,934
Net Position:						
Net investment in capital assets	15,955,050	15,477,232	40,452,111	40,908,430	56,407,161	56,385,662
Restricted	245,029	589,113	1,252,039	694,393	1,497,068	1,283,506
Unrestricted	2,917,056	2,319,647	11,001,229	8,918,773	13,918,285	11,238,420
Total Net Position	<u>\$ 19,117,135</u>	<u>\$ 18,385,992</u>	<u>\$ 52,705,379</u>	<u>\$ 50,521,596</u>	<u>\$ 71,822,514</u>	<u>\$ 68,907,588</u>

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

Governmental Activities

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

Business-type Activities

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

- The City's Gas System had a profit of \$260,582 which is compared to a profit in the prior year of \$192,343.

- The City's Water Systems Fund operated at a profit of \$653,807 compared to a profit in the prior year of \$664,435.
- The City's Electric Department had a profit of \$1,553,201 compared to a profit in the prior year of \$1,243,068.

The following table provides a summary of the City's operations for the year ended June 30, 2013, with comparative totals for the year ended June 30, 2012.

CITY OF LEXINGTON'S CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		TOTAL	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,610,799	\$ 1,571,507	\$ 58,667,109	\$ 58,955,903	\$ 60,277,908	\$ 60,527,410
Operating grants and contributions	8,378,426	8,319,281	-	-	8,378,426	8,319,281
Capital grants and contributions	46,849	112,315	41,391	15,118	88,240	127,433
General revenues:						
Property taxes	2,128,436	2,179,559	-	-	2,128,436	2,179,559
In-lieu of property taxes	99,669	98,720	-	-	99,669	98,720
Public service taxes	125,151	118,394	-	-	125,151	118,394
Sales taxes	4,249,526	3,979,470	-	-	4,249,526	3,979,470
Investment earnings	50,706	59,558	110,750	134,125	161,456	193,683
Gain(loss) on sale of capital assets	9,667	18,104	(24,602)	(778,094)	(14,935)	(759,990)
Miscellaneous	143,985	294,724	188,279	121,576	332,264	416,300
Total revenues	16,843,214	16,751,632	58,982,927	58,448,628	75,826,141	75,200,260
Expenses:						
General government and administration						
General government and administration	1,245,273	1,255,636	-	-	1,245,273	1,255,636
Public safety	2,829,527	2,782,653	-	-	2,829,527	2,782,653
Public works	1,724,735	1,655,171	-	-	1,724,735	1,655,171
Health, Welfare and Recreation	10,557,079	10,416,833	-	-	10,557,079	10,416,833
Economic development	102,817	34,018	-	-	102,817	34,018
Interest on long-term debt	366,817	482,167	-	-	366,817	482,167
Bond issue costs	2,185	-	-	-	2,185	-
Paying agent fees	5,660	2,561	-	-	5,660	2,561
Water Systems	-	-	5,210,073	5,142,019	5,210,073	5,142,019
Natural Gas	-	-	5,840,925	5,286,277	5,840,925	5,286,277
Electric Department	-	-	44,535,987	44,956,231	44,535,987	44,956,231
Total expenses	16,834,093	16,629,039	55,586,985	55,384,527	72,421,078	72,013,566
Increase (decrease) in net position before transfers	9,121	122,593	3,395,942	3,064,101	3,405,063	3,186,694
Transfers	928,352	964,255	(928,352)	(964,255)	-	-
Increase (decrease) in net position	937,473	1,086,848	2,467,590	2,099,846	3,405,063	3,186,694
Net position at beginning of year, as originally stated	18,385,992	17,097,079	50,521,596	48,421,750	68,907,588	65,518,829
Prior period adjustment	(217,772)	219,153	(283,807)	-	(501,579)	219,153
Inventory adjustment	11,442	(17,088)	-	-	11,442	(17,088)
Net position at beginning of year, as restated	18,179,662	17,299,144	50,237,789	48,421,750	68,417,451	65,720,894
Net position at end of year	\$ 19,117,135	\$ 18,385,992	\$ 52,705,379	\$ 50,521,596	\$ 71,822,514	\$ 68,907,588

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$4,415,810 which is 7.8% above last year's total of \$4,095,352.

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, 2013, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2013	Percent of Total	Increase (Decrease) from June 30, 2012
Taxes	\$ 5,967,750	35.38%	\$ 313,917
Intergovernmental	9,109,076	54.00%	23,776
Licenses and permits	12,763	0.08%	1,215
Charges for services	1,022,521	6.06%	30,968
Fines and forfeitures	258,004	1.53%	11,564
Other revenues	497,697	2.95%	(168,652)
Total Revenues	\$ 16,867,811	100.00%	\$ 212,788

The increase in tax revenue is primarily due to an increased sales tax revenues. Other revenues was inflated in the prior year due to a large amount of insurance recoveries for storm damage.

Expenditures	June 30, 2013	Percent of Total	Increase (Decrease) from June 30, 2012
General government	\$ 949,211	5.33%	\$ (45,494)
Public Safety	2,621,488	14.72%	59,167
Public Works	1,572,336	8.83%	46,425
Health, welfare, and recreation	9,800,719	55.02%	152,193
Economic development	102,817	0.58%	68,799
Capital outlay	1,369,544	7.69%	553,699
Debt Service	1,395,525	7.83%	(6,960,810)
Total Expenditures	\$ 17,811,640	100.00%	\$ (6,126,021)

The City's debt service expenditures decreased primarily due to the issuance of refunding bonds in the prior year. Capital outlay in the current year included significant building improvements to the schools.

General Fund Budgetary Highlights

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2013, the City had \$97,781,742 invested in a broad range of capital assets, including police and fire equipment, buildings, parks facilities, water and sewer lines, natural gas lines, electric plant and equipment, and various other equipment. This amount represents a net increase (including additions and deductions) of \$7,162,112, or 7.9% above the prior year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$48,308,778 in outstanding long-term debt compared to \$46,455,190 last year. Of the total outstanding debt 29% belongs to the Governmental funds, 8% to the Gas Fund, 26% to the Water Systems Fund, and 37% to the Electric Department.

See Note 3.G for additional information.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Sue Wood
City Recorder

CITY OF LEXINGTON, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 3,509,399	\$ 18,872,900	\$ 22,382,299
Investments	-	378,874	378,874
Receivables:			
Property taxes	2,234,550	-	2,234,550
Accounts receivable, net of allowance	2,269	3,713,299	3,715,568
Grant receivables	269,776	171,110	440,886
Other receivables	20,124	324,787	344,911
Internal balances	(48,636)	48,636	-
Due from other governments	840,889	-	840,889
Inventory	27,021	695,959	722,980
Natural gas storage	-	357,526	357,526
Prepaid expenses	146,653	55,824	202,477
Other assets	-	548,236	548,236
Note receivable	-	65,000	65,000
Capital assets:			
Land and construction in progress	2,289,370	7,870,101	10,159,471
Other capital assets, net of depreciation	26,529,167	61,093,104	87,622,271
TOTAL ASSETS	35,820,582	94,195,356	130,015,938
LIABILITIES			
Accounts payable and accrued expenses	398,405	4,977,838	5,376,243
Customer deposits	-	1,067,196	1,067,196
Unearned revenue	9,278	-	9,278
Compensated absences	-	552,137	552,137
Long-term liabilities:			
Advances from Home Installation Program	-	268,090	268,090
Other post employment benefits	-	592,724	592,724
Pension liability	-	608,462	608,462
Landfill closure costs	221,243	-	221,243
Compensated absences	1,074,348	1,550,559	2,624,907
Due within one year	1,090,771	1,799,990	2,890,761
Due in more than one year	11,772,716	30,072,981	41,845,697
TOTAL LIABILITIES	14,566,761	41,489,977	56,056,738
DEFERRED INFLOWS OF REVENUES			
Unavailable revenue - property taxes	2,136,686	-	2,136,686
NET POSITION			
Net investment in capital assets	15,955,050	40,452,111	56,407,161
Restricted for:			
State Street Aid Fund	35,825	-	35,825
Education	8,970	-	8,970
School Food Service	104,072	-	104,072
Solid Waste Collection	66,632	-	66,632
Police Drug Fund	29,530	-	29,530
Debt service	-	1,252,039	1,252,039
Unrestricted	2,917,056	11,001,229	13,918,285
TOTAL NET POSITION	\$ 19,117,135	\$ 52,705,379	\$ 71,822,514

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, 2013**

Program Activities	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 1,245,273	\$ 117,896	-	135	\$ (1,127,242)	-	\$ (1,127,242)
Public Safety	2,829,527	261,373	24,000	38,738	(2,505,416)	-	(2,505,416)
Public Works	1,724,735	929,686	305,312	-	(489,737)	-	(489,737)
Health, Welfare and Recreation	10,557,079	301,844	8,049,114	-	(2,206,121)	-	(2,206,121)
Economic Development	102,817	-	-	7,976	(94,841)	-	(94,841)
Interest on long-term debt	366,817	-	-	-	(366,817)	-	(366,817)
Bond issue costs	2,185	-	-	-	(2,185)	-	-
Paying agent fees on long-term debt	5,660	-	-	-	(5,660)	-	(5,660)
Business-type activities:							
Gas Fund	5,840,925	6,127,093	-	526	-	286,694	286,694
Water Systems Fund	5,210,073	5,826,206	-	40,865	-	656,998	656,998
Electric Department	44,535,987	46,713,810	-	-	-	2,177,823	2,177,823
Total business-type activities	55,586,985	58,667,109	-	41,391	-	3,121,515	3,121,515
Total government	\$ 72,421,078	\$ 60,277,908	\$ 8,378,426	\$ 88,240	(6,798,019)	3,121,515	(3,674,319)
General revenues:							
Taxes:							
Property		2,128,436				-	2,128,436
In-lieu of taxes		99,669				-	99,669
Public service taxes		125,151				-	125,151
Sales		4,249,526				-	4,249,526
Investment earnings		50,706				110,750	161,456
Gain (loss) on sale/retirement of capital assets		9,667				(24,602)	(14,935)
Miscellaneous		143,985				188,279	332,264
Transfer in- in lieu of taxes		928,352				(928,352)	-
Total general revenues and transfers							
		7,735,492				(653,925)	7,081,567
Change in net position							
		937,473				2,467,590	3,405,063
Net position - beginning, as originally stated							
		18,385,992				50,521,596	68,907,588
Prior period adjustment							
		(217,772)				(283,807)	(501,579)
Inventory adjustment - school food service fund							
		11,442				-	11,442
Net position - beginning, as restated							
		18,179,662				50,237,789	68,417,451
Net position - ending							
		<u>\$ 19,117,135</u>				<u>\$ 52,705,379</u>	<u>\$ 71,822,514</u>

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

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	General Purpose School Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 1,774,016	\$ 1,455,072	\$ 280,311	\$ 3,509,399
Taxes receivable	2,234,550	-	-	2,234,550
Accounts receivable	2,269	-	-	2,269
Grant receivable	25,772	243,908	96	269,776
Other receivables	3,111	1,000	16,013	20,124
Inventory	-	-	27,021	27,021
Due from other governments	509,598	75,393	255,898	840,889
Due from other funds	6,706	-	186,806	193,512
Prepaid expenses	129,507	-	17,146	146,653
TOTAL ASSETS	\$ 4,685,529	\$ 1,775,373	\$ 783,291	\$ 7,244,193
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 194,178	\$ -	\$ 38	\$ 194,216
Accrued expenses	60,306	84,012	3,873	148,191
Unearned revenue - other	-	-	9,278	9,278
Advance from other fund	100,595	-	-	100,595
Due to other funds	140,960	-	593	141,553
TOTAL LIABILITIES	496,039	84,012	13,782	593,833
DEFERRED INFLOWS OF REVENUES				
Unavailable revenue - property taxes	2,234,550	-	-	2,234,550
FUND BALANCE				
Nonspendable				
Inventory	-	-	17,146	17,146
Prepaid expenses	129,507	-	27,021	156,528
Restricted for:				
State street aid	-	-	35,825	35,825
School food authority	-	-	77,051	77,051
Education	-	8,970	-	8,970
Drug fund	-	-	29,530	29,530
Solid Waste Collection	-	-	49,486	49,486
Assigned				
Special revenue funds	-	-	533,450	533,450
Education	-	300,000	-	300,000
Support services	-	17,500	-	17,500
Operation	-	30,000	-	30,000
Capital projects	-	52,500	-	52,500
Unassigned				
General fund	1,825,433	-	-	1,825,433
General purpose school fund	-	1,282,391	-	1,282,391
TOTAL FUND BALANCES	1,954,940	1,691,361	769,509	4,415,810
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES	\$ 4,685,529	\$ 1,775,373	\$ 783,291	\$ 7,244,193

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

CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET
POSITION
JUNE 30, 2013

Total fund balance - total governmental funds	\$ 4,415,810
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	28,818,537
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	97,864
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(55,998)
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>(14,159,078)</u>
Net position of governmental activities	<u><u>\$ 19,117,135</u></u>

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 2,162,700	\$ -	\$ -	\$ 2,162,700
Penalty and interest	14,505	-	-	14,505
In lieu of taxes	12,208	-	-	12,208
Sales	1,545,007	-	1,287,506	2,832,513
Beer tax	400,636	-	-	400,636
Business	236,089	-	-	236,089
Liquor tax	-	-	148,968	148,968
Franchise	125,151	-	-	125,151
Hotel/motel tax	32,605	-	-	32,605
Privilege	2,375	-	-	2,375
Intergovernmental revenues	878,500	7,611,071	619,505	9,109,076
Licenses and permits	12,763	-	-	12,763
Charges for services	137,680	-	884,841	1,022,521
Fines, forfeits, and penalties	146,722	-	111,282	258,004
Other revenues	166,590	84,680	246,427	497,697
Total revenues	5,873,531	7,695,751	3,298,529	16,867,811
Expenditures				
Current:				
General government	949,211	-	-	949,211
Public safety	2,566,289	-	55,199	2,621,488
Public works	824,906	-	747,430	1,572,336
Health, welfare, and recreation	465,429	8,619,042	716,248	9,800,719
Economic development	102,817	-	-	102,817
Capital outlay	711,346	577,956	80,242	1,369,544
Debt service:				
Principal payments	70,000	105,232	860,529	1,035,761
Interest payments	56,700	16,173	281,231	354,104
Other debt costs	405	-	5,255	5,660
Total expenditures	5,747,103	9,318,403	2,746,134	17,811,640
Excess (deficiency) of revenues over (under) expenditures	126,428	(1,622,652)	552,395	(943,829)
Other financing sources (uses)				
Transfers in	1,059,685	1,233,869	1,226,925	3,520,479
Transfers out	(770,000)	-	(1,822,127)	(2,592,127)
Proceeds from new debt	140,927	-	171,835	312,762
Bond premium	1,393	-	1,698	3,091
Bond issue costs	(2,185)	-	-	(2,185)
Proceeds from sale of general capital assets	4,925	-	5,900	10,825
Total other financing sources (uses)	434,745	1,233,869	(415,769)	1,252,845
Net Change in Fund Balances	561,173	(388,783)	136,626	309,016
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	1,393,767	2,080,144	621,441	4,095,352
Inventory adjustment	-	-	11,442	11,442
FUND BALANCE AT BEGINNING OF YEAR, as restated	1,393,767	2,080,144	632,883	4,106,794
FUND BALANCE AT END OF YEAR	\$ 1,954,940	\$ 1,691,361	\$ 769,509	\$ 4,415,810

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, 2013

Net change in fund balances - total governmental funds	\$	309,016
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.		
		1,369,544
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds.		
		(1,394,856)
Net effect of asset disposal		
		(1,158)
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		
		(312,762)
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 position. 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.		
		1,003,224
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.		
		(1,271)
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.		
		(34,264)
Change in net position of governmental activities	\$	937,473

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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes				
Property taxes - current	\$ 2,085,000	\$ 2,085,000	\$ 2,070,591	\$ (14,409)
Property taxes - delinquent	-	-	92,109	92,109
Penalties and interest	9,000	12,500	14,505	2,005
In lieu of taxes:				
Lexington Housing Authority	10,000	12,200	12,208	8
Local sales tax	1,504,316	1,504,316	1,545,007	40,691
Local beer tax	408,000	400,000	400,636	636
Business tax	200,000	218,084	236,089	18,005
Franchise tax	118,000	122,000	125,151	3,151
Hotel/motel tax	36,000	30,000	32,605	2,605
Privilege tax	2,500	2,375	2,375	-
Total taxes	4,372,816	4,386,475	4,531,276	144,801
Intergovernmental				
TVA payments in lieu of taxes	78,000	87,000	87,461	461
State fire education	7,800	7,800	7,800	-
State law enforcement grant	15,600	15,000	15,000	-
FEMA grant	-	-	135	135
Police safety grant - alcohol saturation	26,000	12,600	14,009	1,409
Police - COPS	-	13,500	-	(13,500)
Police - vest grant	13,000	4,400	2,406	(1,994)
Police grant -network coordinator 2013	-	7,000	6,540	(460)
Police grant -network coordinator 2012	15,000	13,300	283	(13,017)
Police grant -high visibility	-	5,000	-	(5,000)
Police grant - DUI traffic	25,000	17,660	11,326	(6,334)
Police grant - other	17,500	3,000	4,174	1,174
Safe routes to school grant	-	-	7,976	7,976
State of Tennessee				
- Sales tax allocation	515,000	530,000	528,987	(1,013)
- Telecommunication tax	-	-	618	618
- Income tax allocation	21,500	33,600	56,863	23,263
- Beer tax allocation	3,900	3,780	3,783	3
- City street & transportation	15,700	15,600	15,679	79
- Street maintenance	92,684	92,684	92,684	-
- Excise tax	8,178	6,000	6,089	89
Grants from Local Governments				
- Crimestoppers	1,200	1,200	1,200	-
- County recreation grant	10,000	10,000	10,000	-
- Other miscellaneous grants	6,825	5,000	5,487	487
Total intergovernmental revenues	872,887	884,124	878,500	(5,624)
Licenses and permits				
Beer licenses	1,000	1,000	1,000	-
Building permits	10,000	10,000	10,866	866
Business license	-	-	582	582
Other permits	500	250	315	65
Total licenses and permits	11,500	11,250	12,763	1,513

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, 2013**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (continued)				
Charges for services				
Clerk's fees - business tax	24,500	28,000	31,834	3,834
Accident report filing fees	3,500	3,400	3,369	(31)
Maintenace charges for Caywood	82,000	85,000	85,000	-
SOR charges	250	150	478	328
Mowing and lot cleanup	-	1,000	1,419	419
Street repair charges	60,000	10,000	8,014	(1,986)
Parks and recreation charges	8,650	8,400	7,566	(834)
Total charges for services	178,900	135,950	137,680	1,730
City court fines and costs	135,000	140,000	146,722	6,722
Other revenues				
Interest income	20,000	12,000	12,344	344
Community center revenue	20,000	12,000	12,800	800
Rent income	74,400	74,400	73,299	(1,101)
Sales of cemetery lots	12,000	8,000	8,400	400
Insurance recoveries	15,000	17,000	17,196	196
Sales of other materials	27,500	24,000	27,381	3,381
Miscellaneous income	3,000	17,000	15,170	(1,830)
Total other revenue	171,900	164,400	166,590	2,190
Total revenues	5,743,003	5,722,199	5,873,531	151,332
Expenditures				
General government				
General				
Salaries	57,480	58,830	57,634	1,196
Employee benefits	313,896	321,851	319,585	2,266
Memberships	2,310	2,310	2,214	96
Operating expenses	2,250	3,545	1,987	1,558
Other operating expenses	12,240	12,990	9,509	3,481
Insurance	145,200	135,200	130,082	5,118
Total general	533,376	534,726	521,011	13,715
Judicial				
Salaries	8,800	8,800	8,801	(1)
Total judicial	8,800	8,800	8,801	(1)

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

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	200,347	204,847	199,080	5,767
Employee benefits	30,580	30,580	29,004	1,576
Insurance	440	390	360	30
Office expense	11,210	11,760	9,013	2,747
Professional fees	43,460	45,000	41,127	3,873
Membership and dues	400	400	345	55
Repair and maintenance	8,550	9,100	7,520	1,580
Other operating expenses	155,270	135,880	117,891	17,989
Capital outlay	188,500	444,430	579,985	(135,555)
Total city recorder	638,757	882,387	984,325	(101,938)
City Hall				
Utilities	20,957	15,707	15,059	648
Total general government	1,201,890	1,441,620	1,529,196	(87,576)
Public safety				
Police department				
Salary	1,337,374	1,252,374	1,237,747	14,627
Employee benefits	235,902	235,152	229,527	5,625
Utilities	37,500	32,000	29,219	2,781
Repair and maintenance	28,800	28,800	18,047	10,753
Memberships and dues	700	700	675	25
Supplies	32,650	31,650	25,981	5,669
Uniforms and clothing	11,200	11,200	8,758	2,442
Gas, oil, and diesel	90,000	87,000	84,291	2,709
Insurance	2,880	3,230	3,197	33
Equipment rental	7,750	7,750	7,278	472
Office expense	39,400	43,500	40,723	2,777
Other grant expenses	79,000	53,000	32,320	20,680
Total police department	1,903,156	1,786,356	1,717,763	68,593
Fire department				
Salaries	601,085	614,735	603,750	10,985
Employee benefits	102,500	99,500	96,916	2,584
Volunteer firemen	8,000	-	3,640	(3,640)
Volunteer firemen benefits	3,890	4,740	-	4,740
Utilities	37,400	35,400	33,456	1,944
Memberships	170	170	100	70
Repair and maintenance	17,550	25,700	20,039	5,661
Supplies	4,485	4,485	2,939	1,546
Clothing and uniforms	4,800	4,805	4,805	-
Gas, oil, diesel	11,000	10,000	9,499	501
Insurance	1,170	1,200	1,175	25
Public relations	485	485	481	4
Travel	2,000	2,000	1,143	857
Equipment rent	2,800	2,800	2,696	104
Small items of equipment	7,500	5,843	499	5,344
Total fire department	804,835	811,863	781,138	30,725
Building inspector				
Salaries	55,289	56,559	55,162	1,397
Employee benefits	8,550	8,900	8,147	753
Insurance	90	90	90	-
Other operating expenses	9,775	9,125	3,989	5,136
Total building inspector	73,704	74,674	67,388	7,286
Total public safety	2,781,695	2,672,893	2,566,289	106,604

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	505,741	462,741	454,584	8,157
Employee benefits	94,340	87,940	85,206	2,734
Utilities	19,848	11,848	10,587	1,261
Street lighting	-	160	158	2
Repair and maintenance	159,870	165,870	124,567	41,303
Repair and maintenance - equipment	10,000	10,000	7,650	2,350
Clothing and uniforms	4,200	4,200	3,520	680
Gas; oil, diesel	55,000	44,840	43,177	1,663
Culverts	-	2,230	269	1,961
Gravel and sand	1,000	1,000	-	1,000
Operating supplies	17,480	17,300	11,026	6,274
Insurance	1,080	1,080	1,006	74
Office supplies	2,970	2,920	2,551	369
Total highways and streets	871,529	812,129	744,301	67,828
Garage				
Repair and maintenance	4,000	8,000	3,688	4,312
Supplies	17,350	23,700	20,832	2,868
Utilities	-	5,500	4,043	1,457
Fuel purchases	17,500	17,500	15,928	1,572
Capital outlay	-	5,000	3,385	1,615
Total garage	38,850	59,700	47,876	11,824
Animal control				
Contract labor	35,000	34,150	32,367	1,783
Operating costs	-	900	887	13
Total animal control	35,000	35,050	33,254	1,796
Sanitation				
Landfill closure	10,500	5,500	2,860	2,640
Total public works	955,879	912,379	828,291	84,088
Health, welfare, and recreation				
Appropriations				
Library	31,000	31,000	31,000	-
Library utilities	13,651	11,651	10,974	677
RSVP	3,000	3,000	-	3,000
Senior Citizens	11,000	11,450	11,450	-
Rescue Squad utilities	900	900	852	48
Christmas parade	-	500	500	-
Carl Perkins	1,725	1,725	1,725	-
Lexington scholarship	500	500	500	-
JACO A	1,900	1,900	1,900	-
Hope utilities	5,891	5,900	5,762	138
Project graduation	1,100	1,100	1,095	5
Airport	21,594	21,594	21,594	-
Other appropriations	4,100	2,100	1,995	105
Total appropriations	96,361	93,320	89,347	3,973

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Museum				
Salaries	15,865	16,465	16,115	350
Employee benefits	1,214	1,264	1,233	31
Unemployment insurance	90	140	130	10
Utilities	8,190	7,000	6,035	965
Repair and maintenance	-	100	18	82
Telephone	693	693	615	78
Security system	528	528	500	28
Operating costs	110	210	107	103
Janitorial costs	110	110	-	110
Total museum	26,800	26,510	24,753	1,757
Civic center				
Salaries	8,500	10,500	10,155	345
Employee benefits	650	800	777	23
Unemployment insurance	85	85	83	2
Utilities	36,750	22,750	21,915	835
Repair and maintenance	35,500	25,500	12,079	13,421
Operating costs	1,100	1,100	389	711
Janitorial costs	2,200	2,200	1,880	320
Total civic center	84,785	62,935	47,278	15,657
Parks				
Salaries	181,821	166,821	159,427	7,394
Employee benefits	30,800	28,300	27,481	819
Repair and maintenance	43,000	51,100	35,126	15,974
Utilities	87,347	67,347	59,848	7,499
Insurance	945	945	735	210
Other operating expenses	27,374	27,474	21,434	6,040
Total parks	371,287	341,987	304,051	37,936
Total health, welfare, and recreation	579,233	524,752	465,429	59,323
Economic development				
State plan service	15,851	15,000	14,407	593
Professional fees	5,500	15,000	65,202	(50,202)
Travel	775	1,025	597	428
Maintenance	16,500	16,000	15,567	433
Miscellaneous	5,450	10,001	7,044	2,957
Capital outlay	26,500	198,000	127,976	70,024
Total economic development	70,576	255,026	230,793	24,233
Debt service				
Principal payments	119,405	119,405	70,000	49,405
Interest payments	55,711	56,701	56,700	1
Paying agent fees	500	1,000	405	595
Total debt service	175,616	177,106	127,105	50,001
Total expenditures	5,764,889	5,983,776	5,747,103	236,673

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(21,886)	(261,577)	126,428	388,005
Other financing sources (uses)				
Transfers in	950,337	1,151,862	1,059,685	(92,177)
Transfers out	(770,000)	(770,000)	(770,000)	-
Premium on bonds	-	-	1,393	1,393
Bond issue costs	-	-	(2,185)	(2,185)
Bond proceeds	-	150,000	140,927	(9,073)
Sale of general fixed assets	10,000	5,000	4,925	(75)
Total other financing sources (uses)	190,337	536,862	434,745	(102,117)
Net change in fund balance	168,451	275,285	561,173	285,888
Fund Balance at Beginning of Year	1,393,767	1,393,767	1,393,767	-
Fund Balance at End of Year	<u>\$ 1,562,218</u>	<u>\$ 1,669,052</u>	<u>\$ 1,954,940</u>	<u>\$ 285,888</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, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Wheel tax	\$ 85,000	\$ 85,000	\$ 86,832	\$ -	\$ -	\$ 86,832	\$ 1,832
Current year tax levy	459,475	459,475	461,026	-	-	461,026	1,551
Prior year tax receipts	41,250	27,750	27,390	-	-	27,390	(360)
Mixed drink tax	1,625	1,025	1,046	-	-	1,046	21
Local sales tax	748,000	748,000	764,052	-	-	764,052	16,052
Interstate telecommunication taxes	500	500	444	-	-	444	(56)
Bank excise tax	1,500	700	605	-	-	605	(95)
Marriage licenses	500	500	435	-	-	435	(65)
Other	8,000	4,000	7,209	-	-	7,209	3,209
State funds							
Basic education	4,699,000	4,699,000	4,715,128	-	-	4,715,128	16,128
Early childhood education	202,114	202,114	202,114	-	-	202,114	-
Career ladder	35,000	35,000	44,875	-	-	44,875	9,875
ACT reimbursement	-	-	783	-	-	783	783
Other State education funds	48,600	43,956	43,956	-	-	43,956	-
Federal funds							
Title I grants	196,507	273,260	265,326	-	-	265,326	(7,934)
Other Federal through State	-	307,280	244,529	-	-	244,529	(62,751)
Career ladder extended	-	22,300	22,300	-	-	22,300	-
Coordinated School Health	92,000	92,000	92,000	-	-	92,000	-
Special education grants to state	206,379	210,308	206,842	-	-	206,842	(3,466)
Special education preschool - idea	3,987	3,987	3,987	-	-	3,987	-
Special education - inclusion grant	22,877	22,877	20,791	-	-	20,791	(2,086)
Special education - other	50,000	50,000	44,549	-	-	44,549	(5,451)
Internet Connectivity	3,500	3,500	3,286	-	-	3,286	(214)
Student Management	2,600	2,695	2,695	-	-	2,695	-
English language acquisition grant	-	2,177	2,177	-	-	2,177	-
Safe schools grant	-	5,300	5,300	-	-	5,300	-
IDEA inclusion grant	20,975	19,478	17,808	-	-	17,808	(1,670)
IDEA high cost	-	-	9,875	-	-	9,875	9,875
Title IIA - improving teach quality	49,555	53,387	50,352	-	-	50,352	(3,035)
First to the top	-	336,451	263,359	-	-	263,359	(73,092)
Total Intergovernmental revenues	6,978,944	7,712,020	7,611,071	-	-	7,611,071	(100,949)
Other revenues							
Interest income	15,000	6,500	6,300	-	-	6,300	(200)
Contributions	-	9,985	10,985	-	-	10,985	1,000
Receipts from individual schools	1,000	1,000	2,005	-	-	2,005	1,005
On-behalf payments	-	75,000	64,501	-	-	64,501	(10,499)
Miscellaneous revenues	2,500	500	889	-	-	889	389
Total other revenues	18,500	92,985	84,680	-	-	84,680	(8,305)
Total Revenues	6,997,444	7,805,005	7,695,751	-	-	7,695,751	(109,254)

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, 2013

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Instruction							
Regular instruction program							
Teachers	2,422,080	2,414,204	2,293,146	-	-	2,293,146	121,058
Career ladder program	19,000	19,000	16,233	-	-	16,233	2,767
Career ladder program - extended	-	19,137	17,106	-	-	17,106	2,031
Homebound teachers	-	282	282	-	-	282	-
Educational assistants	138,620	190,271	190,271	-	-	190,271	-
Bonus payments	23,500	23,500	-	-	-	-	23,500
Other salaries and wages	13,125	52,357	34,088	-	-	34,088	18,269
Certified substitute teachers	30,000	30,000	26,516	-	-	26,516	3,484
Non-certified substitute teachers	32,000	32,000	25,405	-	-	25,405	6,595
Social security	164,795	157,195	146,914	-	-	146,914	10,281
State retirement	215,054	227,741	207,072	-	-	207,072	20,669
Life insurance	6,120	6,120	5,454	-	-	5,454	666
Medical insurance	355,064	378,236	375,669	-	-	375,669	2,567
Dental insurance	5,730	6,854	6,854	-	-	6,854	-
Unemployment compensation	3,802	4,809	4,757	-	-	4,757	52
Local retirement	1,805	2,428	2,076	-	-	2,076	352
Employer medicare	37,934	40,213	34,579	-	-	34,579	5,634
On-behalf payments	-	75,000	64,501	-	-	64,501	10,499
Maintenance and repair - equipment	3,000	3,000	-	-	-	-	3,000
Other contracted services	35,275	38,702	33,831	-	-	33,831	4,871
Instructional supplies	48,400	75,677	72,500	-	-	72,500	3,177
Textbooks	122,500	104,538	102,521	-	-	102,521	2,017
Other supplies and materials	8,481	9,225	16,724	(7,500)	-	9,224	1
Indirect costs	2,362	2,136	2,136	-	-	2,136	-
Other charges	6,000	-	-	-	-	-	6,000
Regular instruction equipment	62,000	117,626	117,626	-	-	117,626	-
Total regular instruction program	3,756,647	4,030,251	3,796,261	(7,500)	-	3,788,761	241,490
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	388,086	373,860	371,833	-	-	371,833	2,027
Career ladder program	2,000	2,000	1,500	-	-	1,500	500
Career ladder program - extended	-	875	875	-	-	875	-
Educational assistants	90,129	100,073	100,072	-	-	100,072	1
Speech pathology	44,076	45,548	44,900	-	-	44,900	648
Certified substitute teachers	5,000	6,920	4,360	-	-	4,360	2,560
Non-certified substitute teachers	5,400	13,345	11,945	-	-	11,945	1,400
Social security	33,412	31,746	30,789	-	-	30,789	957
State retirement	39,093	38,794	37,651	-	-	37,651	1,143
Medical insurance	62,230	60,630	60,115	-	-	60,115	515
Dental insurance	828	915	915	-	-	915	-
Unemployment compensation	995	1,055	1,044	-	-	1,044	11
Local retirement	1,068	1,068	762	-	-	762	306
Employer medicare	7,809	7,691	7,217	-	-	7,217	474
Contracts with other schools	9,000	-	-	-	-	-	9,000
Other contracted services	100	211	211	-	-	211	-
Instructional supplies	4,790	9,253	8,693	-	-	8,693	560
Other supplies and materials	100	4,824	4,709	-	-	4,709	115
Special education equipment	100	14,305	14,305	-	-	14,305	-
Total special education	694,216	713,113	701,896	-	-	701,896	11,217
Student body education							
Other salaries and wages	72,116	72,250	72,250	-	-	72,250	-
Social security	4,554	4,419	4,387	-	-	4,387	32
State retirement	6,647	6,647	6,416	-	-	6,416	231
Medical insurance	10,976	10,976	10,930	-	-	10,930	46
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	101	101	-	-	101	-
Employer medicare	1,065	1,065	1,026	-	-	1,026	39
Travel	500	500	-	-	-	-	500
Other contracted services	12,000	12,000	11,000	-	-	11,000	1,000
Other charges	10,000	10,000	8,595	-	-	8,595	1,405
Total student body education	118,234	118,234	114,981	-	-	114,981	3,253
Total instruction	4,595,097	4,887,598	4,639,138	(7,500)	-	4,631,638	255,960

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, 2013**

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Support services							
Attendance							
Postal charges	300	300	200	-	-	200	100
Other contracted services	4,800	4,895	4,432	-	-	4,432	463
Other supplies and materials	500	483	38	-	-	38	445
Inservice/staff development	2,000	2,017	2,017	-	-	2,017	-
Other charges	500	500	-	-	-	-	500
Total attendance	8,100	8,195	6,687	-	-	6,687	1,508
Health instruction program							
Supervisor/director	30,330	30,330	30,330	-	-	30,330	-
Medical personnel	52,325	54,492	54,492	-	-	54,492	-
Other salaries	18,475	18,773	18,773	-	-	18,773	-
Certified substitute teachers	240	200	200	-	-	200	-
Non-certified substitute teachers	560	405	405	-	-	405	-
Social security	6,319	6,027	5,621	-	-	5,621	406
State retirement	2,693	2,693	2,693	-	-	2,693	-
Health insurance	9,889	10,450	9,984	-	-	9,984	466
Dental insurance	276	284	152	-	-	152	132
Unemployment insurance	178	198	198	-	-	198	-
Employer medicare	1,466	1,390	1,315	-	-	1,315	75
Postal charges	200	200	200	-	-	200	-
Other contracted services	1,800	1,726	726	-	-	726	1,000
Other supplies and materials	27,095	33,262	28,121	-	-	28,121	5,141
Inservice/staff development	7,000	3,113	3,112	-	-	3,112	1
Other equipment	-	2,287	2,287	-	-	2,287	-
Total health instruction program	158,846	165,830	158,609	-	-	158,609	7,221
Other student support							
Career ladder program	6,000	6,000	6,000	-	-	6,000	-
Guidance personnel	103,330	108,150	104,436	-	-	104,436	3,714
Social workers	42,274	47,640	46,248	-	-	46,248	1,392
Assessment personnel	11,000	139,457	133,554	-	-	133,554	5,903
Other salaries	142,397	1,150	165	-	-	165	985
Social security	19,780	19,582	16,245	-	-	16,245	3,337
State retirement	28,433	28,228	25,788	-	-	25,788	2,440
Medical insurance	42,504	40,736	38,612	-	-	38,612	2,124
Dental insurance	831	787	689	-	-	689	98
Unemployment compensation	3,043	302	234	-	-	234	68
Employer medicare	4,626	4,601	3,799	-	-	3,799	802
Contracts with government agencies	60,000	85,000	80,870	-	-	80,870	4,130
Evaluation and testing	11,500	11,765	11,765	-	-	11,765	-
Other supplies and materials	500	-	-	-	-	-	-
Inservice/staff development	4,948	666	594	-	-	594	72
Other charges	750	2,015	2,015	-	-	2,015	-
Other equipment	-	2,205	2,205	-	-	2,205	-
Total other student support	481,916	498,284	473,219	-	-	473,219	25,065
Regular instruction program							
Supervisor/Director	134,586	142,708	142,436	-	-	142,436	272
Career ladder program	5,500	5,500	5,500	-	-	5,500	-
Libraries	43,686	47,688	45,836	-	-	45,836	1,852
Other salaries	48,792	284,527	262,114	-	-	262,114	22,413
Certified substitute teachers	700	4,640	1,760	-	-	1,760	2,880
In-service training	5,000	41,782	18,400	-	-	18,400	23,382
Non-certified substitute teachers	1,000	9,840	4,910	-	-	4,910	4,930
Social security	11,710	28,507	25,018	-	-	25,018	3,489
State retirement	16,662	41,341	37,359	-	-	37,359	3,982

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, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services(continued)							
Regular instruction program(continued)							
Medical insurance	17,647	39,933	38,515	-	-	38,515	1,418
Dental insurance	414	690	540	-	-	540	150
Unemployment compensation	200	538	519	-	-	519	19
Employer medicare	3,446	7,511	6,641	-	-	6,641	870
Consultants	3,000	3,000	-	-	-	-	3,000
Dues and memberships	1,000	1,066	1,066	-	-	1,066	-
Travel	500	500	190	-	-	190	310
Other contracted services	44,500	44,500	28,873	-	-	28,873	15,627
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	31,000	33,300	12,610	-	-	12,610	20,690
Inservice/staff development	37,797	130,595	75,682	-	-	75,682	54,913
Other equipment	7,000	6,000	6,000	-	-	6,000	-
Total regular instruction program	<u>423,140</u>	<u>883,166</u>	<u>722,969</u>	<u>-</u>	<u>-</u>	<u>722,969</u>	<u>160,197</u>
Special Education							
Supervisor/director	27,041	28,212	28,212	-	-	28,212	-
Psychological personnel	27,041	28,212	28,212	-	-	28,212	-
In-service training	5,100	5,100	5,100	-	-	5,100	-
Social security	3,353	3,353	3,098	-	-	3,098	255
State retirement	4,802	5,010	5,010	-	-	5,010	-
Medical insurance	9,362	9,116	8,517	-	-	8,517	599
Dental insurance	138	138	126	-	-	126	12
Unemployment compensation	40	44	44	-	-	44	-
Employer medicare	784	784	725	-	-	725	59
Other contracted services	42,300	39,250	37,370	-	-	37,370	1,880
Other supplies and materials	2,125	50	-	-	-	-	50
Inservice/staff development	22,550	22,550	22,514	-	-	22,514	36
Other equipment	1,500	3,625	3,590	-	-	3,590	35
Total special education	<u>146,136</u>	<u>145,444</u>	<u>142,518</u>	<u>-</u>	<u>-</u>	<u>142,518</u>	<u>2,926</u>
Total support services	<u>1,218,138</u>	<u>1,700,919</u>	<u>1,504,002</u>	<u>-</u>	<u>-</u>	<u>1,504,002</u>	<u>196,917</u>
General administration							
Board of education							
Audit services	25,000	25,000	24,791	-	-	24,791	209
Dues and subscriptions	8,000	8,000	7,185	-	-	7,185	815
Legal services	4,200	6,160	6,153	-	-	6,153	7
Printing, stationery, etc...	5,100	5,100	1,169	-	-	1,169	3,931
Travel	1,000	1,000	88	-	-	88	912
Other contracted services	7,000	7,000	1,382	-	-	1,382	5,618
Other supplies and materials	1,000	1,000	243	-	-	243	757
Liability insurance	10,766	10,766	10,766	-	-	10,766	-
Surety bonds	442	442	442	-	-	442	-
Trustee's commission	19,000	19,000	18,710	-	-	18,710	290
Workmans compensation	15,387	15,491	15,466	-	-	15,466	25
Inservice/staff development	4,000	1,936	1,592	-	-	1,592	344
Refunds to applicants	500	500	42	-	-	42	458
Other charges	9,000	9,000	8,729	-	-	8,729	271
Total board of education	<u>110,395</u>	<u>110,395</u>	<u>96,758</u>	<u>-</u>	<u>-</u>	<u>96,758</u>	<u>13,637</u>
Office of education							
County officials	95,000	95,000	92,597	-	-	92,597	2,403
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	5,952	5,952	5,785	-	-	5,785	167
Medical insurance	8,384	10,778	10,778	-	-	10,778	-
Dental insurance	138	138	138	-	-	138	-
Unemployment compensation	50	50	43	-	-	43	7
Employer medicare	1,392	1,392	1,353	-	-	1,353	39
Communication	6,400	11,400	10,486	-	-	10,486	914
Dues and memberships	1,000	1,000	719	-	-	719	281
Postage	1,500	1,500	982	-	-	982	518
Travel	2,000	476	246	-	-	246	230
Other contracted services	2,000	2,000	1,682	-	-	1,682	318
Office supplies	3,000	1,746	1,746	-	-	1,746	-
Inservice/staff development	3,000	3,000	2,194	-	-	2,194	806
Other charges	3,000	3,384	3,384	-	-	3,384	-
Administrative equipment	2,000	1,000	1,000	-	-	1,000	-
Total office of education	<u>135,816</u>	<u>139,816</u>	<u>134,133</u>	<u>-</u>	<u>-</u>	<u>134,133</u>	<u>5,683</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, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of principal							
Principals	197,408	202,831	201,914	-	-	201,914	917
Career ladder program	3,000	3,000	3,000	-	-	3,000	-
Accountants and bookkeepers	44,865	47,265	47,230	-	-	47,230	35
Assistant principal	112,407	116,765	116,724	-	-	116,724	41
Clerical personnel	36,297	38,017	38,009	-	-	38,009	8
Social security	24,143	24,632	23,893	-	-	23,893	739
State retirement	27,374	28,574	28,562	-	-	28,562	12
Medical insurance	32,804	33,904	33,876	-	-	33,876	28
Dental insurance	690	790	782	-	-	782	8
Unemployment compensation	450	450	444	-	-	444	6
Local retirement	1,450	1,950	1,937	-	-	1,937	13
Employer medicare	5,646	5,761	5,588	-	-	5,588	173
Dues and memberships	2,000	1,500	1,500	-	-	1,500	-
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	-	-	-	-	-	-
Other contracted services	1,200	1,200	775	-	-	775	425
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	3,000	4,030	4,028	-	-	4,028	2
Other charges	2,000	2,750	2,742	-	-	2,742	8
Administrative equipment	1,000	1,000	1,000	-	-	1,000	-
Total office of principal	499,234	517,419	515,004	-	-	515,004	2,415
Fiscal services							
Accountants and bookkeepers	63,310	68,352	66,999	-	-	66,999	1,353
Purchasing personnel	40,448	42,958	42,958	-	-	42,958	-
Clerical personnel	21,542	22,306	22,306	-	-	22,306	-
Other salaries and wages	7,000	-	-	-	-	-	-
Social security	8,202	6,802	6,731	-	-	6,731	71
Medical insurance	10,454	10,501	10,501	-	-	10,501	-
Dental insurance	276	276	230	-	-	230	46
Unemployment compensation	225	261	261	-	-	261	-
Local retirement	3,850	3,850	3,514	-	-	3,514	336
Employer medicare	1,918	1,918	1,742	-	-	1,742	176
Dues and memberships	300	150	50	-	-	50	100
Other contracted services	6,800	6,950	6,944	-	-	6,944	6
Data processing supplies	1,000	1,000	894	-	-	894	106
Office supplies	2,000	2,000	730	-	-	730	1,270
Inservice/staff development	3,000	5,000	4,770	-	-	4,770	230
Administration equipment	3,000	5,000	4,971	-	-	4,971	29
Total fiscal services	173,325	177,324	173,601	-	-	173,601	3,723
Plant operations							
Janitorial services	324,812	324,812	318,477	-	-	318,477	6,335
Disposal fees	4,000	4,000	3,204	-	-	3,204	796
Permits	500	695	695	-	-	695	-
Other contracted services	25,000	24,805	20,548	-	-	20,548	4,257
Electricity	305,000	305,000	300,161	-	-	300,161	4,839
Natural gas	33,000	33,000	28,306	-	-	28,306	4,694
Water	30,000	30,000	28,327	-	-	28,327	1,673
Other supplies and materials	1,000	1,000	-	-	-	-	1,000
Boiler insurance	1,070	1,070	1,070	-	-	1,070	-
Building and contents insurance	24,667	24,667	24,667	-	-	24,667	-
Vehicle and equipment	7,214	7,214	7,214	-	-	7,214	-
Total plant operations	756,263	756,263	732,669	-	-	732,669	23,594

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, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2012	Encumbrances 6/30/2013		
Expenditures(continued)							
General administration(continued)							
Plant maintenance							
Part time personnel	10,000	12,000	11,576	-	-	11,576	424
Social security	620	718	718	-	-	718	-
Unemployment compensation	50	50	21	-	-	21	29
Employer medicare	145	168	168	-	-	168	-
Contracts with government agencies	110,000	104,301	100,027	-	-	100,027	4,274
Maintenance and repair - buildings	55,000	58,843	58,243	-	600	58,843	-
Maintenance and repair - equipment	25,000	11,000	8,418	-	-	8,418	2,582
Maintenance and repair - other equipment	500	850	812	-	-	812	38
Other contracted services	75,000	79,707	79,707	-	-	79,707	-
Gasoline	3,000	4,500	3,054	-	-	3,054	1,446
Vehicle parts	1,000	1,000	264	-	-	264	736
Other supplies and materials	25,000	39,150	36,615	-	-	36,615	2,535
Inservice/staff development	1,000	-	-	-	-	-	-
Other charges	500	528	528	-	-	528	-
Maintenance equipment	6,000	6,995	6,510	-	-	6,510	485
Total plant maintenance	312,815	319,810	306,661	-	600	307,261	12,549
Central and other							
Supervisor/director	39,960	42,760	42,421	-	-	42,421	339
Data processing personnel	45,150	50,772	50,432	-	-	50,432	340
Social security	5,277	5,284	5,284	-	-	5,284	-
Medical insurance	9,147	9,140	8,300	-	-	8,300	840
Dental insurance	415	415	414	-	-	414	1
Unemployment compensation	150	169	169	-	-	169	-
Local retirement	2,095	2,214	2,214	-	-	2,214	-
Employer medicare	1,234	1,236	1,236	-	-	1,236	-
Dues and memberships	200	200	60	-	-	60	140
Maintenance and repair - equipment	17,000	17,000	16,377	-	-	16,377	623
Travel	1,000	1,000	623	-	-	623	377
Other contracted services	62,000	58,270	57,930	-	-	57,930	340
Other supplies and materials	18,000	16,558	16,558	-	-	16,558	-
Inservice/staff development	4,000	1,523	1,523	-	-	1,523	-
Other charges	2,000	2,000	35	-	-	35	1,965
Data processing equipment	8,000	5,638	5,779	(1,575)	-	4,204	1,434
Other equipment	37,000	38,450	109,170	(70,720)	-	38,450	-
Total central and other	252,628	252,629	318,525	(72,295)	-	246,230	6,399
Total general administration	2,240,476	2,273,656	2,277,351	(72,295)	600	2,205,656	68,000
Early childhood education							
Teachers	85,867	86,275	83,219	-	-	83,219	3,056
Educational assistants	52,787	54,028	54,028	-	-	54,028	-
Other salaries and wages	5,827	2,939	2,939	-	-	2,939	-
Certified substitute teachers	2,000	1,400	1,400	-	-	1,400	-
Inservice training	575	450	450	-	-	450	-
Non-certified substitute teachers	500	810	810	-	-	810	-
Social security	8,752	8,301	8,111	-	-	8,111	190
State retirement	7,625	7,661	7,390	-	-	7,390	271
Medical insurance	15,155	14,447	14,447	-	-	14,447	-
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	350	336	336	-	-	336	-
Local retirement	550	1,182	1,182	-	-	1,182	-
Employer medicare	2,131	1,986	1,941	-	-	1,941	45
Travel	100	-	-	-	-	-	-
Instructional supplies	2,891	2,477	2,477	-	-	2,477	-
Other supplies and materials	1,400	1,542	1,542	-	-	1,542	-
Indirect costs	9,728	9,728	9,728	-	-	9,728	-
Inservice/staff development	3,000	2,170	2,170	-	-	2,170	-
Other charges	600	481	481	-	-	481	-
Regular instruction equipment	2,000	5,624	5,624	-	-	5,624	-
Total early childhood education	202,114	202,113	198,551	-	-	198,551	3,562

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, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2012	Encumbrances 6/30/2013		
Expenditures(continued)							
Debt service							
Principal payments	105,232	105,232	105,232	-	-	105,232	-
Interest payments	16,373	16,373	16,173	-	-	16,173	200
Total debt service	121,605	121,605	121,405	-	-	121,405	200
Capital outlay							
Building imp	245,000	472,854	577,956	-	50,797	628,753	(155,899)
Total capital outlay	245,000	472,854	577,956	-	50,797	628,753	(155,899)
Total Expenditures	8,622,430	9,658,745	9,318,403	(79,795)	51,397	9,290,005	368,740
Excess (deficiency) of revenues over (under) expenditures	(1,624,986)	(1,853,740)	(1,622,652)	79,795	(51,397)	(1,594,254)	259,486
Other financing sources and (uses)							
Transfers in	1,072,728	1,072,728	1,233,869	-	-	1,233,869	161,141
Total other financing sources and (uses)	1,072,728	1,072,728	1,233,869	-	-	1,233,869	161,141
Net change in fund balance	(552,258)	(781,012)	(388,783)	79,795	(51,397)	(360,385)	420,627
Fund balance - beginning of year	2,000,349	2,000,349	2,080,144	(79,795)	-	2,000,349	-
Fund balance - end of year	\$ 1,448,091	\$ 1,219,337	\$ 1,691,361	\$ -	\$ (51,397)	\$ 1,639,964	\$ 420,627

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,761,260	\$ 970,447	\$ 8,124,076	\$ 13,855,783
Cash and cash equivalents - restricted	-	-	5,017,117	5,017,117
Investments	-	278,874	-	278,874
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	782,493	-	2,930,806	3,713,299
Note receivable	65,000	-	-	65,000
Current portion of advance to other funds	49,998	-	-	49,998
Grant receivables	35,952	135,158	-	171,110
Other receivables	-	119,187	205,600	324,787
Due from other funds	23,086	517,452	-	540,538
Inventory	240,266	187,958	267,735	695,959
Natural gas storage	357,526	-	-	357,526
Prepaid expenses	8,975	23,508	23,341	55,824
TOTAL CURRENT ASSETS	6,324,556	2,232,584	16,668,675	25,225,815
PROPERTY, PLANT AND EQUIPMENT				
Land	116,227	76,153	-	192,380
Buildings	534,520	411,584	-	946,104
Equipment	1,650,190	1,982,426	-	3,632,616
General plant	-	-	5,203,978	5,203,978
Distribution plant	13,645,851	34,408,777	49,987,887	98,042,515
Construction in progress	862,524	1,700,485	5,114,712	7,677,721
TOTAL PROPERTY, PLANT AND EQUIPMENT	16,809,312	38,579,425	60,306,577	115,695,314
Less accumulated depreciation	(8,613,870)	(16,564,616)	(21,553,623)	(46,732,109)
NET PROPERTY, PLANT AND EQUIPMENT	8,195,442	22,014,809	38,752,954	68,963,205
OTHER ASSETS				
Note receivable - TVA Home Insulation Program	-	-	267,502	267,502
Noncurrent portion of notes receivable	50,597	-	-	50,597
Deposits	-	65	-	65
Other deferred costs	-	-	106,636	106,636
Bond issue costs, net of accumulated amortization	-	-	174,033	174,033
TOTAL OTHER ASSETS	50,597	65	548,171	598,833
TOTAL ASSETS	14,570,595	24,247,458	55,969,800	94,787,853
CURRENT LIABILITIES				
Accounts payable	261,372	113,293	3,994,895	4,369,560
Accrued expenses	38,344	57,264	244,641	340,249
Accrued interest	31,508	94,589	141,932	268,029
Bond premium	-	-	-	-
Compensated absences	-	-	552,137	552,137
Customer deposits	372,895	164,583	529,718	1,067,196
Due to other funds	573,246	19,251	-	592,497
Current portion of long-term debt	351,029	938,961	510,000	1,799,990
TOTAL CURRENT LIABILITIES	1,628,394	1,387,941	5,973,323	8,989,658
LONG-TERM LIABILITIES				
Compensated absences	257,780	361,269	931,510	1,550,559
Bonds and notes payable	3,206,561	11,496,420	15,370,000	30,072,981
Pension liability	-	-	608,462	608,462
Other post employment benefits	-	-	592,724	592,724
Advances from Home Installation Program	-	-	268,090	268,090
TOTAL LONG-TERM LIABILITIES	3,464,341	11,857,689	17,770,786	33,092,816
TOTAL LIABILITIES	5,092,735	13,245,630	23,744,109	42,082,474
NET POSITION				
Net investment in capital assets	4,637,852	9,218,159	26,596,100	40,452,111
Restricted for debt service	-	-	1,252,039	1,252,039
Unrestricted net position	4,840,008	1,783,669	4,377,552	11,001,229
TOTAL NET POSITION	\$ 9,477,860	\$ 11,001,828	\$ 32,225,691	\$ 52,705,379

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			TOTALS
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	
OPERATING REVENUES				
Charges for services	\$ 6,123,804	\$ 5,818,296	\$ 45,954,764	\$ 57,896,864
Miscellaneous	3,289	7,910	759,046	770,245
TOTAL OPERATING REVENUES	<u>6,127,093</u>	<u>5,826,206</u>	<u>46,713,810</u>	<u>58,667,109</u>
OPERATING EXPENSES				
Natural gas purchases	3,617,492	-	-	3,617,492
Water purchases	-	97,576	-	97,576
Purchased for resale	-	-	35,628,944	35,628,944
Personnel expenses	1,148,845	2,100,618	-	3,249,463
Supplies	46,263	352,300	-	398,563
Utilities	23,639	427,155	-	450,794
Repairs and maintenance	134,659	667,418	1,630,012	2,432,089
Professional fees	15,495	30,125	-	45,620
Operating expenses	55,147	41,730	4,474,329	4,571,206
Rent	46,800	26,400	-	73,200
Office expense	139,372	74,285	-	213,657
Transportation expense	-	84,916	-	84,916
Insurance	29,948	85,391	-	115,339
Taxes and tax equivalents	-	-	241,243	241,243
Memberships and subscriptions	-	24,097	-	24,097
Miscellaneous	-	4,580	-	4,580
Depreciation and amortization	469,944	783,068	1,958,852	3,211,864
TOTAL OPERATING EXPENSES	<u>5,727,604</u>	<u>4,799,659</u>	<u>43,933,380</u>	<u>54,460,643</u>
OPERATING INCOME (LOSS)	<u>399,489</u>	<u>1,026,547</u>	<u>2,780,430</u>	<u>4,206,466</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	19,725	2,175	88,850	110,750
Sale of materials	-	81,625	-	81,625
Miscellaneous revenue	-	-	3,805	3,805
Bond issue costs	(332)	(64,277)	-	(64,609)
Amortization of bond issue costs	-	-	(8,308)	(8,308)
TEAC settlement	102,168	-	-	102,168
Gain on sale of asset	-	900	(25,502)	(24,602)
Insurance reimbursements	-	681	-	681
Interest expense	(112,989)	(346,137)	(594,299)	(1,053,425)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>8,572</u>	<u>(325,033)</u>	<u>(535,454)</u>	<u>(851,915)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	408,061	701,514	2,244,976	3,354,551
Transfers to other funds	(148,005)	(88,572)	(691,775)	(928,352)
Capital contributions	526	40,865	-	41,391
CHANGE IN NET POSITION	<u>260,582</u>	<u>653,807</u>	<u>1,553,201</u>	<u>2,467,590</u>
NET POSITION - BEGINNING OF YEAR, as originally stated	9,304,416	10,544,690	30,672,490	50,521,596
Prior period adjustment	(87,138)	(196,669)	-	(283,807)
NET POSITION - BEGINNING OF YEAR	<u>9,217,278</u>	<u>10,348,021</u>	<u>30,672,490</u>	<u>50,237,789</u>
NET POSITION - END OF YEAR	<u>\$ 9,477,860</u>	<u>\$ 11,001,828</u>	<u>\$ 32,225,691</u>	<u>\$ 52,705,379</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, 2013**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,098,658	\$ 5,808,697	\$ 46,905,143	\$ 58,812,498
Cash received from other funds for services	6,780	90,141	-	96,921
Other operating cash receipts	3,289	8,591	-	11,880
Cash payments to city - tax equivalents	-	-	(691,775)	(691,775)
Cash payments to suppliers for goods and services	(3,805,273)	(2,203,909)	(40,485,466)	(46,294,648)
Cash payments to employees for services	(1,208,786)	(1,739,349)	(1,380,361)	(4,328,496)
Customer deposits received	-	-	231,707	231,707
Customer deposits refunded	-	-	(197,655)	(197,655)
Cash payments to other funds for services	(111,567)	(51,922)	-	(163,489)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,183,101	1,912,249	4,381,593	7,476,943
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	102,168	-	-	102,168
Amounts paid to other funds	(148,005)	(88,572)	-	(236,577)
Sale of materials	-	81,625	-	81,625
Advances from Home Insulation Program	-	-	(40,122)	(40,122)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(45,837)	(6,947)	(40,122)	(92,906)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(256,223)	(4,080,049)	(5,875,987)	(10,212,259)
Plant removal cost	-	-	(276,543)	(276,543)
Materials salvaged from retirements	-	-	62,854	62,854
Gain on sale of capital assets	-	900	-	900
TDOT grant revenues	-	36,099	-	36,099
Advances to other funds	(150,000)	-	-	(150,000)
Payments received on advances to other funds	49,405	-	-	49,405
Payments received on notes receivable	60,000	-	-	60,000
Bond proceeds	21,441	4,145,796	-	4,167,237
Principal payments on long-term debt	(345,000)	(910,000)	(500,000)	(1,755,000)
Interest paid on long-term debt	(115,650)	(343,650)	(597,686)	(1,056,986)
Bond issue costs	(332)	(64,277)	-	(64,609)
Bond issue premium	212	40,974	-	41,186
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(736,147)	(1,174,207)	(7,187,362)	(9,097,716)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(265,956)	(100,000)	(365,956)
Proceeds from sale of investments	-	-	100,000	100,000
Notes receivable - TVA Home Insulation Program	-	-	40,350	40,350
Interest on cash and investments	19,725	2,175	92,655	114,555
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	19,725	(263,781)	133,005	(111,051)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	420,842	467,314	(2,712,886)	(1,824,730)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,340,418	503,133	15,854,079	20,697,630
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,761,260	\$ 970,447	\$ 13,141,193	\$ 18,872,900
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 399,489	\$ 1,026,547	\$ 2,780,430	\$ 4,206,466
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	469,944	783,068	1,958,852	3,211,864
Amounts paid to City - tax equivalents	-	-	(691,775)	(691,775)
Insurance reimbursements	-	681	-	681
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(35,733)	-	193,103	157,370
(Increase) decrease in other receivables	-	(6,144)	-	(6,144)
(Increase) decrease in notes receivable	-	-	-	-
(Increase) decrease in inventory	(17,558)	1,762	(21,000)	(36,796)
(Increase) decrease in prepaid assets	-	-	(11,913)	(11,913)
(Increase) decrease in due from other funds	6,780	90,141	-	96,921
(Increase) decrease in prepaid insurance	16,234	46,831	-	63,065
(Increase) decrease in natural gas storage	382,251	-	-	382,251
Increase (decrease) in accounts payable	122,615	7,124	18,320	148,059
Increase (decrease) in due to other funds	(111,567)	(51,922)	-	(163,489)
Increase (decrease) in pension liability	-	-	(78,840)	(78,840)
Increase (decrease) in OPEB	-	-	200,364	200,364
Increase (decrease) in customer deposits	10,587	(3,455)	34,052	41,184
Increase (decrease) in accrued liabilities	(59,941)	17,616	-	(42,325)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,183,101	\$ 1,912,249	\$ 4,381,593	\$ 7,476,943
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
OPEB	\$ -	\$ -	\$ 200,364	\$ 200,364

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<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	\$ 55,751	\$ -	\$ -
Investments:			
Mutual funds (market value)	-	7,506,819	6,402,609
Annuities (market value)	-	244,785	-
TOTAL ASSETS	<u>55,751</u>	<u>7,751,604</u>	<u>6,402,609</u>
LIABILITIES			
Accrued liabilities	<u>55,751</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension benefits	<u>-</u>	<u>7,751,604</u>	<u>6,402,609</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 7,751,604</u>	<u>\$ 6,402,609</u>

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

**CITY OF LEXINGTON, TENNESSEE
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013**

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
Additions			
Contributions and other additions	\$ 1,000,210	\$ 817,741	\$ 1,817,951
Investment income	4,708	-	4,708
Net investment gain/(loss)	959,862	787,587	1,747,449
Total Additions	<u>1,964,780</u>	<u>1,605,328</u>	<u>3,570,108</u>
Deductions			
Fees	15,680	180	15,860
Dividends and interest paid	6,978	-	6,978
Benefits	326,466	39,892	366,358
Net depreciation in fair value of investments	-	-	-
Total Deductions	<u>349,124</u>	<u>40,072</u>	<u>389,196</u>
Net increase in net position	1,615,656	1,565,256	3,180,912
NET POSITION - BEGINNING OF YEAR	<u>6,135,948</u>	<u>4,837,353</u>	<u>10,973,301</u>
NET POSITION - END OF YEAR	<u>\$ 7,751,604</u>	<u>\$ 6,402,609</u>	<u>\$ 14,154,213</u>

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Lexington
Blended Component Units:	None

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

Blended Component Units

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

Discretely Presented Component Units

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

1. B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Fund

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

Debt Service

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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Proprietary Fund

Enterprise Fund

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

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

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

Pension Trust Funds

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

Major and Nonmajor Funds

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

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

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Nonmajor

Special Revenue Funds:

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met;

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

The City does not allocate indirect costs.

1.D. BUDGETARY INFORMATION

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

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

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

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

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

Cash and Investments

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

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

Interfund Receivables and Payables

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

CITY OF LEXINGTON, TENNESSEE
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JUNE 30, 2013

to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

Receivables

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

Inventories and Prepaid Expense

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

Restricted Assets

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

Bond Discounts / Issuance Costs

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

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

Capital Assets

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

Government-wide Statements

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

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

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The capitalization policy is as listed below:

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

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

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

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for this reporting category as of June 30, 2013.

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

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Long-term Debt

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

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

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

Compensated Absences

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

Electric System

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

School System

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

Net Position Flow Assumption

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

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

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

Fund Balance Policies

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

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

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

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

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

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

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

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

Sales Tax

The City presently levies a nine and three-quarters percent sales tax on taxable sales within the City. The sales tax is collected by the Tennessee Department of Revenue and remitted to the City in the month

CITY OF LEXINGTON, TENNESSEE
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following receipt by the Department of Revenue. The Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund and the School Tax Fund. Sales tax remitted to the City in July has been accrued and are included under the caption "Due from other governments."

Property Tax

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

Operating Revenues and Expenses

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

Expenditures/ Expenses

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

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

Governmental funds – by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund – By Operating and Nonoperating	

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

Interfund Transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
Police Drug Fund	State Law

**CITY OF LEXINGTON, TENNESSEE
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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, 2013.

2.E. BUDGET

The School Tax Fund and the School Debt Service Fund had expenditures that exceeded appropriations for the year ended June 30, 2013.

Lexington City Schools

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

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, 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, 2013, the System's deposits were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

Water Systems

As of June 30, 2013, 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, 2013, the System's bank deposits were fully collateralized or insured.

School System

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

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of amounts due from the various local sources. Receivables detail at June 30, 2013, is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 13,647	\$ 3,962,259	\$ 3,975,906
Allowance for doubtful accounts	(11,378)	(248,960)	(260,338)
Net accounts receivable	<u>\$ 2,269</u>	<u>\$ 3,713,299</u>	<u>\$ 3,715,568</u>

CITY OF LEXINGTON, TENNESSEE
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3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance 7/1/12</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/13</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,022,838	\$ 120,000	\$ -	\$ 2,142,838
Construction in Progress	16,642	129,890	-	146,532
Total Capital assets not being depreciated	<u>2,039,480</u>	<u>249,890</u>	<u>-</u>	<u>2,289,370</u>
Capital assets being depreciated				
Buildings	27,274,685	230,000	-	27,504,685
Equipment	6,902,039	275,660	384,277	6,793,422
Equipment under capital lease	-	-	-	-
Infrastructure	16,096,825	-	-	16,096,825
Improvements	5,845,493	613,994	-	6,459,487
Total Capital assets being depreciated	<u>56,119,042</u>	<u>1,119,654</u>	<u>384,277</u>	<u>56,854,419</u>
Less accumulated depreciation for:				
Buildings	9,702,562	543,009	-	10,245,571
Equipment	5,355,064	490,258	383,119	5,462,203
Infrastructure	11,566,545	38,445	-	11,604,990
Improvements	2,689,344	323,144	-	3,012,488
Total accumulated depreciation	<u>29,313,515</u>	<u>1,394,856</u>	<u>383,119</u>	<u>30,325,252</u>
Total capital assets, being depreciated, net	<u>26,805,527</u>			<u>26,529,167</u>
Governmental activities capital assets, net	<u>\$ 28,845,007</u>			<u>\$ 28,818,537</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 224,934	\$ -	\$ -	\$ 224,934
Construction in Progress	3,655,509	4,022,212	-	7,677,721
Total Capital assets not being depreciated	<u>3,880,443</u>	<u>4,022,212</u>	<u>-</u>	<u>7,902,655</u>
Capital assets being depreciated				
Buildings	1,559,748	162,179	-	1,721,927
Equipment	7,340,004	614,965	121,649	7,833,320
Plant	93,172,408	5,616,262	551,256	98,237,414
Total Capital assets being depreciated	<u>102,072,160</u>	<u>6,393,406</u>	<u>672,905</u>	<u>107,792,661</u>
Less accumulated depreciation for:				
Buildings	882,106	22,744	-	904,850
Equipment	5,197,809	401,803	120,449	5,479,163
Plant	38,098,065	2,958,287	708,254	40,348,098
Total accumulated depreciation	<u>44,177,980</u>	<u>3,382,834</u>	<u>828,703</u>	<u>46,732,111</u>
Total capital assets, being depreciated, net	<u>57,894,180</u>			<u>61,060,550</u>
Business-type activities capital assets, net	<u>\$ 61,774,623</u>			<u>\$ 68,963,205</u>

CITY OF LEXINGTON, TENNESSEE
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Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 261,603
Public safety	208,039
Public works	155,259
Health, recreation and welfare	<u>769,955</u>
Total depreciation expense	<u>\$1,394,856</u>

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 \$4,480,000 in general obligation bonds. These bonds were issued to fund energy lighting projects at several City building and to fund a meter project for the Water System. Issuance costs associated with these bonds were approximately \$69,458 and the bonds were issued at a premium of \$44,277 which will be accreted over the next 16 years. The issue costs have been recognized as an expense in the current year according to GASB Statement No. 65.

Governmental Activities

As of June 30, 2013, the governmental long-term debt of the financial reporting entity consisted of the following:

**CITY OF LEXINGTON, TENNESSEE
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JUNE 30, 2013**

Governmental Activities

General Obligation Bonds

2010 General Obligation Refunding Bond dated March 1, 2011, through September 1, 2019, bearing interest rates of 2% to 3%. \$ 2,760,000

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%. 650,000

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%. 6,620,000

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%, 1,300,000

2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest. 604,231

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%. 312,762

Capital Outlay Notes

2005 capital outlay note. Interest 4.05% with final payment due September 1, 2017. 235,000

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest. 308,292

2008 capital outlay note. Interest 4.40% with final payment due July 1, 2010. 65,000

12,855,285

Other Debt

Compensated absences 1,074,348

Unamortized debt premiums 8,202

Landfill closure costs 221,243

Total Government Activity Debt \$ 14,159,078

**CITY OF LEXINGTON, TENNESSEE
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Business-type Activities

Revenue Bonds

2009 Gas Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	\$ 1,650,000
2011 Gas Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	1,880,000
2011 Water Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	2,300,000
2009 Water and Sewer Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	5,935,000
2007 Electric Department Revenue Bonds, dated April 24, 2007, due November 1, 2007 through May 1, 2032, bearing an interest rate of 4.09%.	7,860,000
2011 Electric Plant Revenue Bonds, variable interest of 2.0% to 4.0% due serially through 2037	8,020,000

General Obligatoin Bonds

2012 General Obligation Bonds - Gas portion, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	21,441
2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	4,145,797

Other liabilities

Compensated absences	2,102,696
Unamortized debt issue costs - electric	174,033
Unamortized debt premiums	60,733

Total Business-type Activites	\$ 34,149,700
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Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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	<u>Balance 7/1/2012</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2013</u>	<u>Due within one year</u>
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 12,834,759	\$ 312,762	\$ 900,528	\$ 12,246,993	\$ 948,539
Notes Payable	743,524	-	135,232	608,292	142,232
Landfill Closure Costs	224,103	-	2,860	221,243	-
Compensated Absences	1,039,890	34,458	-	1,074,348	-
Unamortized debt premiums	7,264	3,091	2,153	8,202	-
Total governmental type activities	<u>14,849,540</u>	<u>350,311</u>	<u>1,040,773</u>	<u>14,159,078</u>	<u>1,090,771</u>
<u>Business Type Activities</u>					
Revenue Bonds	29,400,000	-	1,755,000	27,645,000	1,600,000
General Obligation Bonds	-	4,167,238	-	4,167,238	199,990
Compensated Absences	1,999,544	655,289	552,137	2,102,696	-
Unamortized debt premiums	23,765	41,186	4,218	60,733	-
Unamortized debt expense - electric	182,341	-	8,308	174,033	-
Total business type activities	<u>31,605,650</u>	<u>4,863,713</u>	<u>2,319,663</u>	<u>34,149,700</u>	<u>1,799,990</u>
Total government	<u>\$ 46,455,190</u>	<u>\$ 5,214,024</u>	<u>\$ 3,360,436</u>	<u>\$ 48,308,778</u>	<u>\$ 2,890,761</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, 2013 are as follows:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

General Obligation Bonds						
Year Ending June 30,	Governmental Activities		Business-type Activities		Principal and Interest Total	
	Principal	Interest	Principal	Interest		
2014	\$ 945,539	\$ 307,642	\$ 199,990	\$ 66,076	\$ 1,519,247	
2015	966,237	287,806	209,292	64,076	1,527,411	
2016	987,633	267,059	227,896	61,983	1,544,571	
2017	1,019,030	243,627	246,499	59,704	1,568,860	
2018	850,077	223,411	260,452	57,240	1,391,180	
2019-2023	3,064,797	870,191	1,441,789	235,684	5,612,461	
2024-2028	2,268,680	570,652	1,581,320	92,090	4,512,742	
2029-2033	2,055,000	207,903	-	-	2,262,903	
2033-2037	90,000	4,162	-	-	94,162	
Total	<u>\$ 12,246,993</u>	<u>\$ 2,982,453</u>	<u>\$ 4,167,238</u>	<u>\$ 636,853</u>	<u>\$ 20,033,537</u>	

Notes Payable						
Year Ending June 30,	Governmental Activities		Business-type Activities			
	Principal	Interest	Principal	Interest		
2014	\$ 145,232	\$ 11,406	\$ 1,600,000	\$ 979,717		
2015	80,232	6,784	1,635,000	937,964		
2016	80,232	4,961	1,680,000	896,503		
2017	85,232	3,038	1,295,000	856,350		
2018	85,232	1,013	1,335,000	818,289		
2019-2023	132,132	-	5,390,000	3,494,302		
2024-2028	-	-	5,760,000	2,521,903		
2029-2033	-	-	6,500,000	1,259,225		
2034-2038	-	-	2,450,000	181,438		
	<u>\$ 608,292</u>	<u>\$ 27,202</u>	<u>\$ 27,645,000</u>	<u>\$ 11,945,691</u>		

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	TRANSFER TO					Totals
	General	DARE	School Tax	School Debt	General Purpose School	
TRANSFER FROM						
General	\$ -	\$ -	\$ 90,000	\$ -	\$ 680,000	\$ 770,000
Police Drug Fund	-	2,000	-	-	-	2,000
Solid Waste	131,333	-	-	-	-	131,333
School Tax	-	-	-	963,090	553,869	1,516,959
School Debt Service	-	-	171,835	-	-	171,835
Electric	691,775	-	-	-	-	691,775
Water	88,572	-	-	-	-	88,572
Gas	148,005	-	-	-	-	148,005
GRAND TOTALS	<u>\$ 1,059,685</u>	<u>\$ 2,000</u>	<u>\$ 261,835</u>	<u>\$ 963,090</u>	<u>\$ 1,233,869</u>	<u>\$ 3,520,479</u>

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

**CITY OF LEXINGTON, TENNESSEE
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Interfund Receivables and Payables

	DUE TO:					Totals
	General	Capital Projects	Solid Waste	Water Systems	Gas	
DUE FROM:						
General	\$ -	\$ 136,694	\$ -	\$ 291	\$ 3,975	\$ 140,960
Solid Waste	-	-	-	-	593	593
Gas	5,973	-	50,112	517,161	-	573,246
Water Systems	733	-	-	-	18,518	19,251
	<u>\$ 6,706</u>	<u>\$ 136,694</u>	<u>\$ 50,112</u>	<u>\$ 517,452</u>	<u>\$ 23,086</u>	<u>\$ 734,050</u>

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

3.I. ON-BEHALF PAYMENTS

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lexington City School System. These payments are made by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013 were \$50,177 and \$14,324, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan Obligations:

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

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Ending: 06/30/2013

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

CITY OF LEXINGTON, TENNESSEE
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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: \$ 205,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

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

Credited Interest: 5% per annum compounded annually.

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

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

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

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

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

CITY OF LEXINGTON, TENNESSEE
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<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, 2013. 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, 2013.

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.

**CITY OF LEXINGTON, TENNESSEE
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<u>Actuarial Present Values of Accumulated Plan Benefits</u>	<u>January 1, 2013</u>
Vested Benefits	
Participants currently receiving payments	\$ 238,417
Other Participants	
Active Employees	5,897,337
Deceased and Disabled Employees	84,587
Deferred Vested Terminated Employees	358,227
Total - Other Participants	<u>6,340,151</u>
Total Vested Benefits	6,578,568
Nonvested Benefits	1,107,109
Total Actuarial Present Values of Accumulated Plan Benefits	<u>\$ 7,685,677</u>

Statement of Changes in Accumulated Plan Benefits

Actuarial Present Value of Accumulated Plan Benefits at Beginning of Year	\$ 6,779,433
Increase (decrease) during the year attributable to:	
Benefits paid	(180,146)
Interest due to change in the discount period	508,457
Assumption change	-
Plan amendment	-
Benefits accumulated and actuarial gains and losses	577,933
Actuarial Present Value of Accumulated Plan Benefits at End of Year	<u>\$ 7,685,677</u>

Discount Assumption:

Pre-retirement	7.50%
Post-retirement	7.00%

The City began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The City matches their employee's contributions, which can be up to 6% of the employee's annual compensation. The employer's contributions are not vested until after five annual periods in the plan. The City's current year contributions to the plan were \$17,726.

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, 2013, was \$2,367,840 and the total payroll for the year was \$2,525,210.

All employees of the System become participants on the first day of the calendar month on or immediately after completion of one year of service and attainment of age 20. The Plan provides normal retirement benefits at age 60. Effective March 1, 2000, the monthly annuity is equal to the sum of 2.25% of the members Average Monthly Earnings multiplied by years of Credited Service for the member's first 30 years of Credited Service and 1.85% of the member's Average Monthly Earnings, multiplied by years of Credited Service in excess of 30 years. For contributing members as of April 1, 1986, minimum monthly annuity will equal to 3.33% of member's Average Monthly Earnings multiplied by years of Credited Service subject to a maximum of 15 years. A member of the plan will receive a benefit of no less than 40% of the average of

**CITY OF LEXINGTON, TENNESSEE
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monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater. Average Monthly Earnings means the greater of (1) the average of monthly compensation for the 5 consecutive years of highest compensation, and (2) monthly compensation during the year immediately preceding the participant's 60th birthday. Maximum annual compensation is \$195,000. A reduced retirement benefit is available to employees upon early retirement.

Funding Policy

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

Annual Pension Cost

For the year ended June 30, 2013, the System's annual pension cost of \$625,883 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2012. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.5% a year and (b) 4.0% projected salary increases.

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
2013	625,883	107.48%	608,462

Electric System

The System began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The System matches their employee's contributions, which can be up to 6% of the employee's annual compensation. The employer's contributions are not vested until after five annual periods in the plan. The System's current year contributions to the plan were \$4,021.

School Department

Professional Staff:

Plan Description

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

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

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

Funding Policy

Most teachers are required by state statute to contribute 5% of salary to the plan. The employer contribution rate for Lexington City School System is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2013, was 8.88% of annual covered payroll. The employer contribution requirement for Lexington City School System is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2013, 2012, and 2011, were \$357,940, \$365,668, and \$366,000, 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 \$ 15,631 for the 12-13 school year.

4.B. POST EMPLOYMENT HEALTHCARE PLAN – Electric System

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

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

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

**CITY OF LEXINGTON, TENNESSEE
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Components of Net OPEB Obligation

Annual required contribution	\$ 258,344
Interest on Net OPEB obligation	15,694
Adjustment to annual required contribution	<u>(18,766)</u>
Annual OPEB cost (expense)	255,272
Contributions and subsidy	<u>(54,908)</u>
Increase in net obligation	200,364
Net OPEB obligation (BOY)	<u>392,360</u>
Net OPEB (asset) obligation (EOY)	<u><u>\$ 592,724</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 2013 are as follows:

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

4.C. RISK MANAGEMENT

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

School System

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

Electric System

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2013 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 \$221,243 as a long-term liability in the statement of net position. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

4.E. COMMITMENTS AND CONTINGENCIES

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

Electric System

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

4.F. ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The City, excluding Lexington Electric System, early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Net Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limited fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66, decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modified guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

4.G. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made on both the Water and Natural Gas Funds. Due to implementation of GASB Statement No. 65, prior period adjustments were made to remove bond issue costs that had previously been recorded as assets and amortized annually over the lives of corresponding debt issues.

A similar prior period adjustment was made to governmental activities on the government-wide statements. Bond issue costs had been reported on the government-wide statements for general long-term debt in previous years.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013**

4.H. RECLASSIFICATION OR PREVIOUSLY REPORTED ITEMS

Due to the implementation of GASB Statement No. 63, some amounts reported in the management's discussion and analysis have been reclassified from prior year classifications. Amounts previously reported as liabilities have been reported as deferred inflows of resources.

4.I. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Lexington Gas System

The Gas System has a bypass project with estimated costs of \$134,903. As of June 30, 2013, there is approximately \$87,249 remaining to complete this project. The System has \$31,543 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

Lexington Water System

The System has several construction projects in process at June 30, 2013. Commitments for these projects are described below.

The System has a sewer bypass project with estimated costs of \$157,205. As of June 30, 2013, there is approximately \$102,146 remaining to complete this project. The System has \$39,489 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

The System has a water bypass project with estimated costs of \$165,550. As of June 30, 2013, there is approximately \$117,576 remaining to complete this project. The System has \$40,951 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

The System has a water meter project with estimated costs of \$4,458,018. As of June 30, 2013, there is approximately \$220,528 remaining to complete this project. These costs will be funded by the System's reserves.

The System has a sewer disaster recovery project with costs of \$967,940. As of June 30, 2013, there is \$941,440 remaining to complete this project which is to be fully funded with grant funds.

Lexington City Schools

The School System has a renovation project in process at June 30, 2013. At June 30, 2013 the System has \$121,915 recorded as construction in process with approximately \$49,000 remaining to complete the project. The project is entirely funded by the Lexington School System.

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - EMPLOYEE RETIREMENT SYSTEM
JUNE 30, 2013

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	\$ 6,654,311	\$ 8,882,526	\$ 2,228,215	74.91%	\$4,306,398	51.74%
1/1/2012	5,645,217	8,077,844	2,432,627	69.89%	4,318,514	56.33%
1/1/2011	5,263,575	7,416,172	2,152,597	70.97%	4,595,481	46.84%
1/1/2010	4,474,711	6,579,039	2,104,328	68.01%	4,628,511	45.46%
1/1/2009	3,364,586	5,714,387	2,349,801	58.88%	4,221,025	55.67%
1/1/2008	3,450,120	4,708,371	1,258,251	73.28%	3,644,686	34.52%
1/1/2007	2,721,571	4,206,514	1,484,943	64.70%	3,541,656	41.93%
1/1/2006	2,186,366	3,609,216	1,422,850	60.58%	3,108,489	45.77%
1/1/2005	3,665,785	4,636,744	970,959	79.06%	3,239,833	29.97%
1/1/2004	3,254,596	4,145,005	890,409	78.52%	3,006,230	29.62%

Schedule of Employer Contribution

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

ELECTRIC DEPARTMENT RETIREMENT SCHEDULE OF FUNDING PROGRESS

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

ELECTRIC DEPARTMENT POST-EMPLOYMENT SCHEDULE OF FUNDING PROGRESS

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

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2013**

Schedule of Funding Progress

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

CITY OF LEXINGTON, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue										Debt Service			Capital Projects		Total Other Governmental Funds
	State Street Aid	School Tax Fund	School Food Service Fund	School Solid Waste Collection Fund	Dare Fund	Police Drug Fund	General Sinking Fund	School Debt Fund	Post Office Fund							
ASSETS																
Cash and cash equivalents	15	89,045	83,365	100	1,226	32,436							44,159		280,311	96
Grant receivables	-	-	96	-	-	-	-	-	-	-	-	-	-	-	16,013	16,013
Other receivables	-	-	-	3,740	-	-	-	-	-	-	-	-	-	12,273	186,806	186,806
Due from other funds	-	-	-	50,112	-	-	-	-	-	-	-	-	-	136,694	17,146	17,146
Prepaid insurance	-	-	-	17,146	-	-	-	-	-	-	-	-	-	-	27,021	27,021
Inventory	-	-	27,021	-	-	-	-	-	-	-	-	-	-	-	255,898	255,898
Due from other governments	35,810	220,088	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 35,825	\$ 309,133	\$ 110,482	\$ 71,098	\$ 1,226	\$ 32,436							\$ 193,126		\$ 783,291	
LIABILITIES AND FUND BALANCES																
LIABILITIES																
Accounts payable	-	-	-	-	-	38	-	-	-	-	-	-	-	-	-	38
Accrued liabilities	-	-	-	3,873	-	-	-	-	-	-	-	-	-	-	3,873	3,873
Unearned revenues - other	-	-	6,410	-	-	2,868	-	-	-	-	-	-	-	-	9,278	9,278
Due to other funds	-	-	-	593	-	-	-	-	-	-	-	-	-	-	593	593
TOTAL LIABILITIES			6,410	4,466		2,906									13,782	
FUND BALANCES																
Nonspendable	-	-	27,021	-	-	-	-	-	-	-	-	-	-	-	27,021	27,021
Inventory	-	-	-	17,146	-	-	-	-	-	-	-	-	-	-	17,146	17,146
Prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted																
State street aid	35,825	-	-	-	-	-	-	-	-	-	-	-	-	-	35,825	35,825
School food authority	-	-	77,051	-	-	-	-	-	-	-	-	-	-	-	77,051	77,051
Drug fund	-	-	-	-	-	29,530	-	-	-	-	-	-	-	-	29,530	29,530
Solid waste	-	-	-	49,486	-	-	-	-	-	-	-	-	-	-	49,486	49,486
Assigned	-	-	-	-	1,226	-	-	-	-	-	-	-	-	-	1,226	1,226
DARE fund	-	309,133	-	-	-	-	-	-	-	-	-	-	-	-	309,098	309,098
Debt service	-	-	-	-	-	-	-	29,965	-	-	-	-	-	-	29,965	29,965
Capital projects	-	-	104,072	66,632	1,226	29,530	-	-	-	-	-	-	193,126	-	193,126	193,126
TOTAL FUND BALANCES	35,825	309,133	104,072	66,632	1,226	29,530							193,126		769,509	
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,825	\$ 309,133	\$ 110,482	\$ 71,098	\$ 1,226	\$ 32,436							\$ 193,126		\$ 783,291	

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, 2013

	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 Fund	School Fund		
Revenues:											
Taxes	\$ -	\$ 1,287,506	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,968	\$ -	\$ 1,436,474
Intergovernmental	196,949	-	422,556	-	-	-	-	-	-	-	619,505
Charges for services	-	-	220,227	664,614	-	-	-	-	-	-	884,841
Fines, forfeitures, and penalties	-	-	-	-	-	111,282	-	-	-	-	111,282
Other revenue	10	16,911	-	14,666	-	352	196,009	-	18,479	-	246,427
Total Revenues	196,959	1,304,417	642,783	679,280	-	111,634	196,009	-	167,447	-	3,298,529
Expenditures:											
Current:											
Public works	204,054	-	-	543,376	-	-	-	-	-	-	747,430
Public safety	-	2,415	659,378	-	3,525	51,674	-	-	-	-	55,199
Health, welfare and recreation	-	-	-	-	-	80,242	6,438	-	48,017	-	716,248
Capital outlay	-	-	-	-	-	-	-	-	-	-	80,242
Debt Service	204,054	4,236	659,378	543,376	3,525	131,916	179,689	963,090	48,017	-	1,147,015
Total Expenditures	(7,095)	1,297,766	(16,595)	135,904	(3,525)	(20,282)	9,862	(963,090)	119,430	-	552,395
Revenues over Expenditures											
Other Financing Sources (Uses)											
Bond proceeds	-	-	-	-	-	-	-	171,835	-	-	171,835
Bond premium	-	1,698	-	-	-	-	-	-	-	-	1,698
Sale of capital assets	-	-	-	-	-	5,900	-	-	-	-	5,900
Operating transfer in	-	261,835	-	-	2,000	-	-	963,090	-	-	1,226,925
Operating transfer (out)	-	(1,516,959)	-	(131,333)	-	(2,000)	-	(171,835)	-	-	(1,822,127)
Total Other Financing Sources and (Uses)	-	(1,253,426)	-	(131,333)	2,000	3,900	-	963,090	-	-	(415,769)
Net Change in Fund Balances	(7,095)	44,340	(16,595)	4,571	(1,525)	(16,382)	9,862	-	119,430	-	136,626
Fund Balance at Beginning of Year, as originally stated	42,920	264,793	109,225	62,061	2,751	45,912	20,083	-	73,696	-	621,441
Change in reserve for inventory	-	-	11,442	-	-	-	-	-	-	-	11,442
Fund Balance at Beginning of Year, as restated	42,920	264,793	120,667	62,061	2,751	45,912	20,083	-	73,696	-	632,883
Fund Balance at End of Year	\$ 35,825	\$ 309,133	\$ 104,072	\$ 66,632	\$ 1,226	\$ 29,530	\$ 29,965	\$ -	\$ 193,126	\$ -	\$ 769,509

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, 2013

STUDENT ACTIVITY FUND	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2013</u>
ASSETS				
Cash	<u>\$ 50,797</u>	<u>\$ 214,721</u>	<u>\$ 209,767</u>	<u>\$ 55,751</u>
 Liabilities				
Due to student groups	<u>\$ 50,797</u>	<u>\$ 214,721</u>	<u>\$ 209,767</u>	<u>\$ 55,751</u>

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

CITY OF LEXINGTON, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013

	<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	\$ 200,000	\$ 190,000	\$ 134,933	\$ (55,067)
State gas 1989 tax	-	-	21,711	21,711
State gas three cent tax	-	-	40,305	40,305
Other revenues				
Interest income	-	-	10	10
Total revenues	<u>200,000</u>	<u>190,000</u>	<u>196,959</u>	<u>6,959</u>
Expenditures:				
Public Works:				
Street lighting	226,600	206,600	204,054	2,546
Total expenditures	<u>226,600</u>	<u>206,600</u>	<u>204,054</u>	<u>2,546</u>
Revenues over (under) Expenditures	<u>(26,600)</u>	<u>(16,600)</u>	<u>(7,095)</u>	<u>9,505</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	(26,600)	(16,600)	(7,095)	9,505
Fund Balance at Beginning of Year	42,920	42,920	42,920	-
Fund Balance at End of Year	<u>\$ 16,320</u>	<u>\$ 26,320</u>	<u>\$ 35,825</u>	<u>\$ 9,505</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,244,240	\$ 1,282,490	\$ 1,287,506	\$ 5,016
Intergovernmental revenues				
Safe routes to school grant	-	14,600	-	(14,600)
Other revenues:				
Interest income	15,850	16,350	16,911	561
Total Revenues	<u>1,260,090</u>	<u>1,313,440</u>	<u>1,304,417</u>	<u>(9,023)</u>
Expenditures:				
Health, Welfare and Recreation:				
Operating costs	3,250	2,400	2,415	(15)
Bond issue costs	-	-	2,664	(2,664)
Paying agent fees	1,000	1,600	1,572	28
Total Expenditures	<u>4,250</u>	<u>4,000</u>	<u>6,651</u>	<u>(2,651)</u>
Revenues over (under) Expenditures	<u>1,255,840</u>	<u>1,309,440</u>	<u>1,297,766</u>	<u>(11,674)</u>
Other financing sources and uses:				
Bond premium	-	-	1,698	1,698
Transfers in	90,000	90,000	261,835	171,835
Transfers out	(1,344,858)	(1,346,092)	(1,516,959)	(170,867)
Total Other financing sources and uses	<u>(1,254,858)</u>	<u>(1,256,092)</u>	<u>(1,253,426)</u>	<u>2,666</u>
Net Change in Fund Balances	982	53,348	44,340	(9,008)
Fund Balance at Beginning of Year	<u>264,793</u>	<u>264,793</u>	<u>264,793</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 265,775</u>	<u>\$ 318,141</u>	<u>\$ 309,133</u>	<u>\$ (9,008)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Less: Encumbrances 7/1/2012</u>	<u>Add: Encumbrances 6/30/2013</u>	<u>Actual Revenue/ Expenditures (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>					
Revenues							
Payment for lunches							
Student	\$ 116,170	\$ 98,540	\$ 98,537	\$ -	\$ -	\$ 98,537	\$ (3)
Adult	30,020	21,096	21,096	-	-	21,096	-
Payment for breakfast							
Student	32,720	34,763	34,763	-	-	34,763	-
USDA - lunch programs	252,500	258,222	258,187	-	-	258,187	(35)
USDA - breakfast programs	111,975	118,179	118,217	-	-	118,217	38
USDA - commodities	29,000	32,071	32,072	-	-	32,072	1
USDA - other	4,000	8,196	8,196	-	-	8,196	-
State matching funds	5,750	5,884	5,884	-	-	5,884	-
A La Carte sales	32,000	30,900	30,900	-	-	30,900	-
Revenues from individual schools	40,000	35,274	34,562	-	-	34,562	(712)
Interest income	700	276	279	-	-	279	3
Other revenues	-	64	90	-	-	90	26
Total Revenues	654,835	643,465	642,783	-	-	642,783	(682)
Expenditures							
Food supplies	283,000	302,881	302,101	-	-	302,101	780
Personnel expenditures							
Supervisor/director	27,097	27,397	27,397	-	-	27,397	-
Accountants and bookkeepers	16,346	16,869	16,869	-	-	16,869	-
Cafeteria personnel	190,692	194,685	194,685	-	-	194,685	-
Other salaries and wages	7,000	1,643	1,643	-	-	1,643	-
Inservice training	1,650	1,468	1,468	-	-	1,468	-
Social security	14,949	13,447	13,448	-	-	13,448	(1)
Medical insurance	43,850	44,240	44,240	-	-	44,240	-
Dental insurance	1,120	1,215	1,216	-	-	1,216	(1)
Unemployment compensation	725	870	870	-	-	870	-
Retirement	3,975	3,946	3,945	-	-	3,945	1
Employer medicare	3,495	3,145	3,145	-	-	3,145	-
Dues and memberships	160	158	158	-	-	158	-
Operations and maintenance							
Maintenance and repair	10,000	8,942	8,668	-	-	8,668	274
Nonfood supplies							
Food preparation supplies	21,000	16,861	16,861	-	-	16,861	-
Office supplies	2,060	1,748	1,748	-	-	1,748	-
Uniforms	1,000	540	540	-	-	540	-
Other supplies and materials	4,911	3,756	3,722	-	-	3,722	34
Other							
Travel	400	-	-	-	-	-	-
Other contracted services	10,400	7,620	7,914	-	-	7,914	(294)
Other transportation	2,000	2,143	2,144	-	-	2,144	(1)
Inservice/staff development	4,400	4,704	4,558	-	-	4,558	146
Other charges	100	-	-	-	-	-	-
Equipment	8,000	2,038	2,038	-	-	2,038	-
Total Expenditures	658,330	660,316	659,378	-	-	659,378	938
Excess (deficiency) of revenues over (under) expenditures	(3,495)	(16,851)	(16,595)	-	-	(16,595)	256
Fund Balance at Beginning of Year, as originally stated	109,225	109,225	109,225	-	-	109,225	-
Change in reserve for inventory	-	-	11,442	-	-	11,442	11,442
Fund Balance at Beginning of Year, as restated	109,225	109,225	120,667	-	-	120,667	11,442
Fund Balance at End of Year	\$ 105,730	\$ 92,374	\$ 104,072	\$ -	\$ -	\$ 104,072	\$ 11,698

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, 2013

	<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	\$ 603,175	\$ 3,175
Landfill use fees	42,500	54,500	61,439	6,939
Other revenues:				
Miscellaneous income	10,000	11,000	14,666	3,666
Total revenues	<u>652,500</u>	<u>665,500</u>	<u>679,280</u>	<u>13,780</u>
Expenditures				
Public Works:				
Salaries	236,835	237,410	211,353	26,057
Payroll taxes	18,118	18,293	15,223	3,070
Hospital and health insurance	53,625	49,000	48,623	377
Workers compensation insurance	16,382	15,382	11,376	4,006
Unemployment insurance	720	720	708	12
Utilities	1,800	2,300	1,662	638
Telephone	523	523	456	67
Consultant's services	2,000	1,000	-	1,000
Tires, flats, etc.	2,500	3,500	2,884	616
R&M vehicles	10,000	9,000	7,951	1,049
R&M machinery and equipment	3,000	5,000	3,542	1,458
R&M grounds	-	500	350	150
R&M buildings	500	500	209	291
R&M other	2,000	2,000	119	1,881
Office supplies	300	1,000	730	270
Operating supplies	750	1,500	1,313	187
Other operating	27,500	30,500	27,794	2,706
Janitorial supplies	200	200	157	43
Clothing and uniforms	2,450	2,450	1,938	512
Fuel supplies	35,200	43,200	41,357	1,843
Consumable tools	250	250	-	250
Safety supplies	1,000	1,500	1,253	247
Insurance	8,800	8,800	7,140	1,660
Tipping fees	138,710	142,710	141,281	1,429
Permit fees	3,000	3,000	3,000	-
Soil testing	3,500	3,500	3,326	174
Bad debt expense	9,900	9,900	9,631	269
New cell	3,000	-	-	-
Total expenditures	<u>582,563</u>	<u>593,638</u>	<u>543,376</u>	<u>50,262</u>
Revenues over (under) expenditures	<u>69,937</u>	<u>71,862</u>	<u>135,904</u>	<u>64,042</u>
Other financing sources and uses:				
Transfers in (out)	<u>(69,937)</u>	<u>(71,862)</u>	<u>(131,333)</u>	<u>(61,396)</u>
Net change in fund balances	-	-	4,571	4,571
Fund Balance at Beginning of Year	<u>62,061</u>	<u>62,061</u>	<u>62,061</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 62,061</u>	<u>\$ 62,061</u>	<u>\$ 66,632</u>	<u>\$ 4,571</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, 2013**

	<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	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public Safety:				
Employee education	300	-	-	-
Public relations	1,300	1,900	1,729	171
Travel	700	2,000	1,796	204
Office supplies	50	50	-	50
Operating supplies	50	50	-	50
Total expenditures	<u>2,400</u>	<u>4,000</u>	<u>3,525</u>	<u>475</u>
Revenues over (under) expenditures	<u>(2,400)</u>	<u>(4,000)</u>	<u>(3,525)</u>	<u>475</u>
Other financing sources and uses:				
Transfers in	2,000	2,000	2,000	-
Net change in fund balances	<u>(400)</u>	<u>(2,000)</u>	<u>(1,525)</u>	<u>475</u>
Fund Balance at Beginning of Year	<u>2,751</u>	<u>2,751</u>	<u>2,751</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,351</u>	<u>\$ 751</u>	<u>\$ 1,226</u>	<u>\$ 475</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, 2013**

	<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	\$ 15,000	\$ 21,400	\$ 22,278	\$ 878
Forfeitures	38,500	37,500	39,034	1,534
Sale of seized property	75,000	55,000	49,970	(5,030)
Other revenues:				
Interest income	100	200	202	2
Miscellaneous income	500	150	150	-
Total revenues	<u>129,100</u>	<u>114,250</u>	<u>111,634</u>	<u>(2,616)</u>
Expenditures:				
Public Safety:				
Salaries	-	34,400	34,400	-
Vehicle tow (seized property)	1,000	800	450	350
Telephone	1,800	1,550	1,406	144
Repair and maintenance	1,400	2,000	1,833	167
Operating costs	8,000	12,000	11,585	415
Educational costs	500	2,000	2,000	-
Capital outlay	80,000	80,250	80,242	8
Total expenditures	<u>92,700</u>	<u>133,000</u>	<u>131,916</u>	<u>1,084</u>
Revenues over (under) expenditures	<u>36,400</u>	<u>(18,750)</u>	<u>(20,282)</u>	<u>(1,532)</u>
Other financing sources and uses:				
Sale of capital assets	-	-	5,900	5,900
Transfer out	(2,000)	(2,000)	(2,000)	-
Total other financing sources and uses	<u>(2,000)</u>	<u>(2,000)</u>	<u>3,900</u>	<u>5,900</u>
Net change in fund balances	34,400	(20,750)	(16,382)	4,368
Fund Balance at Beginning of Year	<u>45,912</u>	<u>45,912</u>	<u>45,912</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 80,312</u>	<u>\$ 25,162</u>	<u>\$ 29,530</u>	<u>\$ 4,368</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, 2013**

	<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	-	-	9	9
Total revenues	<u>196,000</u>	<u>196,000</u>	<u>196,009</u>	<u>9</u>
Expenditures:				
Health, Welfare and Recreation:				
Repair and maintenance	5,000	4,800	2,385	2,415
Insurance	4,500	4,100	4,053	47
Debt Service:				
Principal payments	140,000	140,000	140,000	-
Interest payments	38,670	38,670	38,670	-
Paying agent fees	500	1,100	1,019	81
Total expenditures	<u>188,670</u>	<u>188,670</u>	<u>186,127</u>	<u>2,543</u>
Revenues over (under) expenditures	<u>7,330</u>	<u>7,330</u>	<u>9,882</u>	<u>2,552</u>
Other financing sources and uses:				
Transfer out	-	-	-	-
Net change in fund balances	7,330	7,330	9,882	2,552
Fund Balance at Beginning of Year	<u>20,083</u>	<u>20,083</u>	<u>20,083</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 27,413</u>	<u>\$ 27,413</u>	<u>\$ 29,965</u>	<u>\$ 2,552</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, 2013**

	<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	241,328	241,328	720,529	(479,201)
Interest payments	720,529	720,529	242,561	477,968
Paying agent fees	-	-	-	-
Total expenditures	<u>961,857</u>	<u>961,857</u>	<u>963,090</u>	<u>(1,233)</u>
Revenues over (under) expenditures	<u>(961,857)</u>	<u>(961,857)</u>	<u>(963,090)</u>	<u>(1,233)</u>
Other financing sources and uses:				
Debt proceeds	-	-	171,835	171,835
Transfers out	-	-	(171,835)	(171,835)
Transfers in	961,857	961,857	963,090	1,233
Total other financing sources and uses	<u>961,857</u>	<u>961,857</u>	<u>963,090</u>	<u>1,233</u>
Net change in fund balances	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Liquor taxes	\$ -	\$ -	\$ 148,968	\$ 148,968
Other revenues:				
Interest income	100	150	146	(4)
Fireworks contributions	-	10,000	9,450	(550)
Insurance recoveries	-	8,673	8,673	-
Miscellaneous income	-	-	210	210
Total Revenues	<u>100</u>	<u>18,823</u>	<u>167,447</u>	<u>148,624</u>
Expenditures:				
Health, welfare and recreation:				
Fireworks	-	11,100	9,600	1,500
Public functions	4,000	600	577	23
Museum exhibits	-	300	300	-
Repair and maintenance	13,900	100	65	35
Repairs - storm damage	-	37,475	37,475	-
Total Expenditures	<u>17,900</u>	<u>49,575</u>	<u>48,017</u>	<u>1,558</u>
Revenues over (under) Expenditures	(17,800)	(30,752)	119,430	150,182
Other financing sources and uses:				
Transfers out	16,500	-	-	-
Net Change in Fund Balances	(1,300)	(30,752)	119,430	150,182
Fund Balance at Beginning of Year	<u>73,696</u>	<u>73,696</u>	<u>73,696</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 72,396</u>	<u>\$ 42,944</u>	<u>\$ 193,126</u>	<u>\$ 150,182</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, 2013

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2013	\$1.23	\$ 173,711,509	\$ 2,136,686	\$ -	\$ 2,136,686	\$ -	\$ -	\$ 2,136,686
2012	1.23	176,045,704	2,165,379	2,129,934	35,445	(11,262)	2,070,545	83,572
2011	1.23	172,560,623	2,122,526	92,853	-	2,247	81,011	14,089
2010	0.86	160,123,486	1,377,074	9,918	-	(36)	9,882	-
2009	0.86	160,348,230	1,378,984	890	-	(890)	-	-
2008	0.86	157,854,649	1,357,547	435	-	(435)	-	-
2007	0.86	161,370,663	1,387,770	97	-	(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	-	(3,509)	-	128
2001	0.75	129,764,140	1,018,037	91	-	(16)	-	75
				<u>\$ 2,252,720</u>	<u>\$ 2,172,131</u>	<u>\$ (28,863)</u>	<u>\$ 2,161,438</u>	<u>\$ 2,234,550</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, 2013

Year ending June 30,	Capital Outlay - 2005		Schools Capital Outlay - 2008		EESI Loan		2004 - QZAB Bonds		Refunding Bond Series 2003		Bond Series 2009		Refunding Bond Series 2010		Refunding Bond Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 45,000	\$ 8,606	\$ 65,000	\$ 2,600	\$ 35,232	\$ -	\$ 75,529	\$ -	\$ 150,000	\$ 31,050	\$ 295,000	\$ 155,586	\$ 40,000	\$ 62,393	\$ 370,000	\$ 15,010	\$ 1,090,771	\$ 319,048
2015	45,000	6,784	-	-	35,232	-	75,529	-	155,000	22,815	295,000	152,636	45,000	54,892	380,000	15,708	1,046,469	294,590
2016	45,000	4,961	-	-	35,232	-	75,529	-	165,000	14,175	300,000	148,686	45,000	47,242	395,000	17,104	1,067,865	272,020
2017	50,000	3,038	-	-	35,232	-	75,529	-	180,000	4,860	305,000	145,188	45,000	39,146	395,000	16,501	1,104,262	246,685
2018	50,000	1,013	-	-	35,232	-	75,529	-	-	-	310,000	140,612	45,000	29,900	400,000	19,548	935,309	224,424
2019	-	-	-	-	35,232	-	75,529	-	-	-	315,000	135,982	50,000	18,750	410,000	20,246	908,007	208,012
2020	-	-	-	-	35,232	-	75,529	-	-	-	320,000	129,662	50,000	6,300	420,000	20,944	921,705	164,539
2021	-	-	-	-	35,232	-	75,528	-	-	-	325,000	123,260	55,000	-	-	21,642	512,402	169,554
2022	-	-	-	-	26,436	-	-	-	-	-	335,000	116,355	55,000	-	-	22,340	438,776	160,135
2023	-	-	-	-	-	-	-	-	-	-	340,000	108,817	55,000	-	-	23,039	418,039	148,951
2024	-	-	-	-	-	-	-	-	-	-	350,000	100,318	60,000	-	-	23,737	433,737	138,790
2025	-	-	-	-	-	-	-	-	-	-	360,000	91,568	60,000	-	-	24,764	444,764	127,166
2026	-	-	-	-	-	-	-	-	-	-	365,000	82,118	60,000	-	-	25,831	450,831	114,745
2027	-	-	-	-	-	-	-	-	-	-	375,000	72,262	65,000	-	-	26,878	466,878	101,822
2028	-	-	-	-	-	-	-	-	-	-	385,000	61,950	70,000	-	-	17,450	472,450	86,129
2029	-	-	-	-	-	-	-	-	-	-	395,000	50,400	70,000	-	-	-	465,000	73,167
2030	-	-	-	-	-	-	-	-	-	-	410,000	38,550	75,000	-	-	-	485,000	58,237
2031	-	-	-	-	-	-	-	-	-	-	420,000	26,250	85,000	-	-	-	505,000	42,562
2032	-	-	-	-	-	-	-	-	-	-	420,000	13,125	90,000	-	-	-	510,000	25,612
2033	-	-	-	-	-	-	-	-	-	-	-	-	90,000	-	-	-	90,000	8,325
2034	-	-	-	-	-	-	-	-	-	-	-	-	90,000	-	-	-	90,000	4,162
	\$ 235,000	\$ 24,402	\$ 65,000	\$ 2,600	\$ 308,292	\$ -	\$ 604,331	\$ -	\$ 650,000	\$ 72,900	\$ 6,620,000	\$ 1,894,303	\$ 1,300,000	\$ 256,623	\$ 2,760,000	\$ 312,762	\$ 12,655,285	\$ 3,028,655

accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - WATER SYSTEMS
JUNE 30, 2013

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 198,961	\$ 65,736	\$ 195,000	\$ 245,608	\$ 545,000	\$ 44,808	\$ 938,961	\$ 356,152
2015	208,215	63,746	195,000	239,758	555,000	33,808	958,215	337,312
2016	226,723	61,664	205,000	233,908	565,000	22,607	996,723	318,179
2017	245,231	59,397	210,000	227,758	155,000	15,290	610,231	302,445
2018	259,112	56,945	215,000	221,458	155,000	11,687	629,112	290,090
2019	268,366	54,353	220,000	214,740	160,000	7,350	648,366	276,443
2020	277,620	51,401	230,000	203,740	165,000	2,475	672,620	257,616
2021	286,874	47,653	235,000	194,540	-	-	521,874	242,193
2022	296,128	43,494	245,000	185,140	-	-	541,128	228,634
2023	305,382	37,571	255,000	175,340	-	-	560,382	212,911
2024	314,636	31,464	265,000	165,140	-	-	579,636	196,604
2025	328,517	25,171	280,000	154,540	-	-	608,517	179,711
2026	342,398	18,601	295,000	142,990	-	-	637,398	161,591
2027	356,279	11,753	305,000	130,452	-	-	661,279	142,205
2028	231,355	4,627	320,000	117,108	-	-	551,355	121,735
2029	-	-	335,000	103,109	-	-	335,000	103,109
2030	-	-	350,000	88,368	-	-	350,000	88,368
2031	-	-	365,000	72,618	-	-	365,000	72,618
2032	-	-	380,000	56,194	-	-	380,000	56,194
2033	-	-	405,000	38,618	-	-	405,000	38,618
2034	-	-	430,000	19,888	-	-	430,000	19,888
	<u>\$ 4,145,797</u>	<u>\$ 633,576</u>	<u>\$ 5,935,000</u>	<u>\$ 3,231,015</u>	<u>\$ 2,300,000</u>	<u>\$ 138,025</u>	<u>\$ 12,380,797</u>	<u>\$ 4,002,616</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, 2013

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,029	\$ 340	\$ 55,000	\$ 68,361	\$ 295,000	\$ 40,048	\$ 351,029	\$ 108,749
2015	1,077	330	55,000	66,711	305,000	34,047	361,077	101,088
2016	1,173	319	55,000	65,061	310,000	27,898	366,173	93,278
2017	1,268	307	55,000	63,411	315,000	21,411	371,268	85,129
2018	1,340	295	60,000	61,761	325,000	13,962	386,340	76,018
2019	1,388	281	60,000	59,886	330,000	4,950	391,388	65,117
2020	1,436	266	60,000	56,886	-	-	61,436	57,152
2021	1,484	246	65,000	54,486	-	-	66,484	54,732
2022	1,532	225	70,000	51,886	-	-	71,532	52,111
2023	1,579	194	70,000	49,086	-	-	71,579	49,280
2024	1,627	163	75,000	46,286	-	-	76,627	46,449
2025	1,699	130	75,000	43,286	-	-	76,699	43,416
2026	1,771	96	80,000	40,192	-	-	81,771	40,288
2027	1,843	61	85,000	36,792	-	-	86,843	36,853
2028	1,195	24	90,000	33,073	-	-	91,195	33,097
2029	-	-	95,000	29,136	-	-	95,000	29,136
2030	-	-	100,000	24,956	-	-	100,000	24,956
2031	-	-	100,000	20,456	-	-	100,000	20,456
2032	-	-	110,000	15,956	-	-	110,000	15,956
2033	-	-	115,000	10,868	-	-	115,000	10,868
2034	-	-	120,000	5,550	-	-	120,000	5,550
	<u>\$ 21,441</u>	<u>\$ 3,277</u>	<u>\$ 1,650,000</u>	<u>\$ 904,086</u>	<u>\$ 1,880,000</u>	<u>\$ 142,316</u>	<u>\$ 3,551,441</u>	<u>\$ 1,049,679</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, 2013

Year Ending June 30,	Series 2007 Revenue Bonds		Series 2011 Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 7,860,000</u>	<u>\$ 3,602,677</u>	<u>\$ 8,020,000</u>	<u>\$ 3,927,572</u>	<u>\$ 15,880,000</u>	<u>\$ 7,530,249</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, 2013

<u>Tax Year</u>	<u>Outstanding Balance</u>
2011	\$ 14,089
2009	-
2008	-
2007	-
2006	-
2005	-
2004	-
2003	-
2002	128
2001	75
Total	<u>\$ 14,292</u>

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

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2013**

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>8,919</u>				

+ PGA (Purchased Gas Adjustment) - This Rate is set monthly from calculations based on the average total costs associated with natural gas purchases. During the 2012/2013 fiscal year the PGA varied from a low of \$4.26 to a high of \$5.82 with an average rate of \$5.00.

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>9,678</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>3,422</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, 2013

Electric Department

Residential Rate Schedule - RS	
Customer Charge - per delivery point per month	\$ 13.10
Energy Charges - cents per kWh	0.09475
General Power Rate Schedule - GSA	
GSA-1 (0.50 kw)	
Customer Charge - per delivery point per month	\$ 12.96
Energy Charges - per kWh	0.10603
GSA-2 (51-1,000 kw)	
Customer charge - per delivery point per month	\$ 89.03
Demand charge - per kw per month - First 50 kW	-
- Additional kW	12.10
Energy charge - per kw - First 15,000 kWh	0.10603
- Additional kWh	0.06473
GSA-3 (1,000-5,000 kw)	
Customer charge - per delivery point per month	\$ 223.58
Demand charge - per kw per month - First 1,000 kW	11.99
- Excess over 1,000 kW	14.12
Energy charge - per kW	0.06647
GSE	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16.45
Energy charge - cents per kWh use of metered demand per month	0.09683
OffPeak:	
All kW - per kW per month	\$ 4.00
Energy charge - cents per kWh for up to 425 hours	0.06215
Next 195 kWh	0.04349
Over 620 kWh	0.02764
GSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	15.49
Energy charge - cents per kWh use of metered demand per month	0.09323
OffPeak:	
All kW - per kW per month	\$ 3.49
Energy charge - cents per kWh for up to 425 hours	0.05954
Next 195 kWh	0.04086
Over 620 kWh	0.02501
GSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15.83
Energy charge - cents per kWh use of metered demand per month	0.09170
OffPeak:	
All kW - per kW per month	\$ 3.38
Energy charge - cents per kWh for up to 425 hours	0.05696
Next 195 kWh	0.03290
Over 620 kWh	0.02244
MSB1	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 16.45
Energy charge - cents per kWh use of metered demand per month	0.08166
OffPeak:	
All kW - per kW per month	\$ 4.00
Energy charge - cents per kWh for up to 425 hours	0.04737
Next 195 kWh	0.02871
Over 620 kWh	0.01286
MSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15.94
Energy charge - cents per kWh use of metered demand per month	0.08248
OffPeak:	
All kW - per kW per month	\$ 3.49
Energy charge - cents per kWh for up to 425 hours	0.04723
Next 195 kWh	0.02857
Over 620 kWh	0.01273
MSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 15.83
Energy charge - cents per kWh use of metered demand per month	0.08080
OffPeak:	
All kW - per kW per month	\$ 3.38
Energy charge - cents per kWh for up to 425 hours	0.04558
Next 195 kWh	0.02891
Over 620 kWh	0.01108
OL	
Energy charge	0.06804

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued Revenue at July 1, 2012	Adjustments	Receipts	Expenditures	Accrued Revenue at June 30, 2013
FEDERAL AWARDS							
Department of Justice							
COPS - Community Oriented Policing Services	N/A	2009RKWX0806	\$ 13,541	\$ -	\$ 13,541	\$ -	\$ -
Bulletproof Vest Partnership Program	N/A	-	1,998	-	1,998	2,406	2,406
Total Department of Justice			15,539	-	15,539	2,406	2,406
Department of Military - Water Systems							
FEMA	97.036	1909-DR-TN	-	-	9,599	9,599	-
Department of Military - General Government							
FEMA	97.036	1909-DR-TN	-	33	33	-	-
FEMA	97.036	4005-DR-TN	-	102	102	-	-
Total Department of Military	97.036		-	135	9,734	9,599	-
Department of Transportation - Gas System							
412 West to Madison County Line	N/A	HPP-STP-20(28)	1,125	-	-	-	1,125
412 East to Decatur County Line	N/A	STP-20(29)	10,937	-	-	228	11,165
Lexington Bypass	N/A	STP-459(1)	16,280	-	-	193	16,473
Department of Transportation - Water Systems							
412 East to Decatur County Line	N/A	STP-20(29)	33,355	-	-	2,846	36,201
Decatur County Water Line	N/A	STP-20(30)	29,734	-	-	-	29,734
Lexington Bypass	N/A	STP-459(1)	43,625	-	-	966	44,592
Department of Transportation - General Government							
Governor's Highway Safety Office - Network Coordinator	20.607/20.600	Z-12-GHS173	13,000	-	13,283	283	-
Governor's Highway Safety Office - High Visibility	20.600	Z-12-GHS-395	5,000	-	5,000	-	-
Governor's Highway Safety Office - Crash Intervention	20.607	Z-13-GHS183	-	-	4,667	14,009	9,342
Governor's Highway Safety Office - Crash Intervention	20.600	Z-12-GHS174	6,334	-	17,660	11,326	-
Governor's Highway Safety Office - Network Coordinator	20.600	Z-13-GHS182	-	-	492	6,540	6,048
Total for CFDA #	20.600		24,334	-	41,102	32,158	15,390
Safe Routes to School	20.205	Contract #090236	14,625	-	14,625	7,976	7,976
Total Department of Transportation			174,015	-	55,727	44,367	162,656
Department of Economic and Community Development							
CDBG DRG Sewer Line Realignment, contract #34876	14.228	"unavailable"	-	-	26,500	26,500	-
TOTAL FEDERAL AWARDS			189,554	135	107,500	82,872	165,062
STATE FINANCIAL ASSISTANCE							
Tennessee Department of Transportation - Gas System							
412 West to Madison County Line	N/A	HPP-STP-20(28)	281	-	-	-	281
412 East to Decatur County Line	N/A	STP-20(29)	2,733	-	-	57	2,790
Lexington Bypass	N/A	STP-459(1)	4,070	-	-	48	4,118
Tennessee Department of Transportation - Water Systems							
412 East to Decatur County Line	N/A	STP-20(29)	5,337	-	-	712	6,049
Decatur County Water Line	N/A	STP-20(30)	7,434	-	-	-	7,434
Lexington Bypass	N/A	STP-459(1)	10,907	-	-	241	11,148
Tennessee Department of Military							
State Law Enforcement Supplement	-	4005-DR-TN	-	-	15,000	15,000	-
State Fire Grant Supplement	-	-	-	-	7,800	7,800	-
TOTAL STATE AWARDS			30,762	-	22,800	23,858	31,820
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			\$ 220,316	\$ 135	\$ 130,300	\$ 106,730	\$ 196,882

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 3: Lexington Electric System

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

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

AWWA WLCC Free Water Audit Software: Reporting Worksheet

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WAS v4.2

[Back to Instructions](#)

? [Click to access definition](#)

Water Audit Report for: **LEXINGTON UTILITIES**
 Reporting Year: **2013** / **7/2012 - 6/2013**

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

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

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	?	9	1,118.087	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	?	5		MG/Yr
Water imported:	?	n/a	0.000	MG/Yr
Water exported:	?	n/a	0.000	MG/Yr
WATER SUPPLIED:			1,118.087	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	?	9	749.219	MG/Yr
Billed unmetered:	?	10	0.304	MG/Yr
Unbilled metered:	?	9	29.858	MG/Yr
Unbilled unmetered:	?	5	24.952	MG/Yr
AUTHORIZED CONSUMPTION:	?		804.333	MG/Yr

Click here: ?
for help using option buttons below

Pcnt: 1.25% Value: 24.952

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

313.754 MG/Yr

Apparent Losses

Unauthorized consumption:	?		2.795	MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed				
Customer metering inaccuracies:	?	9	41.004	MG/Yr
Systematic data handling errors:	?	10	0.749	MG/Yr
Apparent Losses:	?		44.548	

Pcnt: 0.25% Value:

5.00% 5.000

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:	?		269.206	MG/Yr
WATER LOSSES:			313.754	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? 368.564 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:	?	7	10,000	
Connection density:			27	conn./mile main
Average length of customer service line:	?	8	0.0	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	?	5	65.0	psi

COST DATA

Total annual cost of operating water system:	?	10	\$3,545,950	\$/Year
Customer retail unit cost (applied to Apparent Losses):	?	8	\$7.02	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	?	8	\$659.12	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	33.0%
Non-revenue water as percent by cost of operating system:	14.8%
Annual cost of Apparent Losses:	\$312,729
Annual cost of Real Losses:	\$177,439

Operational Efficiency Indicators

Apparent Losses per service connection per day:	12.21	gallons/connection/day
Real Losses per service connection per day*:	N/A	gallons/connection/day
Real Losses per length of main per day*:	1,961.57	gallons/mile/day
Real Losses per service connection per day per psi pressure:		gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	83.85	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	269.21	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.21	

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

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 87 out of 100 *****

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Customer retail unit cost (applied to Apparent Losses)

[For more information, click here to see the Grading Matrix worksheet](#)



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

To the Mayor and City Aldermen
Lexington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below as Lexington Gas System's finding 2007-01; Lexington Water System's finding 2007-01; and Internal School Funds' finding SAF 2007-01 to be material weaknesses.

LEXINGTON GAS SYSTEM

FINDING 2007-01 NO INVENTORY OF CAPITAL ASSETS

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

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

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

LEXINGTON WATER SYSTEMS

FINDING 2007-01 NO INVENTORY OF CAPITAL ASSETS

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

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

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

GENERAL PURPOSE SCHOOL FUND

NONE

SCHOOL FOOD AUTHORITY

NONE

INTERNAL SCHOOL FUNDS

FINDING SAF 2007 – 01 INADEQUATE SEGREGATION OF DUTIES

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

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

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

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

Management's Response:

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

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be

reported under *Government Auditing Standards* and which are described below as Debt Service Fund finding 2013-01 and General Government finding 2004-06.

SCHOOL DEBT SERVICE FUND

FINDING 2013 – 01 EXPENDITURES EXCEEDED BUDGET

Expenditures exceeded budgeted appropriations in the Debt Service Fund. The System 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.

GENERAL GOVERNMENT

FINDING 2004-06 EXPENDITURES EXCEEDED BUDGET

Expenditures exceeded budgeted appropriations in the School Tax 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.

City of Lexington, Tennessee's Response to Findings

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

Purpose of this Report

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

PRIOR YEAR DISPOSITIONS

LEXINGTON GAS SYSTEM

- 95-08 Work Orders and Inventory – corrected.
- 2012-01 Financial Statements Before Audit Adjustments materially misstated – corrected.
- 2012-02 Custodial Credit Risk – corrected.
- 2012-03 Nonpayment of Interfund receivables/payables – corrected.

LEXINGTON WATER SYSTEMS

- 2003-12 Inventory – corrected.
- 2000-02 Nonpayment of interfund receivables – corrected.

INTERNAL SCHOOL FUNDS

ISF 2011-03 Ticket Reconciliations – corrected.

ISF 2011-04 Division of Profits Not Computed – corrected.

GOVERNMENT-WIDE FINANCIALS

GW 2007-01 Capital Assets – corrected.

Yodanis Associates, PLLC

December 5, 2013