

**CITY OF LEXINGTON,
TENNESSEE**

ANNUAL FINANCIAL REPORT

JUNE 30, 2023

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Roster of Publicly Elected Officials and Management Officials	1
FINANCIAL SECTION	
Independent Auditor's Report.	2 – 4
Management's Discussion and Analysis	5 – 10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Fund	17 - 22
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual (Budgetary Basis) – General Purpose School Fund	23 - 29
Proprietary Funds:	
Statement of Net Position	30
Statement of Revenues, Expenses, and Changes in Net Position	31
Statement of Cash Flows	32
Fiduciary Funds:	
Statement of Fiduciary Net Position	33
Statement of Changes in Fiduciary Net Position	34
Notes to Basic Financial Statements	35 – 99
Required Supplementary Information:	
Schedule of Funding Progress – Schedule of Changes in Net OPEB Liability and Related Ratios	100
Schedule of Funding Progress – Schedule of Changes in Net OPEB Liability and Related Ratios - Lexington Electric System	101
Schedules of Changes in Net Pension Liability and Related Ratios	102
Schedules of Plan Contributions	103
Schedule of Pension Plan Investment Returns	104
Notes to Required Supplemental Information	105 – 106
Schedule of Proportionate Share of the Net Pension Assets – Teacher Legacy Plan of TCRS	107
Schedule of Contributions – Teacher Legacy Pension Plan of TCRS	108
Schedule of Proportionate Share of the Net Pension Liability (Asset) – Teacher	

Retirement Plan of TCRS	109
Schedule of Contributions – Teacher Retirement Plan of TCRS	110
Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios – School System	111

Other Supplemental Information:

Combining Financial Statements – Non-Major Governmental Funds:

Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	113

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

State Street Aid Fund	114
School Tax Fund	115
School Food Service Fund (Budgetary Basis)	116
Solid Waste Collection Fund	117
Dare Fund	118
E-citation Fund	119
Police Drug Fund	120
Debt Service – Sinking Fund	121
Debt Service – School Debt Fund	122
Capital Projects – Post Office Fund	123

Schedule of Changes in Property Taxes Receivable	124
---	------------

Schedule of Long-Term Debt Requirements

General Long-Term Debt	125
Water Systems	126
Natural Gas Fund	127
Lexington Electric Department	128

Schedule of Changes in Long-Term Debt by Individual Issue	129
--	------------

Schedule of Outstanding Delinquent Taxes Filed With Chancery Court	130
---	------------

Schedule of Utility Rates in Force	131 – 132
---	------------------

Schedule of Expenditures of Federal Awards and State Financial Assistance	133
--	------------

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	134 – 135
--	------------------

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	136 – 137
---	------------------

Schedule of Disposition of Prior Audit Findings	138
--	------------

Schedule of Findings and Questioned Costs	139 – 141
--	------------------

Management’s Corrective Action Plan	142 – 143
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CITY OF LEXINGTON, TENNESSEE
ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS
JUNE 30, 2023

PUBLICLY ELECTED OFFICIALS

Jeff Griggs	Mayor
Sandra Wood	Vice-Mayor
Fred Ellis	Alderman
Jack Johnson	Alderman
Tim Rhodes	Alderman
Jimmy White	Alderman
Gordon Wildridge	Alderman
Gabe Williams	Alderman

MANAGEMENT OFFICIALS

Cody Wood	CMFOA Designee City Recorder
Justin Roach	Utility General Manager



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2023, 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 financial statements of the Lexington Electric System, which is both a major fund and 53%, 54%, and 76% respectively, of the assets, net position, and revenues of the business-type activities.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and

Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and the schedule of funding progress on pages 99 through 100 and other required supplementary information on pages 101 through 110 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information 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, schedules, other supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hodwin & Associates, PLLC". The signature is written in a cursive, flowing style.

March 15, 2024

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023. 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 11 and 12) 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 13. 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 11. The following is one of the most important questions asked about the City's finances, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

Our analysis of the City's major funds begins on page 13. The fund financial statements begin on page 13 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 a fiduciary fund for which it is the trustee or fiduciary. The pension trust fund accounts for pension contributions, benefits, and distributions. This fund is reported in a separate Statement of Fiduciary Net Position page 33, and the Statement of Changes in the Fiduciary Net Position for the Pension Trust fund is on page 34. 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 35 - 98.

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 99 - 110 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 111 - 122 of this report.

THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Lexington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$100,221,615 at June 30, 2023.

CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 19,813,555	\$ 21,039,638	\$ 25,937,396	\$ 31,657,687	\$ 45,750,951	\$ 52,697,325
Capital Assets	28,026,781	27,139,855	92,464,343	86,313,671	120,491,124	113,453,526
Total Assets	47,840,336	48,179,493	118,401,739	117,971,358	166,242,075	166,150,851
Deferred outflows of of resources	2,790,818	2,361,762	3,417,109	2,255,203	6,207,927	4,616,965
Long term liabilities	11,301,180	9,993,881	43,594,591	42,162,519	54,895,771	52,156,400
Other liabilities	1,794,757	1,624,016	7,840,349	7,654,274	9,635,106	9,278,290
Total liabilities	13,095,937	11,617,897	51,434,940	49,816,793	64,530,877	61,434,690
Deferred inflows of of resources	4,249,461	8,336,843	3,448,049	5,692,949	7,697,510	14,029,792
Net Position:						
Net investment in capital assets	22,095,517	20,595,690	62,094,719	53,802,505	84,190,236	74,398,195
Restricted	2,258,121	5,367,323	4,484,905	5,586,111	6,743,026	10,953,434
Unrestricted	8,932,118	4,623,502	356,235	5,268,203	9,288,353	9,891,705
Total Net Position	\$ 33,285,756	\$ 30,586,515	\$ 66,935,859	\$ 64,656,819	\$ 100,221,615	\$ 95,243,334

Governmental Activities

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

Business-type Activities

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

- The City's Gas System had an increase in net position of \$282,915 compared to an increase in the prior year of \$67,960. This increase in net position from the prior year to the current year is primarily due to an increase in charges for services.
- The City's Water Systems Fund had an increase of net position of \$169,944 compared to an increase in the prior year of \$1,098,467. The increase in net position from the prior year to the current year decreased due to increased operating expenses.
- The City's Electric Department had an increase in net position of \$1,826,181 compared to an increase in the prior year of \$2,410,449. The increase in net position from the prior year to the current year decreased due to an increase in operating expenses.

The following table provides a summary of the City's operations for the year ended June 30, 2023, with comparative totals for the year ended June 30, 2022.

CITY OF LEXINGTON'S CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		TOTAL	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 2,131,251	\$ 1,976,206	\$ 69,939,583	\$ 64,315,398	\$ 72,070,834	\$ 66,291,604
Operating grants and contributions	10,946,657	12,710,316	-	-	10,946,657	12,710,316
Capital grants and contributions	1,089,250	33,220	-	-	1,089,250	33,220
General revenues:						
Property taxes	2,238,089	2,260,898	-	-	2,238,089	2,260,898
In-lieu of property taxes	117,334	104,282	-	-	117,334	104,282
Public service taxes	121,804	125,102	-	-	121,804	125,102
Sales taxes	6,266,839	5,974,868	-	-	6,266,839	5,974,868
Investment earnings	219,056	86,018	369,513	213,524	588,569	299,542
Insurance recovery	369,941	51,443	18,463	15,628	388,404	67,071
Gain(loss) on sale of capital assets	22,672	(22,912)	6,400	28,374	29,072	5,462
Lease revenue	-	-	123,704	127,258	123,704	127,258
Miscellaneous	142,487	95,490	104,624	210,880	247,111	306,370
Total revenues	23,665,380	23,394,931	70,562,287	64,911,062	94,227,667	88,305,993
Expenses:						
General government and administration	1,995,407	1,681,741	-	-	1,995,407	1,681,741
Public safety	4,773,443	4,139,924	-	-	4,773,443	4,139,924
Public works	3,128,273	3,198,762	-	-	3,128,273	3,198,762
Health, Welfare and Recreation	11,757,593	10,534,035	-	-	11,757,593	10,534,035
Economic development	103,450	96,201	-	-	103,450	96,201
Internal School Fund	236,557	-	-	-	236,557	-
Interest on long-term debt	109,690	143,178	-	-	109,690	143,178
Water Systems	-	-	7,801,957	6,848,709	7,801,957	6,848,709
Natural Gas	-	-	7,959,335	7,833,275	7,959,335	7,833,275
Electric Department	-	-	51,463,109	45,978,132	51,463,109	45,978,132
Total expenses	22,104,413	19,793,841	67,224,401	60,660,116	89,328,814	80,453,957
Increase (decrease) in net position before transfers and contributions	1,560,967	3,601,090	3,337,886	4,250,946	4,898,853	7,852,036
Transfers	1,142,376	1,228,084	(1,180,977)	(1,228,084)	(38,601)	-
Capital contributions	-	-	122,131	554,014	122,131	554,014
Increase (decrease) in net position	2,703,343	4,829,174	2,279,040	3,576,876	4,982,383	8,406,050
Net position at beginning of year, as originally stated	30,586,515	25,579,682	64,656,819	61,079,943	95,243,334	86,659,625
Restatement - internal school funds	-	169,893	-	-	-	169,893
Inventory adjustment	(4,102)	7,766	-	-	(4,102)	7,766
Net position at beginning of year, as restated	30,582,413	25,757,341	64,656,819	61,079,943	95,239,232	86,837,284
Net position at end of year	\$ 33,285,756	\$ 30,586,515	\$ 66,935,859	\$ 64,656,819	\$ 100,221,615	\$ 95,243,334

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$14,648,817, which is 14% above last year's total of \$12,877,356.

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, 2023, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2023	Percent of Total	June 30, 2022
Taxes	\$ 7,744,564	32.71%	\$ 7,194,174
Intergovernmental	13,417,185	56.66%	13,527,924
Licenses and permits	25,227	0.11%	21,989
Charges for services	1,482,111	6.26%	1,352,282
Fines and forfeitures	260,817	1.10%	260,714
Internal school funds	251,929	1.06%	248,325
Other revenues	497,036	2.10%	316,824
Total Revenues	\$ 23,678,869	100.00%	\$ 22,922,232

Revenues were comparable from the prior year to the current year.

Expenditures	June 30, 2023	Percent of Total	June 30, 2022
General government	\$ 1,447,225	6.17%	\$ 1,252,739
Public Safety	4,214,744	17.98%	3,630,459
Public Works	2,722,317	11.61%	2,817,637
Health, welfare, and recreation	11,261,675	48.04%	10,818,867
Economic development	103,450	0.44%	96,201
Internal school funds	236,557	1.01%	247,473
Capital outlay	2,743,307	11.70%	3,011,411
Debt Service	712,844	3.04%	1,072,256
Total Expenditures	\$ 23,442,119	100.00%	\$ 22,947,043

Expenditures were comparable from the prior year to the current year.

COMPONENT UNIT

The Government Accounting Standards Board (GASB 14) requires that certain organizations affiliated with the primary government be reported as component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The nature and significance of component units are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit for the City of Lexington is the Industrial Development Board of the City of Lexington, Tennessee.

A summary of the City's component unit operations follows:

	THE IDB OF THE CITY OF LEXINGTON	
	2023	2022
Fees, Fines and Charges for Services	\$ -	\$ 1,800
Operating Grants and Contributions	553,334	1,251,142
Capital Grants and Contributions	103,510	252,602
Insurance recovery	13,000	-
Investment earnings	19,363	12,718
Gain on disposal of assets	116,298	-
Lease revenues	122,838	124,082
Transfers in/ (out)	38,601	-
Total Revenues	966,944	1,642,344
Program expenses	543,518	1,276,085
Change in net position	423,426	366,259
Net Position At Beginning of Year	1,427,989	1,061,730
Net Position at End of Year	\$ 1,851,415	\$ 1,427,989

Complete financial statements of the Industrial Development Board of the City of Lexington, Tennessee may be obtained from the IDB, c/o Cody Wood, 33 1st Street, Lexington, Tennessee.

General Fund Budgetary Highlights

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2023, the City had \$120,491,124 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 \$7,037,598, or 6.2% over the prior year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$36,707,489 in outstanding long-term debt compared to \$39,482,926 last year. Of the total outstanding debt 17% belongs to the Governmental funds, 8% to the Gas Fund, 41% to the Water Systems Fund, and 34% to the Electric Department.

See Note 3.G for additional information.

ECONOMIC FACTORS

The City expects higher revenues and operating costs in 2023-2024 as compared to 2022-2023.

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.

Cody Wood
City Recorder

CITY OF LEXINGTON, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Component Unit
	Governmental	Business-type	Total	Industrial Development Board
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 13,728,390	\$ 13,870,565	\$ 27,598,955	\$ 377,069
Cash and cash equivalents - restricted	190,250	4,480,108	4,670,358	-
Investments	-	100,000	100,000	-
Receivables:				
Property taxes	2,816,974	-	2,816,974	-
Accounts receivable, net of allowance	51,198	3,342,155	3,393,353	-
Grant receivables	285,699	-	285,699	157,432
Lease receivable, current portion	-	120,270	120,270	76,511
Other receivables	77,615	401,176	478,791	-
Internal balances	(208,187)	208,187	-	-
Due from other governments	1,312,814	-	1,312,814	-
Inventory	34,923	1,293,383	1,328,306	-
Hybrid retirement stabilization funds	75,614	-	75,614	-
Natural gas storage	-	388,124	388,124	-
Prepaid expenses	210,758	562,278	773,036	-
Net pension asset	1,237,507	-	1,237,507	-
Other assets	-	646,890	646,890	-
Lease receivable, net of current portion	-	524,260	524,260	307,673
Capital assets:				
Land and construction in progress	2,607,520	13,015,589	15,623,109	1,386,565
Other capital assets, net of depreciation	25,419,261	79,448,754	104,868,015	855,445
TOTAL ASSETS	47,840,336	118,401,739	166,242,075	3,160,695
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on bond refunding	-	26,053	26,053	-
Deferred outflows - employee benefits	2,428,669	2,457,850	4,886,519	-
Deferred outflows - OPEB	362,149	933,206	1,295,355	-
	<u>2,790,818</u>	<u>3,417,109</u>	<u>6,207,927</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	973,860	5,446,519	6,420,379	21,916
Grants payable	-	225,567	225,567	313,205
Customer deposits	-	1,764,518	1,764,518	-
Unearned revenue	46,710	-	46,710	-
Compensated absences	-	213,358	213,358	-
Long-term liabilities:				
Advances from Home Installation Program	-	315,318	315,318	-
Net OPEB liability	1,851,381	4,988,651	6,840,032	-
Net Pension liability	2,472,588	5,899,398	8,371,986	-
Compensated absences	1,574,066	2,051,454	3,625,520	-
Landfill closure costs	246,068	-	246,068	-
Due within one year	774,187	2,168,263	2,942,450	30,563
Due in more than one year, net of unamortized premiums	5,157,077	28,361,894	33,518,971	559,412
TOTAL LIABILITIES	13,095,937	51,434,940	64,530,877	925,096
DEFERRED INFLOWS OF REVENUES				
Unavailable revenue - property taxes	2,734,000	-	2,734,000	-
Deferred inflows - employee benefits	947,042	1,104,266	2,051,308	-
Deferred inflows - OPEB	568,419	1,699,253	2,267,672	-
Deferred inflows - lease receivable	-	644,530	644,530	384,184
TOTAL DEFERRED INFLOWS OF REVENUES	4,249,461	3,448,049	7,697,510	\$ 384,184
NET POSITION				
Net investment in capital assets	22,095,517	62,094,719	84,190,236	1,652,035
Restricted for:				
Capital projects	-	2,148,266	2,148,266	-
Tank/hydrant maintenance	-	722,521	722,521	-
Sex offender	15,392	-	15,392	-
State Street Aid Fund	372,378	-	372,378	-
E-citation	18,507	-	18,507	-
School Food Service	102,349	-	102,349	-
Hybrid retirement stabilization funds	75,615	-	75,615	-
Solid Waste Collection	88,565	-	88,565	-
Police Drug Fund	161,691	-	161,691	-
Pensions	1,237,507	-	1,237,507	-
Debt service	-	1,614,118	1,614,118	-
Internal school funds	186,117	-	186,117	-
Unrestricted	8,932,118	356,235	9,288,353	199,380
TOTAL NET POSITION	\$ 33,285,756	\$ 66,935,859	\$ 100,221,615	\$ 1,851,415

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, 2023

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			Component Unit Industrial Development Board
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General Government	\$ 1,995,407	\$ 135,002	\$ 1,187,779	\$ -	\$ (672,626)	\$ -	\$ (672,626)	-
Public Safety	4,773,443	279,107	166,954	-	(4,327,382)	-	(4,327,382)	-
Public Works	3,128,273	1,287,357	309,692	-	(1,531,224)	-	(1,531,224)	-
Health, Welfare and Recreation	11,757,593	219,760	9,240,328	-	(2,297,505)	-	(2,297,505)	-
Economic Development	103,450	-	-	1,089,250	985,800	-	985,800	-
Internal School Fund	236,557	210,025	41,904	-	15,372	-	15,372	-
Interest on long-term debt	109,690	-	-	-	(109,690)	-	(109,690)	-
Business-type activities:								
Gas Fund	7,959,335	8,289,888	-	-	-	330,553	330,553	-
Water Systems Fund	7,801,957	7,801,380	-	122,131	-	121,554	121,554	-
Electric Department	51,463,109	53,848,315	-	-	-	2,385,206	2,385,206	-
Total business-type activities	67,224,401	69,939,583	-	122,131	-	2,837,313	2,837,313	-
Total primary government	\$ 89,328,814	\$ 72,070,834	\$ 10,946,657	\$ 1,211,381	(7,937,255)	2,837,313	(5,099,942)	\$ -
Component unit:								
Industrial Development Corporation	543,518	-	553,334	103,510	-	-	-	113,326
General revenues:								
Taxes:								
Property					2,238,089	-	2,238,089	-
In-lieu of taxes					117,334	-	117,334	-
Public service taxes					121,804	-	121,804	-
Sales					6,266,839	-	6,266,839	-
Investment earnings					219,056	369,513	588,569	19,363
Insurance recovery					369,941	18,463	388,404	13,000
Gain (loss) on sale/retirement of capital assets					22,672	6,400	29,072	116,298
Lease revenue					-	123,704	123,704	122,838
Miscellaneous					142,487	104,624	247,111	-
Transfers in/(out)					1,142,376	(1,180,977)	(38,601)	38,601
Total general revenues and transfers					10,640,598	(558,273)	10,082,325	310,100
Change in net position					2,703,343	2,279,040	4,982,383	423,426
Net position - beginning, as originally stated					30,586,515	64,656,819	95,243,334	1,427,989
Inventory adjustment - school food service fund					(4,102)	-	(4,102)	-
Net position - beginning, as restated					30,582,413	64,656,819	95,239,232	1,427,989
Net position - ending					\$ 33,285,756	\$ 66,935,859	\$100,221,615	\$ 1,851,415

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

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General	General Purpose School Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 6,608,847	\$ 2,667,703	\$ 4,451,840	\$ 13,728,390
Taxes receivable	2,816,974	-	-	2,816,974
Accounts receivable	51,198	-	-	51,198
Grant receivable	285,699	-	-	285,699
Other receivables	8,158	-	69,457	77,615
Inventory	-	-	34,923	34,923
Hybrid retirement stabilization funds	-	75,614	-	75,614
Due from other governments	696,007	232,691	384,116	1,312,814
Due from other funds	28,102	-	73,111	101,213
Prepaid expenses	190,378	-	20,380	210,758
Restricted assets - cash and cash equivalents	-	-	190,250	190,250
TOTAL ASSETS	\$ 10,685,363	\$ 2,976,008	\$ 5,224,077	\$ 18,885,448
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 310,503	\$ -	\$ 74,060	\$ 384,563
Accrued expenses	427,858	129,621	8,812	566,291
Unearned revenue - other	-	-	46,710	46,710
Due to other funds	298,147	-	11,253	309,400
TOTAL LIABILITIES	1,036,508	129,621	140,835	1,306,964
DEFERRED INFLOWS OF REVENUES				
Deferred income	112,693	-	-	112,693
Unavailable revenue - property taxes	2,816,974	-	-	2,816,974
TOTAL DEFERRED INFLOWS OF REVENUES	2,929,667	-	-	2,929,667
FUND BALANCE				
Nonspendable:				
Inventory	-	-	34,923	34,923
Prepaid expenses	-	-	20,380	20,380
Restricted for:				
Sex offender	15,392	-	-	15,392
State street aid	-	-	372,378	372,378
E-citation	-	-	18,507	18,507
School food authority	-	-	102,349	102,349
Hybrid retirement stabilization funds	-	75,615	-	75,615
Drug fund	-	-	161,691	161,691
Solid Waste Collection	-	-	88,565	88,565
Internal School Funds	-	-	186,117	186,117
Committed:				
Rainy Day fund	979,485	-	-	979,485
Shop with Cops	30,197	-	-	30,197
Assigned:				
Special revenue funds	-	-	2,640,206	2,640,206
Capital projects	-	-	1,458,126	1,458,126
Unassigned:				
General fund	5,694,114	-	-	5,694,114
Education	-	-	-	-
General purpose school fund	-	2,770,772	-	2,770,772
TOTAL FUND BALANCES	6,719,188	2,846,387	5,083,242	14,648,817
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES	\$ 10,685,363	\$ 2,976,008	\$ 5,224,077	\$ 18,885,448

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, 2023

Total fund balance - total governmental funds	\$ 14,648,817
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.	28,026,781
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	82,974
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	1,237,507
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	(2,472,588)
Net OPEB liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	(1,851,381)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.	1,481,627
Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized and recognized as components of pension expense in future years.	(206,270)
Unearned revenues are not available to be recognized as current revenues and are deferred on the governmental balance sheet.	112,693
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(23,006)
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>(7,751,398)</u>
Net position of governmental activities	<u><u>\$ 33,285,756</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, 2023

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 2,314,153	\$ -	\$ -	\$ 2,314,153
Penalty and interest	21,620	-	-	21,620
In lieu of taxes	21,478	-	-	21,478
Sales	2,303,456	-	1,919,546	4,223,002
Beer tax	358,715	-	-	358,715
Business	317,686	-	-	317,686
Liquor tax	-	-	306,952	306,952
Franchise	121,804	-	-	121,804
Hotel/motel tax	56,254	-	-	56,254
Privilege	2,900	-	-	2,900
Intergovernmental revenues	2,372,008	9,073,629	1,971,548	13,417,185
Licenses and permits	25,227	-	-	25,227
Charges for services	186,838	-	1,295,273	1,482,111
Fines, forfeits, and penalties	215,999	-	44,818	260,817
Internal school funds	-	-	251,929	251,929
Other revenues	206,094	133,736	157,206	497,036
Total revenues	8,524,232	9,207,365	5,947,272	23,678,869
Expenditures				
Current:				
General government	1,447,225	-	-	1,447,225
Public safety	4,190,091	-	24,653	4,214,744
Public works	1,335,032	-	1,387,285	2,722,317
Health, welfare, and recreation	627,628	9,822,231	811,816	11,261,675
Economic development	53,450	-	50,000	103,450
Internal school funds	-	-	236,557	236,557
Capital outlay	1,720,724	302,300	720,283	2,743,307
Debt service:				
Principal payments	90,381	-	511,309	601,690
Interest payments	37,022	-	74,132	111,154
Total expenditures	9,501,553	10,124,531	3,816,035	23,442,119
Excess (deficiency) of revenues over (under) expenditures	(977,321)	(917,166)	2,131,237	236,750
Other financing sources (uses)				
Transfers in	2,312,761	1,063,000	650,290	4,026,051
Transfers out	(180,000)	-	(2,703,675)	(2,883,675)
Insurance recoveries	104,234	265,707	-	369,941
Proceeds from sale of general capital assets	26,496	-	-	26,496
Total other financing sources (uses)	2,263,491	1,328,707	(2,053,385)	1,538,813
Net Change in Fund Balances	1,286,170	411,541	77,852	1,775,563
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	5,433,018	2,434,846	5,009,492	12,877,356
Inventory adjustment	-	-	(4,102)	(4,102)
FUND BALANCE AT BEGINNING OF YEAR, as restated	5,433,018	2,434,846	5,005,390	12,873,254
FUND BALANCE AT END OF YEAR	\$ 6,719,188	\$ 2,846,387	\$ 5,083,242	\$ 14,648,817

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, 2023

Net change in fund balances - total governmental funds	\$	1,775,563
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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.		2,743,307
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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.		(1,852,558)
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Net effect of asset disposal.		(3,823)
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Governmental funds do not record net pension or OPEB liabilities, deferred inflows/outflows of resources related to pensions. However, the government-wide statement of activities and changes in net assets reports the effects of these items.		(106,648)
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The net proceeds from bond sales over repayments increases the current financial resources of governmental funds. However, it has no effect on net position.		601,690
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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.		(48,086)
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Some revenues reported in the statement of activities were deferred in the current year on the governmental funds.		(330,038)
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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.		(76,064)
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Change in net position of governmental activities	\$	2,703,343
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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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
Taxes				
Property taxes - current	\$ 2,192,177	\$ 2,182,375	\$ 2,211,694	\$ 29,319
Property taxes - delinquent	71,100	100,663	102,459	1,796
Penalties and interest	15,000	21,472	21,620	148
In lieu of taxes:				
Lexington Housing Authority	42,945	21,478	21,478	-
Local sales tax	1,783,130	2,299,040	2,303,456	4,416
Local beer tax	378,351	347,044	358,715	11,671
Business tax	317,344	319,325	317,686	(1,639)
Franchise tax	128,855	121,804	121,804	-
Hotel/motel tax	59,916	56,171	56,254	83
Privilege tax	2,675	2,550	2,900	350
Total taxes	4,991,493	5,471,922	5,518,066	46,144
Intergovernmental				
TVA payments in lieu of taxes	90,290	95,856	95,856	-
Police - vest grant	500	-	690	690
Police grant - network coordinator	58,000	15,041	15,041	-
Police grant - DUI traffic	46,286	28,351	38,620	10,269
Police grant - OCJPDV investigator/STOP	56,219	50,864	58,962	8,098
DOJ CESF FY22 grant	-	74,566	74,566	-
Fire THSO	-	12,500	12,500	-
Downtown sidewalk	863,440	-	-	-
TDOT STBG Huntingdon St grant	-	4,736	4,736	-
TDOT Main Street	-	12,380	9,180	(3,200)
State of Tennessee				
- Sales tax allocation	852,709	949,233	946,545	(2,688)
- Telecommunication tax	-	-	6,406	6,406
- Telecommunication privileged tax	-	-	6	6
- Income tax allocation	-	3,170	-	(3,170)
- Beer tax allocation	3,640	3,963	3,633	(330)
- Mixed drink tax	4,450	17,779	18,228	449
- Petroleum special	15,440	14,576	14,575	(1)
- Street maintenance	-	20,434	18,731	(1,703)
- Other state income	-	-	1,542	1,542
- Excise tax	28,000	11,767	10,786	(981)
- Online sportsbetting tax	2,500	14,156	14,184	28
- ECD 2021 Site Development	450,000	12,616	55,452	42,836
- State fire education	7,800	12,000	12,000	-
- State law enforcement grant	23,200	21,600	21,600	-
- Multimodal grant phase II	770,795	825,031	756,278	(68,753)
- Multimodal grant phase III	-	5,700	5,700	-
Grants from Local Governments				
- Crimestoppers	1,200	-	-	-
- Site Development TVA	-	-	176,191	176,191
- Other miscellaneous grants	50,000	-	-	-
Total intergovernmental revenues	3,324,469	2,206,319	2,372,008	165,689
Licenses and permits				
Beer licenses	750	1,500	1,500	-
Building permits	18,225	9,790	22,927	13,137
Other permits	1,000	850	800	(50)
Total licenses and permits	19,975	12,140	25,227	13,087

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, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (continued)				
Charges for services				
Clerk's fees - business tax	34,891	26,540	31,275	4,735
Accident report filing fees	2,500	2,416	2,320	(96)
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	1,000	1,964	1,950	(14)
Community policing	2,500	2,604	2,387	(217)
Mowing and lot cleanup	1,000	-	-	-
Street repair charges	60,000	44,352	49,473	5,121
Parks and recreation charges	13,000	7,376	14,433	7,057
Total charges for services	199,891	170,252	186,838	16,586
City court fines and costs	249,430	209,923	215,999	6,076
Other revenues				
Interest income	54,000	42,325	58,432	16,107
Donations	1,000	6,764	6,200	(564)
Shop with a cop donations	10,000	10,702	9,770	(932)
Community center revenue	-	1,418	1,430	12
Rent income	74,400	72,709	74,400	1,691
Sales of cemetery lots	15,000	20,182	20,900	718
Sales of other materials	4,500	10,631	10,727	96
Miscellaneous income	2,000	45,016	24,235	(20,781)
Total other revenue	160,900	209,747	206,094	(3,653)
Total revenues	8,946,158	8,280,303	8,524,232	243,929
Expenditures				
General government				
General				
Salaries	92,771	92,328	95,785	(3,457)
Employee benefits	419,038	320,904	324,192	(3,288)
Memberships	3,600	-	-	-
Legal services	2,000	1,273	1,167	106
Operating expenses	23,500	26,051	26,460	(409)
Other operating expenses	19,600	93,715	86,496	7,219
Insurance	466,940	230,549	181,489	49,060
Total general	1,027,449	764,820	715,589	49,231
Judicial				
Salaries	12,000	12,000	12,000	-
Total judicial	12,000	12,000	12,000	-

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	333,584	325,382	336,666	(11,284)
Employee benefits	46,939	46,947	47,401	(454)
Insurance	218	267	147	120
Office expense	23,220	17,053	19,296	(2,243)
Professional fees	89,320	85,182	84,111	1,071
Membership and dues	1,390	484	524	(40)
Repair and maintenance	2,650	5,203	4,809	394
Other operating expenses	150,614	171,814	211,467	(39,653)
Capital outlay	20,000	17,850	22,821	(4,971)
Total city recorder	667,935	670,182	727,242	(57,060)
City Hall				
Utilities	21,740	15,898	15,214	684
Total general government	1,729,124	1,462,900	1,470,045	(7,145)
Public safety				
Police department				
Salary	2,088,982	1,990,618	2,052,644	(62,026)
Employee benefits	345,323	292,218	289,310	2,908
Utilities	49,000	62,945	63,265	(320)
Repair and maintenance	32,000	22,648	21,592	1,056
Memberships and dues	3,400	1,145	1,050	95
Supplies	50,200	8,965	11,422	(2,457)
Travel	8,500	2,340	2,445	(105)
Uniforms and clothing	15,986	9,809	11,173	(1,364)
Gas, oil, and diesel	91,000	81,383	68,376	13,007
Insurance	1,130	-	-	-
Equipment rental	6,518	5,589	5,688	(99)
Office expense	192,000	176,500	175,268	1,232
Community - shop with a cop	12,000	7,843	7,843	-
STOP	-	74,447	81,691	(7,244)
Other grant expenses	116,500	6,108	7,032	(924)
Capital outlay - 1033 equipment	7,000	-	-	-
Capital outlay	377,325	354,091	274,792	79,299
Total police department	3,396,864	3,096,649	3,073,591	23,058
Fire department				
Salaries	1,040,561	934,126	963,341	(29,215)
Employee benefits	145,047	127,199	128,050	(851)
Volunteer firemen benefits	-	2,425	3,954	(1,529)
Utilities	62,290	54,510	51,277	3,233
Memberships	790	245	225	20
Public relations	1,200	996	818	178
Data processing	56,740	60,205	59,835	370
Repair and maintenance	34,510	22,513	23,064	(551)
Supplies	30,150	21,650	21,304	346
Clothing and uniforms	21,000	13,623	12,488	1,135
Gas, oil, diesel	23,640	28,437	24,231	4,206
Insurance	-	789	402	387
Travel	4,800	2,244	2,057	187
Small equipment	24,000	12,563	26,828	(14,265)
Equipment rent	2,620	2,246	2,376	(130)
Capital outlay	196,000	144,543	164,009	(19,466)
Total fire department	1,643,348	1,428,314	1,484,259	(55,945)
Building inspector				
Salaries	66,491	64,273	65,723	(1,450)
Employee benefits	-	9,489	9,395	94
Insurance	-	46	21	25
Other operating expenses	23,140	19,466	(4,097)	23,563
Total building inspector	89,631	93,274	71,042	22,232
Total public safety	5,129,843	4,618,237	4,628,892	(10,655)

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, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	711,232	541,747	554,734	(12,987)
Employee benefits	122,925	118,531	119,423	(892)
Utilities	-	18,215	17,863	352
Street lighting	-	37,284	36,607	677
Repair and maintenance	413,300	450,474	203,321	247,153
Repair and maintenance - equipment	15,100	37,467	37,054	413
Clothing and uniforms	5,500	4,430	4,722	(292)
Gas, oil, diesel	89,000	58,299	50,277	8,022
Small equipment	3,000	2,955	2,708	247
Operating supplies	23,150	29,664	30,171	(507)
Insurance	-	705	355	350
Capital outlay	260,000	303,813	173,258	130,555
Total highways and streets	1,643,207	1,603,584	1,230,493	373,091
Garage				
Salaries	181,545	165,830	172,546	(6,716)
Employee benefits	31,119	50,301	49,925	376
Repair and maintenance	19,100	3,906	3,854	52
Supplies	22,700	32,090	33,579	(1,489)
Utilities	-	8,711	8,168	543
Fuel	-	1,734	1,590	144
Capital outlay	-	-	3,875	(3,875)
Total garage	254,464	262,572	273,537	(10,965)
Sanitation				
Landfill costs	70,310	8,874	8,135	739
Total public works	1,967,981	1,875,030	1,512,165	362,865
Health, welfare, and recreation				
Appropriations				
Library	31,900	34,800	31,900	2,900
Library utilities	11,122	11,740	11,778	(38)
Senior Citizens	12,000	12,000	12,000	-
Senior Citizens - Utilities	6,001	5,967	5,992	(25)
Senior Citizens - Maint Bldg	527	30	110	(80)
Senior Citizens - Janitorial	565	486	480	6
Rescue Squad	2,500	2,500	2,500	-
Easter Seals	1,500	-	-	-
Community Beautification Committee (Cemetery)	20	22	20	2
Christmas parade	500	500	500	-
Carl Perkins Center	1,725	1,725	1,725	-
Hend Co JECD Board	11,000	12,000	11,000	1,000
Lexington Industrial Development Board	42,800	42,800	42,800	-
Lexington scholarship	500	500	400	100
Hope utilities	8,829	9,307	9,130	177
Project Graduation	1,200	1,200	1,200	-
West TN Basin	2,000	2,000	2,100	(100)
Animal Shelter	5,000	5,455	5,000	455
BRWDA	10,000	10,000	10,000	-
Tag C Corporation	-	23,431	21,478	1,953
General	3,500	3,500	-	3,500
Total appropriations	153,189	179,963	170,113	9,850

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Museum				
Salaries	19,077	19,181	19,083	98
Employee benefits	1,526	1,467	1,460	7
Unemployment insurance	-	38	21	17
Utilities	5,775	5,703	5,417	286
Repair and maintenance	6,000	133	122	11
Telephone	1,397	1,800	1,780	20
Security system	550	458	420	38
Operating costs	600	491	450	41
Janitorial costs	250	-	-	-
Total museum	35,175	29,271	28,753	518
Parks				
Salaries	299,280	231,015	250,321	(19,306)
Employee benefits	27,962	35,766	36,273	(507)
Repair and maintenance	31,260	51,842	55,903	(4,061)
Utilities	44,840	52,337	51,057	1,280
Insurance	-	402	249	153
Other operating expenses	31,670	35,767	34,959	808
Capital outlay	100,500	87,585	37,804	49,781
Total parks	535,512	494,714	466,566	28,148
Total health, welfare, and recreation	723,876	703,948	665,432	38,516
Economic development				
State plan service	14,820	23,683	21,709	1,974
Professional fees	4,170	2,112	1,936	176
Architectural engineering and land	5,830	1,849	6,881	(5,032)
Legal	4,200	-	-	-
Tourism advertising	330	-	-	-
Industrial development	400,000	380,000	-	380,000
Miscellaneous	25,790	15,817	21,106	(5,289)
Small assets	1,530	1,853	1,818	35
Capital outlay	1,854,709	865,870	1,044,166	(178,296)
Total economic development	2,311,379	1,291,184	1,097,616	193,568
Debt service				
Principal payments	90,381	98,597	90,381	8,216
Interest payments	37,022	40,388	37,022	3,366
Paying agent fees	530	-	-	-
Total debt service	127,933	138,985	127,403	11,582
Total expenditures	11,990,136	10,090,284	9,501,553	588,731

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
Excess (deficiency) of revenues over (under) expenditures	<u>(3,043,978)</u>	<u>(1,809,981)</u>	<u>(977,321)</u>	<u>832,660</u>
Other financing sources (uses)				
Transfers in	2,318,023	2,249,804	2,312,761	62,957
Transfers out	(800,000)	(180,000)	(180,000)	-
Insurance recoveries	20,000	126,800	104,234	(22,566)
Sale of general fixed assets	<u>10,000</u>	<u>124,359</u>	<u>26,496</u>	<u>(97,863)</u>
Total other financing sources (uses)	<u>1,548,023</u>	<u>2,320,963</u>	<u>2,263,491</u>	<u>(57,472)</u>
Net change in fund balance	<u>(1,495,955)</u>	<u>510,982</u>	<u>1,286,170</u>	<u>775,188</u>
Fund Balance at Beginning of Year	<u>5,433,018</u>	<u>5,433,018</u>	<u>5,433,018</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,937,063</u>	<u>\$ 5,944,000</u>	<u>\$ 6,719,188</u>	<u>\$ 775,188</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Less:</u>	<u>Add:</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Encumbrances</u>	<u>Encumbrances</u>	<u>Revenues/</u>	<u>Final Budget</u>
				<u>7/1/2022</u>	<u>6/30/2023</u>	<u>(Budgetary</u>	<u>Positive</u>
						<u>Basis)</u>	<u>(Negative)</u>
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Current year tax levy	\$ 435,000	\$ 435,000	\$ 306,197	\$ -	\$ -	\$ 306,197	\$ (128,803)
Prior year tax receipts	15,500	15,500	19,351	-	-	19,351	3,851
Mixed drink tax	100	100	185	-	-	185	85
Local sales tax	725,000	725,000	1,055,632	-	-	1,055,632	330,632
Bank excise tax	4,500	4,500	495	-	-	495	(4,005)
Marriage licenses	300	300	295	-	-	295	(5)
Payments in lieu of taxes	7,800	7,800	5,328	-	-	5,328	(2,472)
State funds							
Basic education program	5,404,000	5,404,000	5,424,000	-	-	5,424,000	20,000
Basic education program salary equity	76,985	76,987	76,983	-	-	76,983	(4)
Early childhood education	205,539	205,539	205,539	-	-	205,539	-
Safe schools & SRO	-	48,165	41,227	-	-	41,227	(6,938)
Camps - Bridge, Summer, Mini	-	130,751	81,132	-	-	81,132	(49,619)
Coordinated School Health	92,000	92,000	92,000	-	-	92,000	-
Career ladder	15,000	15,000	15,125	-	-	15,125	125
Federal funds							
Title I grants	310,288	307,083	248,120	-	-	248,120	(58,963)
Title IIA grants	-	-	35,175	-	-	35,175	35,175
Title 4A grants	-	-	19,189	-	-	19,189	19,189
Title VI grants	24,581	25,442	19,271	-	-	19,271	(6,171)
English language acquisition grant	1,037	1,051	1,052	-	-	1,052	1
IDEA basic grant	192,718	241,321	202,218	-	-	202,218	(39,103)
IDEA preschool	5,402	5,790	5,764	-	-	5,764	(26)
IDEA preschool - ARP	-	248	21,213	-	-	21,213	20,965
Homeless - ARP	-	9,033	9,033	-	-	9,033	-
TN All Corps - ESSER	-	1,139,216	811,937	-	-	811,937	(327,279)
Literacy training - ESSER	-	14,000	14,000	-	-	14,000	-
Covid-19 ESSER B	-	249,879	247,879	-	-	247,879	(2,000)
Covid Testing - Epidemiology Grant	-	116,466	115,289	-	-	115,289	(1,177)
Total Intergovernmental revenues	<u>7,515,750</u>	<u>9,270,171</u>	<u>9,073,629</u>	<u>-</u>	<u>-</u>	<u>9,073,629</u>	<u>(196,542)</u>
Other revenues							
Interest income	4,700	4,700	20,515	-	-	20,515	15,815
Receipts from individual schools	1,000	11,819	10,819	-	-	10,819	(1,000)
On-behalf payments	-	50,000	55,702	-	-	55,702	5,702
Miscellaneous revenues	<u>2,500</u>	<u>2,500</u>	<u>46,700</u>	<u>-</u>	<u>-</u>	<u>46,700</u>	<u>44,200</u>
Total other revenues	<u>8,200</u>	<u>69,019</u>	<u>133,736</u>	<u>-</u>	<u>-</u>	<u>133,736</u>	<u>64,717</u>
Total Revenues	<u>7,523,950</u>	<u>9,339,190</u>	<u>9,207,365</u>	<u>-</u>	<u>-</u>	<u>9,207,365</u>	<u>(131,825)</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, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2022	Add: Encumbrances 6/30/2023	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures							
Instruction							
Regular instruction program							
Teachers	2,560,833	2,412,566	2,402,550	-	-	2,402,550	10,016
Teachers - Esser - CRRSA	-	47,363	47,363	-	-	47,363	-
Teachers - Esser - ARP	-	51,441	51,441	-	-	51,441	-
Career ladder program	8,000	9,000	9,000	-	-	9,000	-
Overtime	170,000	-	-	-	-	-	-
Educational assistants	30,721	230,301	230,276	-	-	230,276	25
Educational assistants - Esser - ARP	-	219,939	111,498	-	-	111,498	108,441
Educational assistants - TN All Corps	-	33,120	28,890	-	-	28,890	4,230
Bonus payments	100,000	188,875	188,875	-	-	188,875	-
Other salaries and wages - Esser - ARP	-	120,000	101,876	-	-	101,876	18,124
Other salaries and wages - TN All Corps	-	40,000	30,204	-	-	30,204	9,796
Other salaries and wages - Literacy Training Stipend Grant	-	14,000	14,000	-	-	14,000	-
Certified substitute teachers	24,000	17,886	17,886	-	-	17,886	-
Non-certified substitute teachers	30,000	40,886	40,886	-	-	40,886	-
Social security	170,667	160,404	159,728	-	-	159,728	676
Social security - Esser - CRRSA	-	2,900	2,900	-	-	2,900	-
Social security - Esser - ARP	-	24,266	15,484	-	-	15,484	8,782
Social security - TN All Corps	-	4,533	3,393	-	-	3,393	1,140
Administrative fees	2,750	2,750	-	-	-	-	2,750
State retirement	221,523	215,022	204,143	-	-	204,143	10,879
State retirement - Esser - CRRSA	-	4,066	4,066	-	-	4,066	-
State retirement - Esser - ARP	-	14,893	12,143	-	-	12,143	2,750
State retirement - TN All Corps	-	3,476	2,096	-	-	2,096	1,380
Life insurance	6,120	6,120	5,732	-	-	5,732	388
Medical insurance	427,190	480,662	480,819	-	-	480,819	(157)
Medical insurance - Esser - ARP	-	46,445	36,712	-	-	36,712	9,733
Medical insurance - TN All Corps	-	13,200	11,057	-	-	11,057	2,143
Dental insurance	6,762	7,226	7,225	-	-	7,225	1
Dental insurance - Esser - CRRSA	-	138	138	-	-	138	-
Dental insurance - Esser - ARP	-	552	264	-	-	264	288
Dental insurance - TN All Corps	-	276	232	-	-	232	44
Unemployment compensation	4,200	1,141	(2,174)	-	-	(2,174)	3,315
Unemployment compensation - Esser - CRRSA	-	50	50	-	-	50	-
Unemployment compensation - Esser - ARP	-	250	275	-	-	275	(25)
Unemployment compensation - TN All Corps	-	100	70	-	-	70	30
Local retirement	11,443	9,115	(9,763)	-	-	(9,763)	18,878
Local retirement - Esser - ARP	-	13,200	2,828	-	-	2,828	10,372
Employer medicare	39,680	39,246	38,910	-	-	38,910	336
Employer medicare - Esser - CRRSA	-	678	678	-	-	678	-
Employer medicare - Esser - ARP	-	5,675	3,621	-	-	3,621	2,054
Employer medicare - TN All Corps	-	1,060	793	-	-	793	267
On-behalf payments	-	50,000	55,702	-	-	55,702	(5,702)
Maintenance and repair services - equipment	1,000	50	-	-	-	-	50
Other contracted services	4,000	5,002	5,002	-	-	5,002	-
Instructional supplies	35,600	49,855	49,723	-	-	49,723	132
Instructional supplies - Esser - Cares Act	-	1,052	1,052	-	-	1,052	-
Instructional supplies - TN All Corps	-	7,835	3,048	-	-	3,048	4,787
Textbooks	30,000	129,670	129,669	-	-	129,669	1
Textbooks - Esser - ARP	-	100,000	68,547	-	-	68,547	31,453
Software	75,750	75,975	75,974	-	-	75,974	1
Software - Esser - ARP	-	25,165	25,165	-	-	25,165	-
Other supplies and materials	9,000	11,400	11,327	-	-	11,327	73
Other charges	3,000	6,100	6,073	-	-	6,073	27
Regular instruction equipment	139,052	148,742	148,742	-	-	148,742	-
Total regular instruction program	4,111,291	5,093,667	4,836,189	-	-	4,836,189	257,478
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	341,068	339,230	339,230	-	-	339,230	-
Career ladder program	1,000	-	-	-	-	-	-
Educational assistants	94,153	113,733	113,719	-	-	113,719	14
Speech pathology	51,000	53,900	53,900	-	-	53,900	-
Certified substitute teachers	2,000	2,745	2,745	-	-	2,745	-
Non-certified substitute teachers	4,500	6,620	6,620	-	-	6,620	-
Social security	28,691	30,786	30,368	-	-	30,368	418
State retirement	37,402	34,426	34,426	-	-	34,426	-
Medical insurance	63,264	50,189	50,189	-	-	50,189	-
Dental insurance	1,242	965	965	-	-	965	-
Unemployment compensation	720	634	691	-	-	-	43
Local retirement	5,315	6,538	6,538	-	-	6,538	-
Employer medicare	6,769	7,160	7,104	-	-	7,104	56
Equipment	-	16,882	16,882	-	-	16,882	-
Instructional supplies	2,100	14,292	521	-	-	521	13,771
Other supplies and materials	750	914	914	-	-	914	-
Total special education	639,974	679,214	664,912	-	-	664,912	14,302

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, 2023

	Budgeted Amounts		Actual	Less:	Add:	Actual	Variance with
	Original	Final	(GAAP Basis)	Encumbrances	Encumbrances	Revenues/ Expenditures (Budgetary Basis)	Final Budget Positive (Negative)
				7/1/2022	6/30/2023		
Expenditures(continued)							
Student body education							
Other salaries and wages	89,200	94,450	94,450	-	-	94,450	-
Social security	5,468	5,508	5,508	-	-	5,508	-
State retirement	7,664	8,357	7,788	-	-	7,788	569
Medical insurance	17,456	15,840	15,839	-	-	15,839	1
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	100	81	-	-	81	19
Employer medicare	1,278	1,288	1,288	-	-	1,288	-
Travel	500	500	-	-	-	-	500
Other contracted services	12,000	10,500	10,500	-	-	10,500	-
Other charges	6,000	5,123	5,000	-	-	5,000	123
Total student body education	139,942	141,942	140,730	-	-	140,730	1,212
Total instruction	4,917,207	5,940,823	5,667,831	-	-	5,667,831	272,992
Support services							
Attendance							
Postal charges	300	217	-	-	-	-	217
Other contracted services	3,500	5,094	5,094	-	-	5,094	-
Other supplies and materials	500	50	-	-	-	-	50
Inservice/staff development	2,000	3,389	3,389	-	-	3,389	-
Other charges	500	50	-	-	-	-	50
Total attendance	6,800	8,800	8,483	-	-	8,483	317
Health instruction program							
Supervisor/directors	61,455	61,979	61,979	-	-	61,979	-
Medical personnel	73,976	78,741	78,741	-	-	78,741	-
Other salaries	8,099	8,811	8,811	-	-	8,811	-
Social security	8,699	8,407	8,762	-	-	8,762	(355)
State retirement	5,340	5,386	5,386	-	-	5,386	-
Medical insurance	17,975	11,986	11,985	-	-	11,985	1
Dental insurance	414	7,022	7,022	-	-	7,022	-
Unemployment insurance	200	276	222	-	-	222	54
Local retirement	4,245	5,276	1,935	-	-	1,935	3,341
Employer medicare	2,034	2,788	1,967	-	-	1,967	821
Postal charges	100	60	60	-	-	60	-
Drugs and medical supplies	-	15,475	15,912	-	-	15,912	(437)
Other supplies and materials	1,800	3,224	3,224	-	-	3,224	-
Other equipment	-	29,650	29,612	-	-	29,612	38
Inservice/staff development	1,000	1,133	1,133	-	-	1,133	-
Total health instruction program	185,337	240,214	236,751	-	-	236,751	3,463
Other student support							
Guidance personnel	77,100	-	-	-	-	-	-
Guidance personnel - Esser - CRRSA	-	53,200	53,200	-	-	53,200	-
Social workers	47,865	39,032	39,032	-	-	39,032	-
Assessment personnel	40,000	50,363	50,363	-	-	50,363	-
Social security	6,204	4,417	4,417	-	-	4,417	-
Social security - Esser - CRRSA	-	3,016	3,016	-	-	3,016	-
State retirement	8,695	3,513	3,047	-	-	3,047	466
State retirement - Esser - CRRSA	-	4,623	4,623	-	-	4,623	-
Medical insurance	8,672	9,096	9,096	-	-	9,096	-
Dental insurance	276	-	-	-	-	-	-
Unemployment compensation	200	69	69	-	-	69	-
Unemployment - Esser - CRRSA	-	41	41	-	-	41	-
Employer medicare	1,450	1,305	1,305	-	-	1,305	-
Employer medicare - Esser - CRRSA	-	705	705	-	-	705	-
Contracts with government agencies	-	36,322	36,322	-	-	36,322	-
Evaluation and testing	2,000	-	-	-	-	-	-
Inservice/staff development	1,037	-	-	-	-	-	-
Other charges	-	180	180	-	-	180	-
Other contracted services	4,000	4,000	3,478	-	-	3,478	522
Other supplies and materials	-	437	437	-	-	437	-
Other equipment	1,000	1,650	1,650	-	-	1,650	-
Total other student support	198,499	211,969	210,981	-	-	210,981	988

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, 2023

	Budgeted Amounts		Actual	Less:	Add:	Actual	Variance with
	Original	Final	(GAAP Basis)	Encumbrances	Encumbrances	Revenues/ Expenditures (Budgetary Basis)	Final Budget Positive (Negative)
				7/1/2022	6/30/2023		
Expenditures(continued)							
Support services(continued)							
Regular instruction program							
Supervisor/Director	76,211	80,686	80,686	-	-	80,686	-
Career ladder program	4,000	4,000	4,000	-	-	4,000	-
Libraries	103,680	110,680	110,680	-	-	110,680	-
Other salaries	221,096	230,712	230,712	-	-	230,712	-
Social security	24,984	25,132	23,865	-	-	23,865	1,267
State retirement	36,726	37,137	36,994	-	-	36,994	143
Medical insurance	47,017	50,455	50,455	-	-	50,455	-
Dental insurance	759	776	776	-	-	776	-
Unemployment compensation	301	301	264	-	-	264	37
Employer medicare	5,842	5,876	5,581	-	-	5,581	295
Consultants	6,500	6,500	6,101	-	-	6,101	399
Dues and memberships	1,000	1,000	669	-	-	669	331
Travel	500	500	-	-	-	-	500
Other contracted services	35,000	156,250	153,940	-	-	153,940	2,310
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	11,000	10,272	9,883	-	-	9,883	389
Inservice/staff development	20,595	24,974	17,543	-	-	17,543	7,431
Other equipment	-	17,325	17,325	-	-	17,325	-
Other charges	300	950	870	-	-	870	80
Total regular instruction program	604,511	772,526	759,344	-	-	759,344	13,182
Special Education							
Supervisor/directors	31,405	27,405	27,405	-	-	27,405	-
Psychological personnel	24,400	-	-	-	-	-	-
Social security	3,459	1,648	1,648	-	-	1,648	-
State retirement	5,335	2,382	2,382	-	-	2,382	-
Medical insurance	6,722	2,546	2,546	-	-	2,546	-
Dental insurance	136	51	51	-	-	51	-
Unemployment compensation	50	16	16	-	-	16	-
Employer medicare	751	385	385	-	-	385	-
Other contracted services	16,000	53,447	53,447	-	-	53,447	-
Inservice/staff development	500	10,881	2,465	-	-	2,465	8,416
Total special education	88,760	98,761	90,345	-	-	90,345	8,416
Technology							
Supervisor/directors	56,021	56,696	56,696	-	-	56,696	-
Data processing personnel	38,491	41,093	41,093	-	-	41,093	-
Data processing personnel - Esser - CRRSA	-	31,500	31,500	-	-	31,500	-
Social security	5,859	5,662	5,364	-	-	5,364	298
Social security - Esser - CRRSA	-	1,852	1,852	-	-	1,852	-
Medical insurance	17,020	21,771	21,771	-	-	21,771	-
Dental insurance	276	276	276	-	-	276	-
Dental insurance - Esser - CRRSA	-	57	57	-	-	57	-
Unemployment compensation	100	100	83	-	-	83	17
Unemployment - Esser - CRRSA	-	41	41	-	-	41	-
Local retirement	5,670	7,561	7,561	-	-	7,561	-
Employer medicare	1,370	1,370	1,255	-	-	1,255	115
Employer medicare - Esser - CRRSA	-	433	433	-	-	433	-
Dues and memberships	200	200	90	-	-	90	110
Repair and maintenance - equipment	7,000	100	-	-	-	-	100
Internet connectivity	-	27,672	27,672	-	-	27,672	-
Travel	1,000	230	226	-	-	226	4
Other contracted services	52,350	27,791	27,791	-	-	27,791	-
Software	27,650	25,373	25,372	-	-	25,372	1
Other supplies and materials	17,000	19,282	19,282	-	-	19,282	-
Inservice/staff development	3,000	2,074	2,073	-	-	2,073	1
Other charges	1,000	7,576	7,576	-	-	7,576	-
Other equipment	8,000	19,500	19,298	-	-	19,298	202
Other equipment - Esser - CRRSA	-	-	-	-	-	-	-
Total technology	242,007	298,210	297,362	-	-	297,362	848
Total support services	1,325,914	1,630,480	1,603,266	-	-	1,603,266	27,214
General administration							
Board of education							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,823	1,823	1,624	-	-	1,624	199
Medical insurance	37,897	35,345	35,087	-	-	35,087	258
Dental insurance	414	597	597	-	-	597	-
Unemployment compensation	-	176	176	-	-	176	-
Employer medicare	426	426	380	-	-	380	46
Audit services	25,750	25,750	25,750	-	-	25,750	-
Dues and subscriptions	9,345	7,345	7,325	-	-	7,325	20
Legal services	6,000	5,359	4,200	-	-	4,200	1,159
Printing, stationery, etc...	100	1,722	1,722	-	-	1,722	-
Travel	1,000	1,000	491	-	-	491	509
Other contracted services	5,000	30,500	30,385	-	-	30,385	115
Other supplies and materials	100	100	-	-	-	-	100
Liability insurance	13,500	15,681	15,681	-	-	15,681	-
Surety bonds	650	650	635	-	-	635	15
Trustee's commission	16,500	17,141	17,141	-	-	17,141	-
Workmans compensation	17,679	20,688	20,688	-	-	20,688	-
Inservice/staff development	3,000	3,000	1,306	-	-	1,306	1,694
Refunds to applicants	500	962	943	-	-	943	39
Other charges	8,000	25,698	25,698	-	-	25,698	-
Total board of education	177,084	223,583	219,429	-	-	219,429	4,154

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, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2022	Add: Encumbrances 6/30/2023	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of education							
County officials	98,700	98,700	98,700	-	-	98,700	-
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	6,119	6,119	5,964	-	-	5,964	155
State retirement	8,578	8,664	8,664	-	-	8,664	-
Medical insurance	6,600	8,932	8,932	-	-	8,932	-
Dental insurance	138	138	138	-	-	138	-
Unemployment compensation	60	60	42	-	-	42	18
Employer medicare	1,431	1,431	1,395	-	-	1,395	36
Communication	16,000	4,481	4,101	-	-	4,101	380
Dues and memberships	1,750	150	100	-	-	100	50
Postage	1,500	1,500	1,385	-	-	1,385	115
Travel	2,000	200	174	-	-	174	26
Other contracted services	1,000	100	-	-	-	-	100
Office supplies	3,000	2,113	1,865	-	-	1,865	248
Inservice/staff development	2,000	2,106	2,106	-	-	2,106	-
Other charges	2,500	5,164	5,164	-	-	5,164	-
Administrative equipment	1,000	1,000	-	-	-	-	1,000
Total office of education	153,376	141,858	139,730	-	-	139,730	2,128
Office of principal							
Principals	140,856	135,813	135,669	-	-	135,669	144
Career ladder program	2,000	-	-	-	-	-	-
Accountants and bookkeepers	45,864	45,585	45,585	-	-	45,585	-
Assistant principal	122,787	136,124	136,124	-	-	136,124	-
Clerical personnel	47,210	48,210	48,210	-	-	48,210	-
Social security	22,116	21,042	21,042	-	-	21,042	-
State retirement	22,910	23,834	23,026	-	-	23,026	808
Medical insurance	52,364	65,489	65,489	-	-	65,489	-
Dental insurance	966	1,103	1,103	-	-	1,103	-
Unemployment compensation	500	340	333	-	-	333	7
Local retirement	5,584	5,064	5,061	-	-	5,061	3
Employer medicare	5,172	4,922	4,921	-	-	4,921	1
Dues and memberships	2,000	1,500	1,500	-	-	1,500	-
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	370	369	-	-	369	1
Other contracted services	1,200	2,376	2,376	-	-	2,376	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	2,497	2,497	-	-	2,497	-
Other charges	1,325	22,035	22,034	-	-	22,034	1
Administrative equipment	1,000	11,550	11,550	-	-	11,550	-
Total office of principal	478,854	530,854	529,889	-	-	529,889	965
Fiscal services							
Accountants and bookkeepers	101,715	101,758	101,758	-	-	101,758	-
Accountants and bookkeepers - Esser - ARP	-	442	-	-	-	-	442
Purchasing personnel	49,643	49,643	49,643	-	-	49,643	-
Clerical personnel	29,072	29,072	29,072	-	-	29,072	-
Other salaries and wages	1,000	100	-	-	-	-	100
Social security	11,186	10,186	10,076	-	-	10,076	110
Social security - Esser - ARP	-	-	-	-	-	-	-
Medical insurance	33,913	36,099	36,099	-	-	36,099	-
Dental insurance	552	552	551	-	-	551	1
Unemployment compensation	300	257	167	-	-	167	90
Local retirement	7,233	7,233	7,224	-	-	7,224	9
Employer medicare	2,616	2,366	2,356	-	-	2,356	10
Dues and memberships	300	50	-	-	-	-	50
Other contracted services	12,550	12,550	12,550	-	-	12,550	-
Data processing supplies	1,000	300	285	-	-	285	15
Office supplies	2,300	2,589	2,589	-	-	2,589	-
Inservice/staff development	3,000	500	400	-	-	400	100
Administrative equipment	-	4,125	4,125	-	-	4,125	-
Total fiscal services	256,380	257,822	256,895	-	-	256,895	927

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, 2023**

	Budgeted Amounts		Actual	Less:	Add:	Actual	Variance with
	Original	Final	(GAAP Basis)	Encumbrances	Encumbrances	Revenues/ Expenditures (Budgetary Basis)	Final Budget Positive (Negative)
				7/1/2022	6/30/2023		
Expenditures(continued)							
General administration(continued)							
Plant operations							
Janitorial services	327,000	327,305	327,305	-	-	327,305	-
Disposal fees	4,000	7,767	7,767	-	-	7,767	-
Permits	500	500	165	-	-	165	335
Other contracted services	25,000	24,758	24,143	-	-	24,143	615
Electricity	360,000	384,500	384,347	-	-	384,347	153
Natural gas	35,000	35,135	35,135	-	-	35,135	-
Water	30,000	30,456	30,456	-	-	30,456	-
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	1,400	1,864	1,864	-	-	1,864	-
Building and contents insurance	33,200	38,093	38,093	-	-	38,093	-
Vehicle and equipment	8,300	9,522	9,522	-	-	9,522	-
Total plant operations	824,500	860,000	858,797	-	-	858,797	1,203
Plant maintenance							
Part time personnel	6,000	1,000	-	-	-	-	1,000
Social security	434	434	-	-	-	-	434
Unemployment compensation	25	25	-	-	-	-	25
Employer medicare	102	102	-	-	-	-	102
Contracts with government agencies	90,000	85,000	85,000	-	-	85,000	-
Maintenance and repair - buildings	22,000	135,771	35,271	(15,141)	101,555	121,685	14,086
Maintenance and repair - equipment	5,000	799	600	-	-	600	199
Maintenance and repair - vehicle	500	500	-	-	-	-	500
Architects - Esser - ARP	-	8,750	8,750	-	-	8,750	-
Other contracted services	77,000	87,704	87,704	-	-	87,704	-
Gasoline	3,000	2,296	2,068	-	-	2,068	228
Vehicle parts	1,000	1,000	1,984	-	-	1,984	(984)
Other supplies and materials	30,000	64,450	63,371	-	2,565	65,936	(1,486)
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	-	-	-	-	500
Administrative equipment	-	19,600	12,165	-	-	12,165	7,435
Mtce equipment	-	15,040	15,040	-	-	15,040	-
Transportation equipment - ARP homeless	-	9,033	9,033	-	-	9,033	-
Total plant maintenance	236,361	432,804	320,986	(15,141)	104,120	409,965	22,839
Total general administration	2,126,555	2,446,921	2,325,726	(15,141)	104,120	2,414,705	32,216
Food Service							
Cafeteria Personnel - Esser - CRRSA	-	17,675	17,675	-	-	17,675	-
Social security - Esser - CRRSA	-	1,096	1,096	-	-	1,096	-
Dental insurance - Esser - CRRSA	-	138	138	-	-	138	-
Unemployment compensation - Esser - CRRSA	-	50	50	-	-	50	-
Employer medicare - Esser - CRRSA	-	256	256	-	-	256	-
Total food service	-	19,215	19,215	-	-	19,215	-
Early childhood education							
Teachers	106,937	107,963	107,962	-	-	107,962	1
Educational assistants	40,891	38,937	38,937	-	-	38,937	-
Certified substitute teachers	2,000	2,250	2,250	-	-	2,250	-
Non-certified substitute teachers	2,000	1,840	1,840	-	-	1,840	-
Social security	9,413	8,992	8,991	-	-	8,991	1
State retirement	9,293	9,382	9,382	-	-	9,382	-
Medical insurance	22,506	16,588	16,588	-	-	16,588	-
Dental insurance	414	414	414	-	-	414	-
Unemployment compensation	250	164	164	-	-	164	-
Local retirement	2,453	2,336	2,336	-	-	2,336	-
Employer medicare	2,202	2,103	2,103	-	-	2,103	-
Travel	200	-	-	-	-	-	-
Instructional supplies	3,000	7,891	7,891	-	-	7,891	-
Other supplies and materials	2,000	2,035	2,035	-	-	2,035	-
Inservice/staff development	1,000	3,670	3,670	-	-	3,670	-
Other charges	980	1,630	1,630	-	-	1,630	-
Regular instruction equipment	-	-	-	-	-	-	-
Total early childhood education	205,539	206,195	206,193	-	-	206,193	2

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

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Less:	Add:	Actual	Variance with
	Original	Final	(GAAP Basis)	Encumbrances	Encumbrances	Revenues/ Expenditures (Budgetary Basis)	Final Budget Positive (Negative)
				7/1/2022	6/30/2023		
Expenditures(continued)							
Debt service							
Principal payments	10,000	-	-	-	-	-	-
Interest payments	6,135	-	-	-	-	-	-
Total debt service	16,135	-	-	-	-	-	-
Capital outlay							
Building improvements	-	413,790	302,300	(90,367)	-	211,933	201,857
Total capital outlay	-	413,790	302,300	(90,367)	-	211,933	201,857
Total Expenditures	8,591,350	10,657,424	10,124,531	(105,508)	104,120	10,123,143	534,281
Excess (deficiency) of revenues over (under) expenditures	(1,067,400)	(1,318,234)	(917,166)	105,508	(104,120)	(915,778)	402,456
Other financing sources and (uses)							
Transfers in	1,067,400	1,063,000	1,063,000	-	-	1,063,000	-
Insurance proceeds	-	252,426	265,707	-	-	265,707	13,281
Total other financing sources and (uses)	1,067,400	1,315,426	1,328,707	-	-	1,063,000	13,281
Net change in fund balance	-	(2,808)	411,541	105,508	(104,120)	412,929	415,737
Fund balance - beginning of year	2,434,846	2,434,846	2,434,846	-	-	2,434,846	-
Fund balance - end of year	<u>\$ 2,434,846</u>	<u>\$ 2,432,038</u>	<u>\$ 2,846,387</u>	<u>\$ 105,508</u>	<u>\$ (104,120)</u>	<u>\$ 2,847,775</u>	<u>\$ 415,737</u>

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,009,714	\$ 195,321	\$ 9,665,530	\$ 13,870,565
Cash and cash equivalents - restricted	-	2,870,787	1,609,321	4,480,108
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	863,440	-	2,478,715	3,342,155
Grant receivables	-	-	-	-
Other receivables	-	9,618	391,558	401,176
Lease receivable, current portion	-	120,270	-	120,270
Due from other funds	139,904	861,037	-	1,000,941
Inventory	581,510	313,560	398,313	1,293,383
Natural gas storage	388,124	-	-	388,124
Prepaid expenses	32,672	77,128	452,478	562,278
TOTAL CURRENT ASSETS	6,015,364	4,447,721	15,095,915	25,559,000
PROPERTY, PLANT AND EQUIPMENT				
Land	512,402	404,448	-	916,850
Buildings	3,912,086	1,716,497	-	5,628,583
Equipment	3,165,757	2,851,799	-	6,017,556
General plant	-	-	7,479,442	7,479,442
Distribution plant	16,614,518	45,021,136	75,563,656	137,199,310
Construction in progress	1,945,894	7,760,294	2,392,551	12,098,739
TOTAL PROPERTY, PLANT AND EQUIPMENT	26,150,657	57,754,174	85,435,649	169,340,480
Less accumulated depreciation	(13,080,238)	(26,879,253)	(36,916,646)	(76,876,137)
NET PROPERTY, PLANT AND EQUIPMENT	13,070,419	30,874,921	48,519,003	92,464,343
OTHER ASSETS				
Note receivable - TVA Home Insulation Program	-	-	315,318	315,318
Deposits	-	65	-	65
Lease receivable	-	524,260	-	524,260
Other deferred costs	-	-	72,189	72,189
Bond issue costs, net of accumulated amortization	-	-	259,318	259,318
TOTAL OTHER ASSETS	-	524,325	646,825	1,171,150
TOTAL ASSETS	19,085,783	35,846,967	64,261,743	119,194,493
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on bond refunding	-	-	26,053	26,053
Deferred outflows related to pensions	350,784	482,369	1,624,697	2,457,850
Deferred outflows related to OPEB	47,754	34,369	851,083	933,206
TOTAL DEFERRED OUTFLOWS OF RESOURCES	398,538	516,738	2,501,833	3,417,109
CURRENT LIABILITIES				
Accounts payable	376,470	426,849	3,904,774	4,708,093
Grants payable	-	225,567	-	225,567
Accrued expenses	190,435	295,790	37,236	523,461
Accrued interest	33,066	86,696	95,203	214,965
Compensated absences	-	-	213,358	213,358
Customer deposits	456,195	188,361	1,119,962	1,764,518
Due to other funds	764,930	27,824	-	792,754
Current portion of long-term debt	188,752	1,124,511	855,000	2,168,263
TOTAL CURRENT LIABILITIES	2,009,848	2,375,598	6,225,533	10,610,979
LONG-TERM LIABILITIES				
Compensated absences	236,969	347,053	1,467,432	2,051,454
Bonds and notes payable (net of unamortized bond premiums)	2,806,942	14,069,419	11,485,533	28,361,894
Net pension liability	780,818	1,084,469	4,034,111	5,899,398
Net OPEB Liability	348,295	336,322	4,304,034	4,988,651
Advances from Home Installation Program	-	-	315,318	315,318
TOTAL LONG-TERM LIABILITIES	4,173,024	15,837,263	21,606,428	41,616,715
TOTAL LIABILITIES	6,182,872	18,212,861	27,831,961	52,227,694
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	225,230	312,820	566,216	1,104,266
Deferred inflows - OPEB	44,501	113,081	1,541,671	1,699,253
Deferred inflows - lease receivable	-	644,530	-	644,530
TOTAL DEFERRED INFLOWS OF RESOURCES	269,731	1,070,431	2,107,887	3,448,049
NET POSITION				
Net investment in capital assets	10,074,725	15,680,991	36,339,003	62,094,719
Restricted for capital projects	-	2,148,266	-	2,148,266
Restricted for tank/hydrant maintenance	-	722,521	-	722,521
Restricted for debt service	-	-	1,614,118	1,614,118
Unrestricted net position	2,956,993	(1,471,365)	(1,129,393)	356,235
TOTAL NET POSITION	\$ 13,031,718	\$ 17,080,413	\$ 36,823,728	\$ 66,935,859

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
OPERATING REVENUES				
Charges for services	\$ 8,280,237	\$ 7,799,761	\$ 52,495,241	\$ 68,575,239
Miscellaneous	9,651	1,619	1,353,074	1,364,344
TOTAL OPERATING REVENUES	8,289,888	7,801,380	53,848,315	69,939,583
OPERATING EXPENSES				
Natural gas purchases	4,231,207	-	-	4,231,207
Water purchases	-	158,921	-	158,921
Purchased for resale	-	-	39,250,199	39,250,199
Personnel expenses	1,951,803	3,041,250	-	4,993,053
Economic development	29,634	-	-	29,634
Supplies	-	488,203	-	488,203
Utilities	59,543	510,162	-	569,705
Repairs and maintenance	454,415	1,097,018	2,962,415	4,513,848
Professional fees	39,655	64,827	-	104,482
Operating expenses	88,243	69,219	5,849,139	6,006,601
Service Contract	42,000	110,100	-	152,100
Office expense	242,097	169,784	-	411,881
Transportation expense	74,566	115,426	-	189,992
Insurance	28,192	148,256	-	176,448
Taxes and tax equivalents	-	-	267,453	267,453
Memberships and subscriptions	-	13,794	-	13,794
Miscellaneous	-	5,760	-	5,760
Depreciation and amortization	636,180	1,407,345	2,702,201	4,745,726
TOTAL OPERATING EXPENSES	7,877,535	7,400,065	51,031,407	66,309,007
OPERATING INCOME (LOSS)	412,353	401,315	2,816,908	3,630,576
NONOPERATING REVENUES (EXPENSES)				
Interest income	69,746	40,959	258,808	369,513
Sale of materials	-	8,118	-	8,118
Service contract	72,900	-	-	72,900
Amortization of debt expense	-	-	(13,279)	(13,279)
Accretion of debt premiums	-	21,459	-	21,459
Miscellaneous expense	-	-	(55,819)	(55,819)
TEAC settlement	25	-	-	25
Insurance recoveries	5,331	13,132	-	18,463
Gain (loss) on sale of asset	-	6,400	-	6,400
Bond issue cost/premium	2,122	-	-	2,122
Lease revenue	-	123,704	-	123,704
Interest expense	(81,800)	(401,892)	(362,604)	(846,296)
TOTAL NONOPERATING REVENUES (EXPENSES)	68,324	(188,120)	(172,894)	(292,690)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	480,677	213,195	2,644,014	3,337,886
Transfers to other funds	(197,762)	(165,382)	(817,833)	(1,180,977)
Capital contributions	-	122,131	-	122,131
TOTAL CONTRIBUTIONS AND TRANSFERS	(197,762)	(43,251)	(817,833)	(1,058,846)
CHANGE IN NET POSITION	282,915	169,944	1,826,181	2,279,040
NET POSITION - BEGINNING OF YEAR	12,748,803	16,910,469	34,997,547	64,656,819
NET POSITION - END OF YEAR	\$ 13,031,718	\$ 17,080,413	\$ 36,823,728	\$ 66,935,859

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, 2023

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 8,446,224	\$ 7,849,446	\$ 53,848,315	\$ 70,143,985
Cash received from other funds for services	(45,723)	(46,920)	-	(92,643)
Cash received from rent	72,900	-	-	72,900
Other operating cash receipts	10,186	1,619	-	11,805
Cash payments to city - tax equivalents	-	-	(817,833)	(817,833)
Cash payments to suppliers for goods and services	(5,394,158)	(2,856,297)	(45,691,837)	(53,942,292)
Cash payments to employees for services	(1,925,562)	(2,953,166)	(1,944,437)	(6,823,165)
Other operating cash payments	-	-	(55,819)	(55,819)
Customer deposits received	-	-	275,173	275,173
Customer deposits refunded	-	-	(143,956)	(143,956)
Cash payments to other funds for services	-	(12,824)	-	(12,824)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,163,867	1,981,858	5,469,606	8,615,331
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	25	-	-	25
Amounts paid to other funds	(197,762)	(126,780)	-	(324,542)
Sale of materials	-	8,118	-	8,118
Advances from Home Insulation Program	-	-	(23,486)	(23,486)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(197,737)	(118,662)	(23,486)	(339,885)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(1,988,455)	(2,540,024)	(6,184,649)	(10,713,128)
Plant removal cost	-	-	(356,354)	(356,354)
Materials salvaged from retirements	-	-	134,481	134,481
Gain on sale of capital assets	-	6,400	-	6,400
Insurance recoveries	5,331	13,132	-	18,463
Debt issue costs	-	-	10,036	10,036
Loss on refunding of bonds	-	-	3,006	3,006
Premium on issuance of bonds	-	-	(13,042)	(13,042)
Principal payments on long-term debt	(191,579)	(1,096,382)	(830,000)	(2,117,961)
Capital contributions	-	351,328	-	351,328
Lease revenue	-	123,704	-	123,704
Interest paid on long-term debt	(83,118)	(403,732)	101,253	(385,597)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(2,257,821)	(3,545,574)	(7,135,269)	(12,938,684)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(100,000)	(100,000)
Proceeds from sale of investments	-	-	100,000	100,000
Notes receivable - TVA Home Insulation Program	-	-	23,486	23,486
Interest paid	-	-	(369,220)	(369,220)
Interest on cash and investments	69,746	40,960	258,808	369,514
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	69,746	40,960	(86,926)	23,780
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,221,945)	(1,641,418)	(1,776,075)	(4,639,438)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,231,659	4,707,526	13,050,926	22,990,111
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,009,714	\$ 3,066,108	\$ 11,274,851	\$ 18,350,673
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 412,353	\$ 401,315	\$ 2,816,908	\$ 3,630,576
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	636,180	1,407,345	2,702,201	4,745,726
Amounts paid to City - tax equivalents	-	-	(817,833)	(817,833)
Miscellaneous expense	-	-	(55,819)	(55,819)
Change in pension	43,375	60,743	(2,000,716)	(1,896,598)
Change in OPEB	73,086	81,836	60,908	215,830
Rent revenue	72,900	-	-	72,900
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	149,948	-	566,724	716,672
(Increase) decrease in other receivables	535	831	-	1,366
(Increase) decrease in inventory	(26,313)	(52,298)	321,163	242,552
(Increase) decrease in prepaid assets	2,765	(31,413)	(389,511)	(418,159)
(Increase) decrease in due from other funds	(41,014)	(46,920)	-	(87,934)
(Increase) decrease in natural gas storage	82,934	-	-	82,934
Increase (decrease) in accounts payable	(163,992)	100,564	96,220	32,792
Increase (decrease) in grants payable	-	-	-	-
Increase (decrease) in due to other funds	(4,709)	(12,824)	-	(17,533)
Increase (decrease) in net pension liability	-	-	2,172,420	2,172,420
Increase (decrease) in net OPEB liability	-	-	(202,020)	(202,020)
Increase (decrease) in customer deposits	16,039	48,854	131,217	196,110
Increase (decrease) in compensated absences	(129,655)	(54,495)	67,744	(116,406)
Increase (decrease) in accrued liabilities	39,435	78,320	-	117,755
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,163,867	\$ 1,981,858	\$ 5,469,606	\$ 8,615,331
NONCASH TRANSACTIONS				
Capital Contributions per Statement of Revenues, Expenses, and Changes in Net Position	-	122,131	-	122,131
Add: Prior year grants receivable	-	229,197	-	229,197
Less: Current year grants receivable	-	-	-	-
Less: Noncash capital contributions due to passthrough grant	-	-	-	-
Capital Contributions per Statement of Cash Flows	-	351,328	-	351,328

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Pension Trust Funds	
	Municipal Employees	Electric Employees
ASSETS		
Cash and cash equivalents	\$ -	\$ -
Investments:		
Mutual funds (market value)	12,187,742	9,981,023
Annuities (market value)	-	-
TOTAL ASSETS	12,187,742	9,981,023
LIABILITIES		
Accrued liabilities	-	-
NET POSITION		
Held in trust for pension benefits	12,187,742	9,981,023
TOTAL NET POSITION	\$ 12,187,742	\$ 9,981,023

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, 2023

	Pension Trust Funds		
	Municipal Employees	Electric Employees	Total
Additions			
Contributions and other additions	\$ 419,304	\$ 447,975	\$ 867,279
Investment income	-	-	-
Net investment gain/(loss)	1,446,521	1,069,789	2,516,310
Total Additions	<u>1,865,825</u>	<u>1,517,764</u>	<u>3,383,589</u>
Deductions			
Fees (refunds)	117,598	3,908	121,506
Dividends and interest paid	-	-	-
Benefits	2,865,017	336,568	3,201,585
Total Deductions	<u>2,982,615</u>	<u>340,476</u>	<u>3,323,091</u>
Net increase (decrease) in net position	(1,116,790)	1,177,288	60,498
NET POSITION - BEGINNING OF YEAR	<u>13,304,532</u>	<u>8,803,735</u>	<u>22,108,267</u>
NET POSITION - END OF YEAR	<u><u>\$ 12,187,742</u></u>	<u><u>\$ 9,981,023</u></u>	<u><u>\$ 22,168,765</u></u>

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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. The Industrial Development Board of the City of Lexington, Tennessee (LIDB) is a nonprofit organization located in Lexington, Tennessee. Its purpose is to increase employment opportunities by promoting industry, trade, commerce, tourism and recreation in Henderson County, Tennessee. LIDB is a component unit of the City of Lexington since (1) board members are appointed by the City Commission and (2) it receives a significant portion of its funding from the City of Lexington. This financial data is incorporated into the City's financial statements as of June 30, 2023.

The City Commission determines the amount of money to contribute each year to the LIDB. The City appropriated \$42,800 from the General Fund and \$50,000 from the Capital Projects Fund for economic development to the LIDB in the current year. Additionally, Lexington Gas System and Lexington Water System each contributed \$25,000 to the LIDB in the current year. Additionally, Lexington Water System contributed \$38,602 noncash in a land donation (recorded as a transfer in). Complete financial statements of the LIDB may be obtained from the Industrial Development Board of the City of Lexington, Tennessee, c/o Cody Wood, 33 1st Street, Lexington, TN 38351.

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 discussed earlier, the government has a discretely presented component unit. The Industrial Development Board of the City of Lexington, Tennessee, is shown in a separate column in the government-wide financial statements.

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 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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 was used to pay the debt of the post office building.

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:

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.
Special Revenue Fund: General Purpose School	Accounts for revenues and expenditures of the City's school.
Proprietary Fund: 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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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; 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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Interfund Receivables and Payables

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

The capitalization policy is as listed below:

1. Real property – Land	
a. Land – non depreciable	\$1
b. Land Improvements	\$10,000
2. Real property – Buildings	
a. Buildings	\$10,000
b. Building Improvements	\$10,000
c. Construction in Progress	
3. Motor Vehicles	
a. Cars/Light Trucks/Jeeps	\$ 5,000
b. Trucks/Heavy	\$10,000
c. Buses	\$10,000
d. Vans	\$ 5,000
4. Miscellaneous Equipment	
a. Police Vehicle Equipment	\$ 5,000
b. Police Personal Equipment	\$ 5,000
5. Office Furniture & Equipment	
a. Computer Equipment	\$ 2,000
b. Appliances	\$ 2,000
c. Media Equipment	\$ 2,000
6. Personal Property	\$ 2,000
7. Infrastructure	
a. Roads	
i. Asphalt	\$75,000/mile
ii. Double Surface Treatment	\$30,000/mile
iii. Gravel	\$12,000/mile
b. Bridges	
i. Box Culvert	\$175/sq. ft.
ii. Span	\$2,800/sq. ft.

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

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

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 three items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the government-wide Statement of Net Position and the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. The second deferred inflows of resources are related leases receivable and the third to the government's pension requirements under GASB Statement No. 68.

Long-term Debt

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

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

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

Compensated Absences

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

Electric System

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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.
- 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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

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

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

Pensions – School System

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

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

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

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

Sales Tax

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

Property Tax

Property taxes are levied annually on the first of January. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected for one year past the due

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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
E-citation Fund	State Law
Police Drug Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

Pension Plan Investments

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

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

Sales Tax
Gasoline Excise Tax
Grants
E-citation fees

Legal Restrictions of Use

Portion to fund city school program
Street purposes
Grant program expenditures
E-citation equipment

2.D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The City had no deficit fund balances at June 30, 2023.

2.E. BUDGET

Lexington City Schools

The System is required by state law to prepare an annual budget. The budget is subject to approval by the Lexington City Council and the System cannot exceed the total budgeted expenditures. The System uses a budgetary basis of accounting. It is consistent with GAAP, except that instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

The City had two funds – the School Tax Fund and the DARE Fund – with expenditures exceeding appropriations for the year ended June 30, 2023.

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.E. The City maintains checking accounts with local banks. Also, some funds are held as certificates of deposit at local banks. Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, 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, 2023, 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, 2023, 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, 2023, the System's bank deposits were fully collateralized or insured.

School System

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

Investment-Fiduciary Fund

The following is the asset allocation as of June 30, 2023:

	City of Lexington		Lexington Electric		
	Market Value	Percentage of Total	Market Value	Percentage of Total	Total
Fixed income	\$ 2,604,791	21.37%	\$ 3,535,202	35.42%	\$ 6,139,993
Equities	9,582,951	78.63%	6,445,821	64.58%	16,028,772
	<u>\$ 12,187,742</u>	<u>100.00%</u>	<u>\$ 9,981,023</u>	<u>100.00%</u>	<u>\$ 22,168,765</u>

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at June 30, 2023.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

	City of Lexington	Lexington Electric
American Funds Investment Fund of America	\$ 674,472	\$ 545,397
500 Index Fund	1,169,475	-
Columbia Diversified Fixed Income	744,837	589,367
Vanguard 500 Index	-	947,557
MFS Growth Fund	612,719	510,518
DC INTL ST	766,277	618,694
BlackRock EAFE Equity Index	627,404	626,134

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.39 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2023.

Fair Value Measurements Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Pooled and separate accounts	\$ 6,139,993	\$ 2,604,791	\$ 3,535,202	\$ -
Equity securities				
Pooled and separate accounts	16,028,772	9,582,951	6,445,821	-
Total	<u>\$ 22,168,765</u>	<u>\$ 12,187,742</u>	<u>\$ 9,981,023</u>	<u>-</u>

The fair value of pooled separate accounts for which quoted market prices are not available are valued based on the value of the underlying investments and therefore are Level 2 investments.

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, 2023, is as follows:

	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 74,338	\$ 3,417,701	\$ 3,492,039
Allowance for doubtful accounts	(23,140)	(75,546)	(98,686)
Net accounts receivable	<u>\$ 51,198</u>	<u>\$ 3,342,155</u>	<u>\$ 3,393,353</u>

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance 7/1/22	Additions/ Adjustments	Retirements/ Adjustments	Balance 6/30/23
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,545,454	\$ -	\$ -	\$ 1,545,454
Construction in Progress	2,534,063	1,139,096	2,611,093	1,062,066
Total Capital assets not being depreciated	<u>4,079,517</u>	<u>1,139,096</u>	<u>2,611,093</u>	<u>2,607,520</u>
Capital assets being depreciated				
Buildings	25,181,642	-	-	25,181,642
Equipment	12,249,646	2,024,671	472,795	13,801,522
Infrastructure	16,513,807	1,793,102	-	18,306,909
Improvements	8,100,826	425,641	-	8,526,467
Total Capital assets being depreciated	<u>62,045,921</u>	<u>4,243,414</u>	<u>472,795</u>	<u>65,816,540</u>
Less accumulated depreciation for:				
Buildings	13,244,510	495,367	-	13,739,877
Equipment	8,210,167	985,130	440,862	8,754,435
Infrastructure	12,060,604	71,260	-	12,131,864
Improvements	5,470,302	300,801	-	5,771,103
Total accumulated depreciation	<u>38,985,583</u>	<u>1,852,558</u>	<u>440,862</u>	<u>40,397,279</u>
Total capital assets, being depreciated, net	<u>23,060,338</u>			<u>25,419,261</u>
Governmental activities capital assets, net	<u>\$ 27,139,855</u>			<u>\$ 28,026,781</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 717,107	\$ 238,345	\$ 38,602	\$ 916,850
Construction in Progress	7,720,790	4,467,151	89,202	12,098,739
Total Capital assets not being depreciated	<u>8,437,897</u>	<u>4,705,496</u>	<u>127,804</u>	<u>13,015,589</u>
Capital assets being depreciated				
Buildings	5,628,583	-	-	5,628,583
Equipment	5,310,875	711,681	5,000	6,017,556
Plant	139,633,017	5,650,648	604,913	144,678,752
Total Capital assets being depreciated	<u>150,572,475</u>	<u>6,362,329</u>	<u>609,913</u>	<u>156,324,891</u>
Less accumulated depreciation for:				
Buildings	1,142,760	120,329	-	1,263,089
Equipment	7,424,860	420,054	5,000	7,839,914
Plant	64,129,081	4,470,837	826,784	67,773,134
Total accumulated depreciation	<u>72,696,701</u>	<u>5,011,220</u>	<u>831,784</u>	<u>76,876,137</u>
Total capital assets, being depreciated, net	<u>77,875,774</u>			<u>79,448,754</u>
Business-type activities capital assets, net	<u>\$ 86,313,671</u>			<u>\$ 92,464,343</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 126,942
Public safety	558,699
Public works	413,908
Health, recreation and welfare	<u>753,009</u>
Total depreciation expense	<u>\$1,852,558</u>

3.D. ACCOUNTS PAYABLE

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

3.E. SERVICE CONTRACTS

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

3.F. PREPAID MEALS

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

3.G. LONG-TERM LIABILITIES

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

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority of the government. General obligation bonds were issued for original terms of up to 19 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2023, will be retired from various funds as noted in the Schedule of Changes in Long-Term Debt by Individual Issue.

Direct Borrowing and Direct Placements – The City issues other loans to provide funds for the acquisition and construction of major capital facilities. Loans are direct obligations and pledge the full faith, credit, and taxing authority of the government. The loans outstanding were issued for original terms of up to 10 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All loans included in long-term debt as of June 30, 2023, will be retired from the General Purpose School Fund and the Water System Fund.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

Governmental Activities

As of June 30, 2023, the governmental long-term liabilities of the financial reporting entity consisted of the following:

Governmental Activities

General Obligation Bonds

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	\$ 118,680
2019 Public Works Refund Bonds, dated February 7, 2019, due March 1, 2034 interest 2% to 3%.	805,000
2020 General Obligation School Refunding Bonds, dated June 30, 2020, due November 1, 2020 through May 1, 2031, interest 1% to 2%.	3,340,000
2020 Public Works Improvements Bonds, dated April 30, 2020, due April 30, 2021 through April 1, 2040, interest 2% to 2.35%.	1,330,000
Total General Obligations Bonds	<u>5,593,680</u>

Direct Borrowing and Direct Placements

2023 Cadence Equipment Finance, due in monthly payments of \$2,936 thru 3/11/2022 with final payment \$188,000 on 3/11/2024, interest 2.29%	225,450
Total Governmental Activities Bonds and Direct Borrowings	<u>5,819,130</u>

Other Liabilities

Compensated absences	1,574,066
Unamortized debt premiums	112,134
Net pension liability	2,472,588
Net OPEB liability	1,851,381
Landfill closure costs	246,068
Total Other Liabilities	<u>6,256,237</u>

Total Government Activity Long-Term Liabilities	<u>\$ 12,075,367</u>
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CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Business-type Activities

Revenue Bonds

2019 Water Refunding Bonds,
dated September 1, 2019, through March 1, 2034, interest 2.00% to 3.00%. \$ 3,615,000

Electric Plant Revenue Refunding Bonds, Series 2017,
interest of 2.00% to 2.75% due serially through 2032. 4,280,000

Electric Plant Revenue Bonds, Series 2018,
interest at 3.00% to 4.00%% due serially through 2038 2,430,000

Electric Plant Revenue Refunding Bonds, Series 2019,
interest of .05% to 5.00% due serially through 2037. 5,470,000

2019 Gas Refunding Bonds, dated February 7, 2019,
due March 1, 2020 through March 1, 2034, interest 2.00% to 3.00% 990,000

Total Business-Type Revenue Bonds 16,785,000

Direct Borrowing and Direct Placements

Local Government Loan Program Bond, Series 2015, variable interest 1,321,000

General Obligation Bonds

2012 General Obligation Bonds, dated October 18, 2012,
due April 1, 2013 through April 1, 2028, interest 1% to 2%. 1,581,318

2017 General Obligation Bonds, dated July 20, 2017,
due July 15, 2018 through July 15, 2037, interest 1.30% to 3.25%. 3,435,000

2020 Public Works Improvements General
dated April 30, 2020, through April 1, 2040 interest 2.00% to 3.00% 6,940,000

Total Business-Type General Obligation Bonds 11,956,318

Other liabilities

Compensated absences 2,264,812

Advances from Home Installation Program 315,318

Net pension liability 5,899,398

Net OPEB liability 4,988,651

Unamortized debt premiums 467,839

Total Other Liabilities 13,936,018

Total Business-type Activites \$ 43,998,336

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

	Balance 7/1/2022	Issues or Additions	Retirements	Balance 6/30/2023	Due within one year
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 6,131,719	\$ -	\$ 538,039	\$ 5,593,680	\$ 548,737
Direct Borrowing and Direct Placements	289,101	-	63,651	225,450	225,450
Landfill Closure Costs	254,020	-	7,952	246,068	-
Unamortized debt premiums	123,345	-	11,211	112,134	-
Total governmental type activities	<u>6,798,185</u>	<u>-</u>	<u>620,853</u>	<u>6,177,332</u>	<u>774,187</u>
<u>Business Type Activities</u>					
Revenue Bonds	17,970,000	-	1,185,000	16,785,000	1,210,000
Direct Borrowing and Direct Placements	1,422,000	-	101,000	1,321,000	102,000
General Obligation Bonds	12,788,279	-	831,961	11,956,318	856,263
Unamortized debt premiums	504,462	-	36,623	467,839	-
Total business type activities	<u>32,684,741</u>	<u>-</u>	<u>2,154,584</u>	<u>30,530,157</u>	<u>2,168,263</u>
Total government	<u>\$ 39,482,926</u>	<u>\$ -</u>	<u>\$ 2,775,437</u>	<u>\$ 36,707,489</u>	<u>\$ 2,942,450</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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2023 are as follows:

<u>General Obligation Bonds</u>					
Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Principal and Interest
	Principal	Interest	Principal	Interest	Total
2024	\$ 548,737	\$ 170,337	\$ 856,263	\$ 274,514	\$ 1,849,851
2025	564,784	172,263	865,216	257,924	1,860,187
2026	575,831	163,842	894,169	240,815	1,874,657
2027	581,878	155,275	923,122	222,778	1,883,053
2028	577,450	144,606	812,548	200,249	1,734,853
2029-2033	2,065,000	602,190	3,125,000	748,759	6,540,949
2034-2038	500,000	473,252	3,520,000	363,530	4,856,782
2029-2040	180,000	186,300	960,000	33,720	1,360,020
Total	<u>\$ 5,593,680</u>	<u>\$ 2,068,065</u>	<u>\$ 11,956,318</u>	<u>\$ 2,342,289</u>	<u>\$ 21,960,352</u>

Year Ending June 30,	<u>Direct Placement and Direct Borrowings</u>			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 225,450	\$ 5,940	\$ 102,000	\$ 39,630
2025	-	-	104,000	36,570
2026	-	-	105,000	33,450
2027	-	-	106,000	30,300
2028	-	-	108,000	27,120
2029-2033	-	-	561,000	86,190
2034-2035	-	-	235,000	10,590
	<u>\$ 225,450</u>	<u>\$ 5,940</u>	<u>\$ 1,321,000</u>	<u>\$ 263,850</u>

Year Ending June 30,	<u>Revenue Bonds</u>	
	Business-type Activities	
	Principal	Interest
2024	\$ 1,210,000	\$ 483,922
2025	1,250,000	448,309
2026	1,290,000	409,009
2027	1,330,000	365,509
2028	1,380,000	321,984
2029-2033	7,075,000	880,778
2034-2038	3,250,000	112,953
2029-2040	-	-
	<u>\$ 16,785,000</u>	<u>\$ 3,022,464</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	TRANSFER FROM						Totals	LIDB
	General	Capital Projects	School Tax Fund	Lexington Electric	Water	Gas		
TRANSFER TO								
General	\$ -	\$ 1,170,386	\$ -	\$ 817,833	\$ 126,780	\$ 197,762	\$ 2,312,761	\$ -
Solid Waste Fund	180,000	-	-	-	-	-	180,000	-
Water Fund	-	-	-	-	-	-	-	38,601
School Debt	-	-	470,290	-	-	-	470,290	-
General Purpose School	-	-	1,063,000	-	-	-	1,063,000	-
GRAND TOTALS	\$ 180,000	\$ 1,170,386	\$ 1,533,290	\$ 817,833	\$ 126,780	\$ 197,762	\$ 4,026,051	38,601

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. In the current year a one-time transfer was made from the Water Fund to Lexington IDB in the amount of \$38,601 for a land transaction.

Interfund Receivables and Payables

DUE TO:	General	Solid Waste	Water	Gas	Totals
DUE FROM:					
General	\$ -	\$ -	\$ 169,218	\$ 128,929	\$ 298,147
Solid Waste	11,253	-	-	-	11,253
Gas	-	73,111	691,819	-	764,930
Water Systems	16,849	-	-	10,975	27,824
	\$ 28,102	\$ 73,111	\$ 861,037	\$ 139,904	\$ 1,102,154

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 Sales Tax, Water, and Gas Funds are for expenses paid by the General Fund and not yet reimbursed by the other funds.

3.I. ON-BEHALF PAYMENTS

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lexington City School System. These payments are made by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2023 were \$51,647 and \$4,055, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan Obligations

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

Plan Description

The Retirement Income plan for Employees of the City of Lexington (the "Plan") is a single-employer defined benefit pension plan that provides pensions to any employee in covered employment (as defined in the Plan Document) who has met, and continues to meet, the eligibility requirements for participation in the Plan.

Actuarial Cost Method

Individual entry age normal cost— Under this method, the annual cost is equal to the normal cost, plus an amortization of the unfunded accrued liabilities over a fixed period of years selected within the minimum (10 years) and the maximum (5 to 30 years) periods permitted by law.

The normal cost is the sum of individual normal costs, determined as a level percentage of compensation which would have been necessary to fund the employee's projected retirement, death and withdrawal benefits, from entry age (the age at which the employee would have entered the plan had it been in effect on his employment date), to his retirement age. Thus, the dollar normal cost is expected to increase with the salary projection assumption.

The actuarial accrued liability is the accumulation, based on the actuarial assumptions, of all assumed prior normal costs. Thus, it represents the amount of reserves, which would be held by the plan, had it always been in effect for the present group of participants and had plan experience followed that predicted by the actuarial assumptions. The unfunded accrued liability is the excess, if any, of the accrued liability over the plan assets.

Actuarial gains and losses arising from differences between plan experience and that predicted by the actuarial assumptions, as measured by the difference between actual and expected unfunded accrued liabilities, are amortized over the average expected remaining service lives of all employees (active and inactive), as required by GASB Statement No. 68.

Attribution Parameters

Attribution parameters determine how growth in the benefit formula is allocated to years of service.

Accrual rate proration, by component – This method attributes the benefit separately for each component of the benefit formula, based on the benefit credited service. If there are no accrual definitions in the benefit formula, then the entire projected benefit is assigned to past service (and considered fully accrued as of the valuation date). This results in "natural" or "directing differencing" attribution.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

Accrued and Vested Benefits

Vested benefits are based on the plan document's vesting schedule based on years of service.

Participant Data

Inactive Plan Participants as of January 1, 2022:

Retirees and beneficiaries currently receiving benefits	17
Terminated employees entitled to deferred benefits	30
Disabled employees entitled to deferred benefits	<u>0</u>
Total	47

Active Plan Participants as of January 1, 2021:

Vested	55
Partially-vested	5
Non-vested	<u>0</u>
Total	60

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/22

Eligibility Requirements: Minimum age of 20 and 12 minimum months of service hired on or before March 1, 2012. Entry date is the first day of the month coinciding with or next following the date the requirements are met. Entry has been closed since 3/1/2012.

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

Normal Retirement Benefit Formula:

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

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

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

Average Monthly Compensation: The greater of (i) average of monthly compensation for the 5 years of highest compensation whether consecutive or not, 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: Single Life Annuity with 120 months certain.
Married: Equivalent 50% Joint and Survivor Annuity

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Maximum Annual Benefit: \$245,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

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

Credited Interest: 5% per annum compounded annually and 6% for Terminated Participants.

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

Late Retirement Benefit: The greater of 1) normal retirement benefit, increased 8% per annum for each year that retirement is deferred, and 2) accrued benefit at late retirement date.

Pre-Retirement Death Benefit: Member contributions credited with interest to the date of death. Additionally, a member shall receive present value of the actuarial equivalent of the member's vested accrued benefit. The beneficiary shall receive the death benefit provided from group term life insurance plan maintained by the city.

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: 1) a return of member contributions with interest to the date of payment, or 2) income payments at retirement provided by his own contributions with interest.

A member who terminates employment with 5 or more years of credited service will be entitled to a percentage of the benefit earned based on years of credited service and average monthly earnings at separation from service.

The percentage is determined as follows:

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

Cost of Living Adjustment: The plan sponsor has adopted an amendment to apply an annual cost of living increase adjustment (COLA) each July 1 beginning July 1, 2018. The COLA will be based on the Consumer Price Index for Urban Wage Earners, with a maximum annual increase of 3% and a minimum increase of 0%. The COLA will be prorated for a participant receiving fewer than twelve payments in the preceding year by the number of months of payment divided by 12.

Unused Sick Leave

Employees age 55 or older as of 12/31/2021 may transfer the value of their unused sick-leave to the Plan of either (a) purchase age and service to be added to current age and service or (b) receive an equivalent value paid from the trust paid out over up to five years.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Contribution Required

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

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

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

Amortization Method: The amortization policy shall be that the UAAL, as of January 1, 2015 and any changes thereafter as a result of the change in assumptions or methods or benefit or plan changes, shall be amortized over a fixed period of 30 years beginning January 1, 2015. The amortization period for future experience gains and losses shall be 10 years from the date of the actuarial valuation.

Investments

Investment information has been provided by John Hancock.

Investment Policy: The following was the City's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
US Equity - Large Cap	38%
US Equity - Small/Mid Cap	16%
Non-US Equity - Developed	18%
Non-US Equity - Emerging	3%
US Corporate Bonds - Core	10%
US Corporate Bonds - High Yield	3%
Non-US Debt - Developed	2%
US Treasuries (Cash Equivalents)	10%
Total	100%

Rate of Return: For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -14.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The City's net pension liability at June 30, 2022 is \$4,337,875. The following assumptions were used in the calculation of the net pension liability.

Actuarial Assumptions (for calculation of the Net Pension Liability)

Measurement Date

June 30, 2022

Valuation Date

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

January 1, 2022

Mortality

SOA PubG-2010(B), Scale MP-2018 Fully Generational

Discount Rate

7.25% per annum

Inflation

2.24% per annum. This assumption is an underlying component of a number of these economic assumptions: consumer price indices, forecasts of inflation, yields on government securities of various maturities, and yields on nominal and inflation-indexed debt.

Salary Projection

Ages 20-29 5.00%, Ages 30-39 3.50%, Ages 40+ 2.75%. The assumption selected is consistent with the plan sponsor's current compensation practice. This assumption reflects the following factors: available compensation data, including plan sponsor's current compensation practice and anticipated changes, current compensation distributions by age or service, historical compensation increases and practices of the plan sponsor and other plan sponsors in the same industry or geographic area, historical national wage increases and productivity growth; competitive factors (within industry or geographic area or globally); consider collective bargaining agreements; compensation volatility (bonuses and overtime vary); expected plan freeze or termination; multiple compensation increase assumptions, select and ultimate (vary by period or by age or service); separate assumptions for different employee groups; and separate assumptions for different compensation elements.

Retirement Age

Age 60 35%, Ages 61-64 5%, Age 65 40%, Ages 66-69 30%, Ages 70+ 100%

Cost of Living Increase

2.05% per annum of the participant's original benefit

Disability Rates

See disability rates below.

Withdrawal rates

See withdrawal rates below.

Age	Withdrawal		Disability	
	Male	Female	Male	Female
25	9.000%	9.000%	0.278%	0.164%
30	7.500%	7.500%	0.354%	0.257%
35	6.000%	6.000%	0.458%	0.401%
40	4.500%	4.500%	0.645%	0.629%
45	3.000%	3.000%	1.007%	0.985%
50	1.500%	1.500%	1.605%	1.483%
55	0.000%	0.000%	2.114%	1.742%
60	0.000%	0.000%	2.503%	1.956%

The actuarial assumptions used were based on the results of an actuarial experience study prepared in 2018 for the period January 1, 2014 through December 31, 2018.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Liabilities were valued as of January 1, 2022 using data as of January 1, 2022 and provisions and assumptions as of June 30, 2022. This liability was then increased by service cost and interest cost (for the period January 1, 2022 – June 30, 2022) and reduced by actual benefit payments for the period plus interest.

Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined by the investment advisor, John Hancock. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
US Equity - Large Cap	38%	5.59%	2.13%
US Equity - Small/Mid Cap	16%	6.62%	1.06%
Non-US Equity - Developed	18%	6.41%	1.15%
Non-US Equity - Emerging	3%	8.35%	0.25%
US Corporate Bonds - Core	10%	1.12%	0.11%
US Corporate Bonds - High Yield	3%	3.15%	0.09%
Non-US Debt - Developed	2%	0.28%	0.01%
US Treasuries (Cash Equivalents)	10%	-0.32%	-0.03%
Total	100%		4.77%
Long-Term Inflation Assumption			2.24%
Long-Term Expected Nominal Rate of Return			7.12%

*Long-term real rates of return were provided by 2021 Horizon Study. Returns are arithmetic means.

Long-term capital market assumptions (20+ years) are applicable to approximate future return expectations. The actuaries utilized a modified building blocks methodology because being able to identify historical return premiums of asset classes in the context of varying market environments provides a reasonable basis to estimate the performance of asset classes going forward.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumes that City of Lexington contributions will be made according to their established funding policy to contribute the actuarially determined contribution. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

	1% Decrease	Current	1% Increase
	6.25%	Discount Rate	8.25%
	7.25%		
Plan's net pension liability	\$ 6,264,212	\$ 4,337,875	\$ 2,698,887

Change in City's Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2022 were as follows:

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension	Fiduciary Net	Liability
	Liability (a)	Position (b)	(a) - (b)
Balances at 6/30/21	\$ 16,517,863	\$15,566,433	\$ 951,430
Changes for the year:			
Service cost	377,507	-	377,507
Interest	1,214,127	-	1,214,127
Changes of benefit terms	304,578	-	304,578
Differences between expected and actual experience	(440,936)	-	(440,936)
Changes in assumptions	-	-	-
Contributions - employer	-	278,489	(278,489)
Contributions - employee	-	174,056	(174,056)
Net investment income	-	(2,313,763)	2,313,763
Benefit payments	(330,732)	(330,732)	-
Administrative expense	-	(69,951)	69,951
Net changes	1,124,544	(2,261,901)	3,386,445
Balances at 6/30/22	\$ 17,642,407	\$13,304,532	\$ 4,337,875

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

For the year ended June 30, 2023, the City recognized pension expense of \$499,264. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Differences between expected and actual experience	\$ 308,073	\$ 419,840
Changes of assumptions	-	831,439
Net difference between projected and actual earnings on pension plan investments	1,366,459	-
Contributions subsequent to the measurement date of June 30, 2022	258,033	-
Total	\$ 1,932,565	\$ 1,251,279

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Year ended June 30:

2023	(100,846)
2024	(85,402)
2025	(15,362)
2026	624,863
2027	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2023, the City reported \$ 0 payable for outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

Defined Contribution Plan

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

General Government	\$150,747
Water System	\$ 59,637
Gas System	\$ 51,356
School System	\$ 47,841

Electric System

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

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

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

Normal retirement benefit: Effective March 1, 2000, the monthly annuity is equal to the sum of 2.25% of the members Average Monthly Earnings multiplied by years of Credited Service for the member's first 30 years of Credited Service and 1.85% of the member's Average Monthly Earnings, multiplied by years of Credited Service in excess of 30 years. For contributing members as of April 1, 1986, minimum monthly annuity will equal to 3.333% of member's Average Monthly Earnings multiplied by years of Credited Service subject to a maximum of 15 years. A member of the prior plan will receive a benefit of no less than 40% of the average of monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater. Average Monthly Earnings means the greater of (1) the average of monthly compensation for the 5 consecutive years of highest compensation, and (2) monthly compensation during the year immediately preceding the participant's 60th birthday. Maximum annual benefit is \$225,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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

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

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

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

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

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

Cost of living feature: Effective July 1, 2018, the Plan has been amended to provide an annual increase for retired participants based on the CPI-U, with a maximum adjustment of 3%.

The percentage is determined using the following table:

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

At July 1, 2022 and 2021 membership consisted of:

	<u>2022</u>	<u>2021</u>
Retirees and beneficiaries currently receiving benefits	10	10
Terminated employees entitled to benefits	0	0
Active employees:		
Fully or partially vested	<u>28</u>	<u>30</u>
Total	<u>38</u>	<u>40</u>

Funded status and funding progress: As of June 30, 2022, the actuarial accrued liability for benefits was \$12,836,523 and the net pension liability was \$4,034,111. Total covered payroll was \$1,851,460 and the ratio of net pension liability to covered payroll was 217.89%. As of June 30, 2021, the actuarial accrued liability for benefits was \$13,083,856 and the net pension liability was \$1,861,691. Total covered payroll was \$1,637,000 and the ratio of net pension liability to covered payroll was 113.73%. As of June 30, 2020, the actuarial accrued liability for benefits was \$11,771,922 and the net pension liability was \$3,504,398. Total covered payroll was \$2,014,329 and the ratio of net pension liability to covered payroll was 173.97%.

Net pension liability: The components of the net pension liability of the Retirement Income Plan for the Employees of Lexington Electric System at June 30, 2022 and 2021 are detailed in the following tables. The first table is required to be disclosed due to the inclusion of the fiduciary fund statement's in the System's financial statements. The Total Pension Liability was rolled forward to June 30, 2022 in order to be in compliance with GASB Statement No. 67. The second table shows the net pension liability as of June 30, 2021, which is what is reported in the proprietary financial statements in accordance with GASB Statement No. 68.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at 6/30/21	\$ 13,083,856	\$ 11,222,165	\$ 1,861,691
Changes for the year:			
Service cost	191,155	-	191,155
Interest	865,906	-	865,906
Changes of benefit items	233,002	-	233,002
Differences between expected and actual experience	(200,265)	-	(200,265)
Change of assumptions	6,547	-	6,547
Contributions - employer	-	359,326	(359,326)
Contributions - employee	-	101,344	(101,344)
Net investment income	-	(1,538,989)	1,538,989
Benefit payments	(1,343,678)	(1,343,678)	-
Administrative expense	-	(4,510)	4,510
Other	-	6,754	(6,754)
Net changes	<u>(247,333)</u>	<u>(2,419,753)</u>	<u>2,172,420</u>
Balances at 6/30/22	<u>\$ 12,836,523</u>	<u>\$ 8,802,412</u>	<u>\$ 4,034,111</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension	Fiduciary Net	Liability
	Liability (a)	Position (b)	(a) - (b)
Balances at 6/30/20	\$ 11,771,922	\$ 8,267,524	\$ 3,504,398
Changes for the year:			
Service cost	192,049	-	192,049
Interest	862,569	-	862,569
Changes of benefit terms	-	-	-
Differences between expected and actual experience	418,622	-	418,622
Change of assumptions	(14,610)	-	(14,610)
Contributions - employer	-	359,290	(359,290)
Contributions - employee	-	114,708	(114,708)
Net investment income	-	2,625,513	(2,625,513)
Benefit payments	(146,696)	(146,696)	-
Administrative expense	-	1,826	(1,826)
Other	-	-	-
Net changes	1,311,934	2,954,641	(1,642,707)
Balances at 6/30/21	\$ 13,083,856	\$ 11,222,165	\$ 1,861,691

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

	2022		
	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	\$ 5,144,671	\$ 4,034,111	\$ 3,078,976

	2021		
Net pension liability	\$ 2,894,650	\$ 1,861,691	\$ 3,078,976

Net Pension Liability. The System's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Individual Entry Age Normal, level percentage of pay
Amortization Method	Level dollar, closed
Remaining Amortization period	30 years as of 7/1/20
Asset valuation method	Market value of plan assets adjusted to phase in gains and losses over a five-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value.
Salary increases	3.00% per annum
Cost of living increases	2.05%
Investment rate of return	7.25% per annum

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Retirement age assumption	100% at age 60
Mortality	RP-2006 Blue Collar Mortality Generational with Improvement Scale MP-2020
Disability mortality	RP-2006 Disabled Retiree Mortality Generational with Improvement Scale MP-2020

The actuarial assumptions used in the July 1, 2021 and 2020 valuations were based on the results of actuarial experience studies for the periods July 1, 2014 through June 30, 2019.

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

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

For the measurement periods ended June 30, 2022 and 2021, the System recognized pension expense (negative pension expense) of \$520,331 and (\$18,367). At June 30, 2022 and 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 299,593	\$ 425,369
Change of assumptions	31,189	140,847
Net difference between projected and actual earnings on pension plan investments	945,124	-
Contributions subsequent to the measurement date of June 30, 2022	348,791	-
Total	<u>\$ 1,624,697</u>	<u>\$ 566,216</u>
Differences between expected and actual experience	\$ 426,986	\$ 420,123
Change of assumptions	43,323	216,714
Net difference between projected and actual earnings on pension plan investments	-	1,135,197
Contributions subsequent to the measurement date of June 30, 2021	359,490	-
Total	<u>\$ 829,799</u>	<u>\$ 1,772,034</u>

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

Year ended June 30:

2023	\$ 69,411
2024	109,714
2025	75,554
2026	457,684
2027	(2,673)
Thereafter	-

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Electric System

The System began offering a 403(b) defined contribution plan, titled the Lexington Electric System 403(b) 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 as determined by the Retirement Committee. The employer's contributions are not vested until after five annual periods in the plan. If an employee leaves the System before the five year vesting period, the amount of unvested contributions reduce the System's cash outlay in the following period. The System made contributions of \$85,907 to the plan in the current year and \$73,082 in 2022. The Retirement Committee of the Lexington Electric System serves as administrator. John Hancock, in conjunction with Edward Jones, serves as the investment firm of the plan.

School Department

General Information about the Pension Plan

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

1. Teacher Legacy Pension Plan

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2023 to the Teacher Legacy Pension Plan were \$280,547 which is 8.69 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets). At June 30, 2023, the Lexington City Schools reported a liability (asset) of (\$1,222,277) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Lexington City Schools' proportion of the net pension liability was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2022 Lexington City Schools' proportion was 0.099663 percent. The proportion measured as of June 30, 2021 was 0.099143 percent.

Pension expense (negative pension expense). For the year ended June 30, 2023, Lexington City Schools recognized pension expense (negative pension expense) of (\$1,499).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, Lexington City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 201,060	\$ 206,528
Changes in assumptions	765,698	-
Net difference between projected and actual earnings on pension plan investments	20,900	-
Changes in proportion of Net Pension Liability (Asset)	-	14,183
LEA's contribution subsequent to the measurement date of June 30, 2022	<u>280,547</u>	<u>n/a</u>
Total	<u>\$ 1,268,205</u>	<u>\$ 220,711</u>

Lexington City Schools employer contribution of \$280,547, reported as pension related deferred outflows or resources, subsequent to the measurement date, will be recognized as an reduction (increase) to the net pension liability (asset) in the year ended June 30, 2024. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

Year Ended June 30:

2024	\$	114,228
2025		222,808
2026		(215,205)
2027		645,117
2028		-
Thereafter		-

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

Actuarial assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, Including inflation
Cost-of Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for anticipated improvement.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed marked international equity	5.37%	14%
Emerging marked international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percent-point higher (7.75 percent) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 2,420,910	\$ (1,222,277)	\$ (4,256,810)

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

Payable to the Pension Plan

At June 30, 2023, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

2. Teacher Retirement Plan

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule 90 in which the member's age

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2023 to the Teacher Retirement Plan were \$30,146, which is 2.86 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets). At June 30, 2023, Lexington City Schools reported an liability (asset) of (\$15,230) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Lexington City Schools' proportion of the net pension liability (asset) was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2022 Lexington City Schools' proportion was 0.050275 percent. The proportion measured at June 30, 2021 was 0.044563 percent.

Pension expense (negative pension expense). For the year ended June 30, 2023, Lexington City Schools recognized pension expense (negative pension expense) of \$22,064.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, Lexington City Schools reported deferred outflows of resources related to pensions from the following sources:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 833	\$ 9,253
Net difference between projected and actual earnings on pension plan investments	4,800	-
Changes in assumptions	17,841	-
Changes in proportion of Net Pension Liability (Asset)	7,432	3,849
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2022	<u>30,146</u>	<u>(not applicable)</u>
Total	<u>\$ 61,052</u>	<u>\$ 13,102</u>

Lexington City Schools employer contributions of \$30,146 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction (increase) in net pension liability (asset) in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources or deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2024	\$ 891
2025	940
2026	151
2027	8,512
2028	1,423
Thereafter	5,887

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

Actuarial assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, Including inflation
Cost-of Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed marked international equity	5.37%	14%
Emerging marked international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 79,946	\$ (15,230)	\$ (84,737)

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Payable to the Pension Plan

At June 30, 2023, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

TCRS Stabilization Trust

Legal Provisions. Lexington City Schools is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The System has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the System.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The System may not impose any restrictions on investments placed by the trust on their behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgment and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be assessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

US Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be assessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2023, the System had the following investments held by the trust on its behalf. These funds are recognized as restricted assets in the General Purpose School Fund.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 23,441
Developed Market International Equity	N/A	N/A	10,586
Emerging Market International Equity	N/A	N/A	3,025
U. S. Fixed Income	N/A	N/A	15,123
Real Estate	N/A	N/A	7,561
Short-term Securities	N/A	N/A	756
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>15,123</u>
Total			<u>\$ 75,615</u>

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Investments by Fair Value Level	Fair Value 6/30/2023	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U. S. Equity	\$ 23,441	\$ 23,441	\$ -	\$ -	\$ -
Developed Market					
International Equity	10,586	10,586	-	-	-
Emerging Market					
International Equity	3,025	3,025	-	-	-
U. S. Fixed Income	15,123	-	15,123	-	-
Real Estate	7,561	-	-	7,561	-
Short-term Securities	756	-	756	-	-
Private Equity and Strategic Lending	15,123	-	-	-	15,123
Total	\$ 75,615	\$ 37,052	\$ 15,879	\$ 7,561	\$ 15,123

Risks and Uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. The System places no limit on the amount the county may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the System to pay retirement benefits of the School Department employees.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

For further information concerning the School Department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>.

4.B. POST EMPLOYMENT HEALTHCARE PLAN

CITY GOVERNMENT FUNDS

Plan Description – The City sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, as the rest of the operations of the City. The City's total OPEB liability was measured as of July 1, 2022, and was determined by an actuarial valuation as of that date.

Plan Provisions

Plan Type: Fully Insured

Eligibility: Hired on or after March 1, 2012: Age 60 with 10 years of service
 Employees hired prior to March 1, 2012 are not eligible.

Benefit/Cost Sharing: The employer pays a percentage of the medical premium until age 65
 Based on total years of service in accordance with the following:

<u>Years of Service at Retirement Date</u>	<u>Employer-Funded Portion of Individual Coverage for Post-Retirement Individual Coverage</u>
20	100%
19	95%
18	90%
17	85%
16	80%
15	75%
14	70%
13	65%
12	60%
11	55%
10	50%

Spouse Benefit: No

Surviving Spouse Benefit: No

Annual Medical Premium: Effective July 1, 2021 through June 30, 2022: Individual \$8,144.40

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Employees Covered By Benefit Terms

At the measurement date of July 1, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries

Currently Receiving Benefits -

Inactive Employees Entitled to But

Not Yet Receiving Benefits -

Active Employees 77

Total 77

Changes in Total OPEB Liability

	City	Water	Gas	Total
Balance at 6/30/22	\$ 845,619	\$ 255,217	\$ 280,232	\$ 1,381,068
Changes for the year:				
Service Cost	190,107	75,182	60,607	325,896
Interest	36,367	11,696	12,066	60,129
Differences between expected and actual experience	-	-	-	-
Changes in assumptions and other inputs	(15,691)	(5,773)	(4,610)	(26,074)
Benefit payments	(17,009)	-	-	(17,009)
Net changes	193,774	81,105	68,063	342,942
Balance at 6/30/23	\$ 1,039,393	\$ 336,322	\$ 348,295	\$ 1,724,010

Assumption changes – The discount rate was 3.54% as of June 30, 2022 and 3.65% as of June 30, 2023. The healthcare cost trend rates and demographic assumptions were updated.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
\$ 1,974,259	\$ 1,724,010	\$ 1,502,770

1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
\$ 1,366,520	\$ 1,724,010	\$ 2,185,669

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the City recognized OPEB expense of \$368,222. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 32,003	\$ 219,223
Changes of assumptions/inputs	148,267	256,797
Contributions subsequent to the measurement date	<u>-</u>	<u>(not applicable)</u>
Total	<u>\$ 180,270</u>	<u>\$ 476,020</u>

The amounts shown above for "Contributions subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

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

Year ended June 30:

2024	(17,803)
2025	(17,803)
2026	(17,803)
2027	(17,803)
2028	(17,803)
Thereafter	(206,735)

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

The entry age actuarial cost method is used in this valuation. Under this method, the Actuarial Present Value of Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The values in this valuation represent a closed group and do not reflect new entrants after the census collection date.

Discount Rate: A discount rate of 3.65% was used in estimating the GASB 75 financial information for fiscal year ending June 30, 2023.

Mortality: The sex distinct mortality rates are from the RP-2014 Combined Male and Female Fully Generational Mortality Table with projection scale MP-2021.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

Retirement Rates: Employees were assumed to retire at age 60, or at first subsequent year in which they would be eligible for benefits.

Disability Rates: None assumed

Termination Rates: Based on age and service:

<u>Age</u>	<u>Trend Rates</u>
25	4.50%
30	3.75%
35	3.00%
40	2.25%
45	1.50%
50	0.75%
55+	0.00%

Health Care Trend Rates: It was assumed that health care costs would increase in accordance with the trend rates in the following table

<u>Year</u>	<u>Trend Rates</u>
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023+	5.0%

Participation Rates: It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

Actuarial Value of Assets: N/A

Per Capita Claim Costs: Per Capita Claim Costs were developed by applying morbidity aging factors to the average factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are the annual per capita claim costs used:

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	\$ 11,192	\$ 12,911
55	13,590	14,101
60	16,390	15,711
65	9,331	8,736
70	10,303	9,654
75	11,376	10,660
80	11,959	11,196
85	12,571	11,770
90	13,208	12,370
95	13,883	13,007
100	14,592	13,669

Administrative expenses: Included in premiums used.

Participant Salary Increase: 3.50% annually

Payroll Growth Rate: 2.50% annually

ELECTRIC SYSTEM

1. Lexington Electric System OPEB Plan

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

Annual OPEB Cost and Net OPEB Obligation – Changes in the System's net OPEB liability measured at June 30, 2023 and 2022 are detailed in the following tables. The table below shows the net OPEB liability as of June 30, 2023, which is what is reported in the financial statements in accordance with GASB Statement No. 75.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Changes in Total OPEB Liability

Total OPEB Liability June 30, 2022	\$ 3,397,433
Service Cost	149,970
Interest	120,734
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(276,123)</u>
Net changes	<u>(5,419)</u>
Total OPEB Liability June 30, 2023	<u><u>\$ 3,392,014</u></u>

Total OPEB Liability June 30, 2021	\$ 4,445,436
Service Cost	187,514
Interest	82,676
Difference between expected and actual experience	(734,990)
Changes of assumptions	(314,926)
Benefit payments	<u>(268,277)</u>
Net changes	<u>(1,048,003)</u>
Total OPEB Liability June 30, 2022	<u><u>\$ 3,397,433</u></u>

Actuarial Methods and Assumptions

The valuation was based on information provided by Lexington Electric System as of July 1, 2021 and only those not frozen in the defined benefit plan.

Plan Membership -2021

Number of participants	
Active	49
Inactives not receiving benefits	-
Inactives receiving benefits	<u>9</u>
Total participants	<u><u>58</u></u>

Benefits Provided

Eligibility is attained at age 60. The System pays 100% of the employee premium until Medicare eligible. The Utility also provides a life insurance benefit of \$10,000 to eligible employees.

Actuarial Assumptions

The Total OPEB liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.54% based on S & P Municipal Bond 20 Year High Grade Index for June 2023
Health trend rate	Health Trend rate 7.0% starting in 2021 reduced each year by 0.5% until 4.5% is reached

Mortality	The sex distinct mortality rates are from the RPH-2014 Combined Male and Female Fully Generational Mortality Table with projection scale MP-2021
Coverage assumptions	It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period ending July 1, 2021. The salary increases are assumed to be 3.50% annually with an annual payroll growth rate of 2.50%.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the assumed trend rate for the measurement periods of June 30, 2023 and 2022, respectively:

1% Decrease (5.0% decreasing 1% until 3.5% is reached)	Current (6.0% decreasing 1% until 4.5% is reached)	1% Increase (7.0% decreasing 1% until 5.5% is reached)
<u>\$ 3,023,471</u>	<u>\$ 3,392,014</u>	<u>\$ 3,828,034</u>
1% Decrease (5.5% decreasing .5% until 3.5% is reached)	Current (7% decreasing 1% until 4.5% is reached)	1% Increase (8% decreasing 1% until 5.5% is reached)
<u>\$ 3,061,537</u>	<u>\$ 3,397,433</u>	<u>\$ 3,793,119</u>

Sensitivity of Net OPEB Liability to Changes in Discount Rate

The following represents the Net OPEB Liability calculated using the stated discount rate, as well as what the Net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate for the measurement periods of June 30, 2023 and 2022, respectively:

1% Decrease 2.54%	Current 3.54%	1% Increase 4.54%
<u>\$ 3,664,653</u>	<u>\$ 3,392,014</u>	<u>\$ 3,142,219</u>

1% Decrease 2.54%	Current 2.54%	1% Increase 2.54%
<u>\$ 3,667,039</u>	<u>\$ 3,397,433</u>	<u>\$ 3,150,475</u>

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to discount, trend rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2023 no benefits were payable and not paid. Qualified Plan administrative expenses are paid by the Plan. During the years ended June 30, 2023 and 2022, administrative expenses paid were \$0.

For the measurement periods ended June 30, 2023 and 2022, the System recognized OPEB expense of \$220,669 and \$220,155. At June 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the follow sources:

2023

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 102,455	\$ 570,746
Changes of assumptions	<u>319,630</u>	<u>287,948</u>
Total	<u>\$ 422,085</u>	<u>\$ 858,694</u>

2022

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 123,028	\$ 652,868
Changes of assumptions	<u>376,243</u>	<u>333,047</u>
Total	<u>\$ 499,271</u>	<u>\$ 985,915</u>

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

Year ended June 30:

2024	\$ (50,035)
2025	(50,035)
2026	(50,035)
2027	(50,035)
2028	(44,281)
Thereafter	(192,188)

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

2. Lexington Electric System – State LGOP OPEB Plan

Plan Description

Employees of the Lexington Electric System are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits provided

The System offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retirees premiums. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms – At July 1, 2022 and 2021, the following employees of the System were covered by the benefit terms of the plan:

	<u>2022</u>	<u>2021</u>
Inactive employees currently receiving benefit payments	13	13
Inactive employees entitled to but not receiving benefit payments	0	0
Active employees	<u>50</u>	<u>50</u>
	<u>63</u>	<u>63</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2022, the System paid \$84,897 to the LGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rate	
Mortality	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disables pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Health Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate

The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt obligations municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

Changes in the Total OPEB Liability

Balance July 1, 2022	\$ 1,108,621
Changes for the year:	
Service cost	38,450
Interest	23,865
Differences between expected and actual experience	(18,108)
Changes in assumptions and other inputs	(155,911)
Benefit Payments	(84,897)
Net changes	<u>(196,601)</u>
Balance June 30, 2023	<u><u>\$ 912,020</u></u>

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Balance July 1, 2021	\$ 1,303,375
Changes for the year:	
Service cost	54,280
Interest	29,531
Differences between expected and actual experience	181,382
Changes in assumptions and other inputs	(416,883)
Benefit Payments	(43,064)
Net changes	<u>(194,754)</u>
 Balance June 30, 2022	 <u><u>\$ 1,108,621</u></u>

Changes of Assumptions

The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2023. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of total OPEB liability to changes in the discount rate - The following presents the total OPEB liability related to the plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

2023

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB Liability	\$ 974,095	\$ 912,020	\$ 854,475

2022

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB Liability	\$ 1,182,656	\$ 1,108,621	\$ 1,039,343

Sensitivity of total OPEB liability to changes in the healthcare trend rate - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate for the years ended June 30, 2023 and 2022, respectively:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

2023

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 840,975	\$ 912,020	\$ 994,423

2022

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,020,139	\$ 1,108,621	\$ 1,211,380

OPEB expense – For the fiscal years ended June 30, 2023 and 2022, the System recognized OPEB expense of \$6,243 and \$51,224, respectively.

Deferred outflows of resources and deferred inflows of resources – For the fiscal years ended June 30, 2023 and 2022, the System reported the following deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the plan:

2023

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 262,565	\$ 173,230
Changes of assumptions/inputs	74,532	509,747
Contributions subsequent to the measurement date	<u>91,901</u>	<u>(not applicable)</u>
Total	<u>\$ 428,998</u>	<u>\$ 682,977</u>

2022

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 325,115	\$ 193,296
Changes of assumptions/inputs	92,094	451,846
Contributions subsequent to the measurement date	<u>84,897</u>	<u>(not applicable)</u>
Total	<u>\$ 502,106</u>	<u>\$ 645,142</u>

The amounts shown above for “Employer payments subsequent to the measurement date” will be included as a reduction to total OPEB liability in the subsequent fiscal period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (expressed in thousands):

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Year Ending June 30		
2024	\$	(56,072)
2025		(56,072)
2026		(56,072)
2027		(70,361)
2028		(64,205)
Thereafter		(43,098)

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

SCHOOL SYSTEM

1. Closed Teacher Group Other Post-Employment Benefits (OPEB) Plan

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided – The System offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for health benefits. Retired plan members, of the TGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The System does not subsidize for pre-65 retiree insurance coverage. The State, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retiree premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollee of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by the benefit terms – At July 1, 2022, the following employees of the System were covered by the benefit terms of the TGOP:

Inactive employees receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>81</u>
	<u>83</u>

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the System paid \$17,489 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 20221 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	8.37% for pre-65 in 2022, decreasing annually over a 7 year period to an ultimate rate of 4.5%. 8.99% for post-65 in 2022, decreasing over a 4 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate – The discount rate used to measure the total OPEB liability was 3.54%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Changes in Collective Total OPEB Liability

	Total OPEB Liability (a)
TGOP - (expressed in thousands)	
Total OPEB liability - beginning balance	\$ 1,392
Changes for the year:	
Service costs	95
Interest	32
Changes in benefit terms	-
Differences between expected and actual experience	(32)
Changes in assumptions	(156)
Benefit payments	(35)
Net changes	(98)
Total OPEB liability - ending balance	\$ 1,294
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 482
 Employer's proportionate share of the collective total OPEB liability	 \$ 812
 Employer's proportion of the collective total OPEB liability	 62.74%

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The proportion changed -2.18% from the prior measurement date. The System recognized \$51,647 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGOP for the System retirees.

Changes in assumptions – The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate. (expressed in thousands)

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Proportionate share of collective total OPEB liability	\$ 886	\$ 812	\$ 742

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate – The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate. (expressed in thousands).

	1% Decrease (7.37%/7.99% decreasing to 3.50%)	Healthcare Cost Trend Rates 8.37%/8.99% decreasing to 4.50%)	1% Increase (9.37%/9.99% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 703	\$ 812	\$ 942

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the fiscal year ended June 30, 2023, the System recognized OPEB expense of \$130,393.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

TGOP - (expressed in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 35	\$ 88
Changes in assumptions	198	123
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	14	39
Employer payments subsequent to the measurement date	17	-
	<u>\$ 264</u>	<u>\$ 250</u>

The amounts shown above for “Employer payments subsequent to the measurement date” will be included as a reduction to total OPEB liability in the following measurement period.

Amounts referred to as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

TGOP - (expressed in thousands)

For the year ended June 30:

2024	\$ (0.8)
2025	(0.8)
2026	(0.8)
2027	(0.8)
2028	1.0
Thereafter	(1.4)

The table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

2. Closed Tennessee Plan

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the State, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided – The State offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN Plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the State, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the TCRS may participate in this plan. All plan members receive the same benefits at the same benefit rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The System does not subsidize for post-65 retiree insurance. The State, as a governmental non-employer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 or more years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by the benefit terms – At June 30, 2023, the following employees of the System were covered by the benefit terms of the TNP:

Inactive employees receiving benefit payments	31
Inactive employees entitled to but not yet receiving benefit payments	7
Active employees	<u>61</u>
	<u>99</u>

In accordance with TCA 8-27-209, the State insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the System did not make any payments to the TNP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2020. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2020.

Discount rate – The discount rate used to measure the total OPEB liability was 3.54%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Changes in Collective Total OPEB Liability

TNP - (expressed in thousands)	Total OPEB Liability (a)
Total OPEB liability - beginning balance	<u>\$ 364</u>
Changes for the year:	
Service costs	5
Interest	8
Changes of benefit terms	-
Differences between expected and actual experience	(9)
Changes in assumptions	(54)
Benefit payments	(19)
Net changes	<u>(68)</u>
Total OPEB liability - ending balance	<u><u>\$ 296</u></u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 296
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The System's proportion of 0% did not change from the prior measurement date. The System recognized \$4,055 in revenue for support provided by non-employer contributing entities for benefits paid by the TNP for the System's retired employees.

Changes in assumptions – The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the fiscal year ended June 30, 2023, the System recognized OPEB expense of \$4,055.

4.C. SELF-INSURANCE CLAIMS PAYABLE

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

	Balance at 7/1/2022	Incurred Claims	Claims Payments	Balance at 6/30/2023
Gas	\$ 6,941	\$ 28,106	\$ 28,004	\$ 7,043
Water	12,557	49,364	48,892	13,029
City	26,937	131,945	123,947	34,935
Total	\$ 46,435	\$ 209,415	\$ 200,843	\$ 55,007

4.D. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in Public Entity Partners, 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. Public Entity Partners 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 years ended June 30, 2023 and 2022, the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

4.E. LANDFILL POSTCLOSURE COSTS

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. In addition, an additional City operated landfill has also 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 \$246,068 (\$125,516 City-only landfill and \$120,552 City and County jointed operated landfill) 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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

4.F. COMMITMENTS AND CONTINGENCIES

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

Electric System

The electric system has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all its electric power from TVA and is subject to certain restrictions and conditions 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 city and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

4.G. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Lexington Gas System

The System has several construction projects in process as of June 30, 2023. The commitments for these projects are described below.

The system plans to construct an aggregate storage facility to store gravel, sand, and other aggregates. As of June 30, 2023, the System has incurred engineering costs of \$8,369 for this project. The project is expected to be bid on in the fiscal year 2025 and we are working on an updated cost.

The system has several mainline extension projects including Rue Hammer and Pine Knob Rd. As of June 30, 2023, these projects have been completed.

The System plans to install a SCADA system to continuously monitor system conditions. As of June 30, 2023, the System has incurred costs of \$474,370. The project is currently under construction with an anticipated cost of \$1,000,000. Estimated completion date is Spring 2024.

The System reopened the Scotts Hill Gate Station to provide a redundant gas supply to the system. This improvement incurred a cost of \$36,802 and was completed in the Fall of 2023.

The system plans to install new gas meters throughout the entire distribution system to replace the current aging metering system. The project will be a multiphase process and has an estimated cost of \$2,000,000 between FY2025-2028.

Lexington Water System

The System has several construction projects in process as of June 30, 2023. Commitments for these projects are described below.

The System has incurred \$619,670 for the filter plant project involving a sludge pumping station. This project is currently under construction with an anticipated cost of \$1,250,000. There is approximately \$600,000 remaining from a previous bond issue to complete the project.

As of June 30, 2023, the System incurred \$58,144 in project design and planning for a wastewater main line extension at Parkers Crossroads for the Parkers Crossroads RV Park and Campground. The City of Parkers Crossroads has agreed to reimburse the System for 75% of the estimated material costs of the project. This project will be reviewed in the future.

The System incurred \$97,776 in project costs to upgrade the Piney Water Booster Pump Station. This will be completed in FY2024.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

As of June 30, 2023, the System has incurred \$2,109,158 in project design, planning, and construction costs for various wastewater pump stations. The lift stations include L.S. #6, 8, 9, 21, 25, and 33. All have been completed except for L.S. #6 and L.S. #21. Lift station #6 is still in process and should be completed in Spring 2024. Lift Station #21 has not been bid out yet.

The System has incurred \$1,977,458 project design, planning, and construction costs to replace several main wastewater lines. The main trunk lines include the Town Branch Gravity and the Dixon Street/West Lift Station Interceptor Line. Town Branch Gravity will be completed and capitalized in FY2024. The Dixon Street/West Interceptor Line is still in the design phase and will be bid out in FY2025.

The System has incurred \$81,294 in design costs for a new elevated storage tank at the Timberlake Industrial Park. This project has been awarded in FY2024 with an estimated construction cost of \$3,041,000. Construction will begin in FY2025.

The system plans to install new water meters throughout the entire distribution system to replace the current aging metering system. The project will be a multiphase process and has an estimated cost of \$1,600,000 between FY 2025-2029.

City of Lexington

The City received a TDOT Transportation Alternatives Phase II grant in the amount of \$802,640 for a sidewalk/ADA accessibility project. As of June 30, 2023, the City has incurred \$66,128 in engineering and construction costs. This project is expected to bid in FY 2024 with an estimated construction costs of \$1,003,300.

As of June 30, 2023, \$267,934 in project design, planning, and construction has been incurred for a new city park along South Main Street. Phase I of the new park, named Depot Park, was completed in Fall 2022. The City received a TDEC LPRF grant to fund Phase II of the park. The grant funds, \$688,778 will be used to construct a train themed playground. The project is expected to bid in FY 2024 with an expected cost of \$1,377,556.

The City received a TDOT STBG grant in the amount of \$695,996 for improvements to North Main Street. \$54,076 has been expended as of 6/30/23 for engineering and design. The project is expected to bid in FY2024 with an estimated cost of \$907,050.

The City received a TDOT STBG grant in the amount of \$272,650 for improvements to Huntingdon Street. As of June 30, 2023 \$7,696 has expended for project design and engineering. The project is expected to bid in FY2024 with an estimated cost of \$976,300.

The City received a TDOT Multimodal Phase III grant in the amount of \$950,000 for sidewalk/ADA accessibility improvements along Natchez Trace Drive. As of June 30, 2023 \$17,575 has expended for design and environmental evaluations. The project is expected to be bid in FY 2025 with an expected cost of \$1,099,000.

The City was awarded \$388,759 through a TNECD Site Development grant to grade a site to accommodate an approximately 130,000 square foot industrial building. As of June 30, 2023 the City has expended \$419,533 for design, engineering, and construction. The project is nearing completion with a remaining balance of 292,896.30.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2023

General Government/Water System/Gas System

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 325,896	\$ 401,549	\$ 286,820	\$ 239,305	\$ 161,711	\$ 165,949
Interest	60,129	35,282	27,950	29,208	23,822	16,367
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(111,883)	-	(111,403)	-	-
Changes of assumptions	(26,074)	(245,537)	9,064	146,320	35,034	(19,702)
Benefit payments and refunds	(17,009)	-	-	-	-	-
Net change in total OPEB liability	342,942	79,411	323,834	303,430	220,567	162,614
Total OPEB liability - beginning of year	1,381,068	1,301,657	977,823	674,393	453,826	291,212
Total OPEB liability - end of year	\$ 1,724,010	\$ 1,381,068	\$ 1,301,657	\$ 977,823	\$ 674,393	\$ 453,826
 Covered-employee payroll	 \$ 3,508,224	 \$ 3,422,658	 \$ 2,258,377	 \$ 2,203,295	 \$ 1,613,439	 \$ 1,574,087
OPEB liability as a percentage of covered-employee payroll	49.14%	40.35%	57.64%	44.38%	41.80%	28.83%

Notes:

Note 1: Plan changes - None

Note 2: Assumption changes - The discount rate was 3.54% as of June 30, 2022 and 3.65% as of June 30, 2023.

Note 3: This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Note 4: There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS -
LEXINGTON ELECTRIC SYSTEM
JUNE 30, 2023

LES Plan

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 149,970	\$ 187,514	\$ 188,791	\$ 186,686	\$ 144,058	\$ 160,992
Interest	120,734	82,676	140,015	135,614	132,283	108,224
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(734,990)	-	184,747	-	-
Changes of assumptions	-	(314,926)	409,991	77,316	(198,516)	-
Benefit payments and refunds	(276,123)	(268,277)	(208,245)	(163,422)	(111,924)	(75,047)
Net change in total OPEB liability	(5,419)	(1,048,003)	530,552	420,941	(34,099)	194,169
Total OPEB liability - beginning of year	3,397,433	4,445,436	3,914,884	3,493,943	3,528,042	3,333,873
Total OPEB liability - end of year	\$ 3,392,014	\$ 3,397,433	\$ 4,445,436	\$ 3,914,884	\$ 3,493,943	\$ 3,528,042
 Covered-employee payroll	 \$ 2,929,964	 \$ 2,858,501	 \$ 3,184,897	 \$ 3,107,217	 \$ 3,070,151	 \$ 2,995,269
Net OPEB liability as a percentage of covered-employee payroll	115.77%	118.85%	139.58%	125.99%	113.80%	117.79%

LGOP Plan

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 38,450	\$ 54,280	\$ 41,240	\$ 48,646	\$ 52,367	\$ 56,714
Interest	23,865	29,531	50,997	45,234	43,133	35,654
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(18,108)	181,382	(264,756)	176,325	118,949	-
Changes of assumptions	(155,911)	(416,883)	111,023	18,774	(120,880)	(57,076)
Benefit payments and refunds	(84,897)	(43,064)	(92,810)	(63,860)	(40,467)	(40,282)
Net change in total OPEB liability	(196,601)	(194,754)	(154,306)	225,119	53,102	(4,990)
Total OPEB liability - beginning of year	1,108,621	1,303,375	1,457,681	1,232,562	1,179,460	1,184,450
Total OPEB liability - end of year	\$ 912,020	\$ 1,108,621	\$ 1,303,375	\$ 1,457,681	\$ 1,232,562	\$ 1,179,460
 Covered-employee payroll	 \$ 2,929,964	 \$ 2,858,501	 \$ 3,184,897	 \$ 3,107,217	 \$ 3,070,151	 \$ 2,995,269
Net OPEB liability as a percentage of covered-employee payroll	31.13%	38.78%	40.92%	46.91%	40.15%	39.38%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2023

	City 2014	City 2015	City 2016	City 2017	City 2018	City 2019	City 2020	City 2021	City 2022
Total pension liability									
Service Cost	\$ 406,855	\$ 423,129	\$ 434,972	\$ 390,808	\$ 379,860	\$ 424,604	\$ 408,865	\$ 384,474	\$ 377,507
Interest	793,037	872,796	971,567	923,056	923,056	1,139,237	1,046,380	1,142,297	1,214,127
Changes in benefit terms	-	-	-	2,305,226	-	-	-	-	304,578
Differences between actual and expected experience	-	237,578	(98,825)	(368,339)	(85,512)	(1,823)	533,701	51,287	(440,936)
Change of assumptions	-	-	(503,521)	-	-	(2,144,482)	-	-	-
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(513,384)	(790,604)	(631,370)	(740,450)	(330,732)
Net change in total pension liability	1,003,053	1,426,250	450,478	(456,890)	3,009,246	(1,373,068)	1,357,576	837,608	1,124,544
Total pension liability - beginning	10,263,610	11,266,863	12,692,913	13,143,391	12,686,501	15,695,747	14,322,679	15,680,255	16,517,863
Total pension liability - ending (a)	\$ 11,266,663	\$ 12,692,913	\$ 13,143,391	\$ 12,686,501	\$ 15,695,747	\$ 14,322,679	\$ 15,680,255	\$ 16,517,863	\$ 17,642,407
Plan fiduciary net position									
Contributions - employer	\$ 509,921	\$ 510,282	\$ 501,481	\$ 380,037	\$ 338,238	\$ 330,342	\$ 312,986	\$ 294,810	\$ 278,489
Contributions - employee	268,022	263,830	252,445	229,686	211,399	206,464	195,617	184,257	174,056
Net investment income	1,272,111	193,153	(555)	1,454,142	943,442	521,328	123,215	3,804,873	(2,313,763)
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(513,384)	(790,604)	(631,370)	(740,450)	(330,732)
Administrative expense	(1,250)	(33,279)	(86,278)	(67,140)	(85,980)	(37,578)	(69,921)	(124,449)	(69,951)
Other	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	1,851,965	826,743	313,378	594,293	893,715	229,952	(69,473)	3,419,041	(2,261,901)
Plan fiduciary net position - beginning	7,506,819	9,358,784	10,185,527	10,498,905	11,093,198	11,986,913	12,216,865	12,147,392	15,566,433
Plan fiduciary net position - ending (b)	\$ 9,358,784	\$ 10,185,527	\$ 10,498,905	\$ 11,093,198	\$ 11,986,913	\$ 12,216,865	\$ 12,147,392	\$ 15,566,433	\$ 13,304,532
Net pension liability (asset) - ending (a) - (b)	\$ 1,907,879	\$ 2,507,386	\$ 2,644,486	\$ 1,593,303	\$ 3,708,834	\$ 2,105,814	\$ 3,532,863	\$ 951,430	\$ 4,337,875
Plan fiduciary net position as a percentage of total pension liability	83.07%	80.25%	79.88%	87.44%	76.37%	85.30%	77.47%	94.24%	75.41%
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$ 3,441,910	\$ 3,288,122	\$ 3,272,760	\$ 2,922,774
Net pension liability (asset) as a percentage of covered-employee payroll	46.81%	58.97%	67.08%	44.48%	108.34%	61.18%	107.44%	29.07%	148.42%
	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019	LES 2020	LES 2021	LES 2022
Total pension liability									
Service Cost	\$ 207,035	\$ 215,316	\$ 212,645	\$ 230,698	\$ 224,008	\$ 207,244	\$ 189,353	\$ 192,049	\$ 191,155
Interest	700,229	706,762	771,286	781,193	822,895	825,492	832,035	862,569	865,906
Changes in benefit terms	-	-	-	-	780,756	-	-	-	233,002
Differences between actual and expected experience	-	819,077	32,345	(335,078)	(325,344)	(373,305)	69,222	418,622	(200,265)
Change of assumptions	-	159,411	-	-	(481,164)	68,445	(12,173)	(14,610)	6,547
Benefit payments, including refunds of employee contributions	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)	(856,610)	(146,696)	(1,343,678)
Net change in total pension liability	(494,924)	1,667,027	(131,980)	319,830	930,967	(558,582)	221,827	1,311,934	(247,333)
Total pension liability - beginning	9,817,757	9,322,833	10,989,860	10,857,880	11,177,710	12,108,677	11,550,095	11,771,922	13,083,856
Total pension liability - ending (a)	\$ 9,322,833	\$ 10,989,860	\$ 10,857,880	\$ 11,177,710	\$ 12,108,677	\$ 11,550,095	\$ 11,771,922	\$ 13,083,856	\$ 12,836,523
Plan fiduciary net position									
Contributions - employer	\$ 663,487	\$ 663,487	\$ 663,487	\$ 305,704	\$ 225,475	\$ 204,174	\$ 202,081	\$ 359,290	\$ 359,326
Contributions - employee	148,598	138,790	137,893	132,538	131,456	124,285	121,016	114,708	101,344
Net investment income	1,088,227	135,350	15,848	1,037,995	717,418	497,713	(107,583)	2,625,513	(1,538,989)
Benefit payments, including refunds of employee contributions	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)	(856,610)	(146,696)	(1,343,678)
Administrative expense	(505)	(295)	(425)	(2,878)	(3,853)	(3,853)	(3,945)	1,826	2,244
Other	-	-	-	-	-	-	6,105	-	-
Net change in plan fiduciary net position	497,529	703,783	(331,453)	1,116,844	981,287	(464,139)	(638,936)	2,954,641	(2,419,753)
Plan fiduciary net position - beginning	6,402,609	6,900,138	7,603,921	7,272,468	8,389,312	9,370,599	8,906,460	8,267,524	11,222,165
Plan fiduciary net position - ending (b)	\$ 6,900,138	\$ 7,603,921	\$ 7,272,468	\$ 8,389,312	\$ 9,370,599	\$ 8,906,460	\$ 8,267,524	\$ 11,222,165	\$ 8,802,412
Net pension liability (asset) - ending (a) - (b)	\$ 2,422,695	\$ 3,385,939	\$ 3,585,412	\$ 2,788,398	\$ 2,738,078	\$ 2,643,635	\$ 3,504,398	\$ 1,861,691	\$ 4,034,111
Plan fiduciary net position as a percentage of total pension liability	74.01%	69.19%	66.98%	75.05%	77.39%	77.11%	70.23%	85.77%	68.57%
Covered-employee payroll	\$ 2,412,526	\$ 2,341,064	\$ 2,378,246	\$ 2,310,481	\$ 2,266,450	\$ 2,012,123	\$ 2,014,329	\$ 1,637,000	\$ 1,851,460
Net pension liability (asset) as a percentage of covered-employee payroll	100.42%	144.63%	150.76%	120.68%	120.81%	131.39%	173.97%	113.73%	217.89%

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

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF PLAN CONTRIBUTIONS
JUNE 30, 2023

	City 2014	City 2015	City 2016	City 2017	City 2018	City 2019	City 2020	City 2021	City 2022
Actuarially determined contribution	\$ 428,197	\$ 486,860	\$ 401,377	\$ 292,712	\$ 229,917	\$ 258,426	\$ 366,992	\$ 386,398	\$ 272,635
Contributions in relation to the actuarially determined contribution	509,921	510,282	501,481	380,037	338,238	330,342	312,986	294,810	278,489
Contribution deficiency (excess)	<u>\$ (81,724)</u>	<u>\$ (23,422)</u>	<u>\$ (100,104)</u>	<u>\$ (87,325)</u>	<u>\$ (108,321)</u>	<u>\$ (71,916)</u>	<u>\$ 54,006</u>	<u>\$ 91,588</u>	<u>\$ (5,854)</u>
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$ 3,441,910	\$ 3,288,122	\$ 3,272,760	\$ 2,922,774
Contributions as a percentage to covered payroll	12.51%	12.00%	12.72%	10.61%	9.88%	9.60%	9.52%	9.01%	9.53%
	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019	LES 2020	LES 2021	LES 2022
Actuarially determined contribution	\$ 625,883	\$ 366,403	\$ 305,704	\$ 241,669	\$ 170,322	\$ 190,885	\$ 202,081	\$ 359,290	\$ 266,503
Contributions in relation to the actuarially determined contribution	663,487	663,487	663,487	305,704	225,475	204,174	202,081	359,290	359,326
Contribution deficiency (excess)	<u>\$ (37,604)</u>	<u>\$ (297,084)</u>	<u>\$ (357,783)</u>	<u>\$ (64,035)</u>	<u>\$ (55,153)</u>	<u>\$ (13,289)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (92,823)</u>
Covered-employee payroll	\$ 2,412,526	\$ 2,341,064	\$ 2,341,064	\$ 2,310,481	\$ 2,266,450	\$ 2,012,123	\$ 2,014,329	\$ 1,637,000	\$ 1,636,592
Contributions as a percentage to covered payroll	27.50%	28.34%	27.90%	13.23%	9.95%	10.15%	10.03%	21.95%	21.96%

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

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

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

	City 2014	City 2015	City 2016	City 2017	City 2018	City 2019	City 2020	City 2021	City 2022
Annual money-weighted rate of return, net of investment expense	16.32%	2.02%	-0.01%	14.61%	8.57%	4.41%	1.02%	31.58%	-14.82%
	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019	LES 2020	LES 2021	LES 2022
Annual money-weighted rate of return, net of investment expense	17.24%	1.91%	0.23%	14.48%	8.42%	5.75%	-1.22%	31.25%	-14.89%

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

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2023**

Notes to Schedule - City Pension

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal, level percent of pay
Amortization method	Level dollar, closed, 30 years remaining as of January 1, 2015
Remaining amortization period	23 years as of 1/1/2022
Asset valuation	Market value adjusted to phase in gains/losses over five-years. Assets further limited to a 20% corridor around market value.
Salary increases	Ages 20-29 5.00%, Ages 30-39 3.50%, Ages 40+ 2.75%
Cost of living increases:	2.05%
Investment Rate of Return	7.25%
Retirement age	Age 60 35%, Ages 61-64 5%, Age 65 40%, Ages 66-69 30%, Ages 70+ 100%
Mortality	SOA PubG-2010(B), Scale MP-2018 Fully Generational
Disabled Mortality	SOA PubG-2010 Disabled, Scale MP-2018 Fully Generational

*This is a summary of the methods and assumptions for the 1/1/22 Actuarial Valuation

Notes to Schedule - LES OPEB - LES PLAN

Valuation date: Actuarially determined contribution rates for 2023 were calculated based on July 1, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Total OPEB Liability (TOL)	The TOL is determined by calculating the Present Value of Projected Benefits at that date, and subtracting the Present Value of future Service Cost.
Interest	Rate if trust fund is not established - 3.50% per year compounded annually, net of expenses.
Salary Increase	3.50% per year
Health Trend	Health Trend rate is 7.00% starting in 2021 reduced each year by 0.5% until 4.50%
Age Related Health Trend	Based on discussion with the System, retirees' claims do not increase the premiums; therefore no implicit active subsidy of retiree premiums
Coverage Assumption	70% new retirees will select Employee/Spouse Coverage
Mortality	RPH-2014 Headcount weighted Fully Generational mortality table with projection scale MP-2021

There was a change in assumptions related to a change in discount rate from 3.54% to 3.65%.

There are no funds accumulating in a trust related to the OPEB plan.

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2023**

Notes to Schedule - LES OPEB - LGOP PLAN

Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	3.54% based on Bond Buyer GO 20-Bond Municipal Bond Index
Salary Increases	Assumed salary increases are the same as used by TCRS: 8.72% at age 20 graded to 3.44% at age 70 (with 4% weighted average)
Retirement Age	Retirement rates used in the July 1, 2022 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Demographic Assumptions	Demographic assumptions used in the July 1, 2020 actuarial evaluation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 8.37 for pre-65 retirees in the 2023 calendar year, and gradually decreasing over a 10 year period to an ultimate trend rate of 4.5 percent
Other Information: Notes	See the Actuarial Valuation Report as of July 1, 2022 There were no benefit changes during the measurement period. There have been no method changes since the prior year.
Assumption Changes	The discount rate increased from 2.16% to 3.54%.

There are assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB Plan.

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSETS
TEACHER LEGACY PENSION PLAN of TCRS
JUNE 30, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Lexington City School's proportion of the net pension asset	0.104835%	0.102809%	0.104406%	0.099332%	0.093599%	0.094885%	0.097489%	0.099143%	0.099663%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (17,035)	\$ 42,114	\$ 653,043	\$ (32,500)	\$ (329,365)	\$ (975,587)	\$ (743,422)	\$ (4,276,269)	\$ (1,222,277)
Lexington City School's covered payroll	\$ 4,114,750	\$ 3,848,655	\$ 3,772,098	\$ 3,511,338	\$ 3,277,516	\$ 3,181,623	\$ 3,244,671	\$ 3,254,034	\$ 3,279,856
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-0.414002%	1.094254%	17.310000%	-0.93%	-10.05%	-30.66%	-22.91%	-131.41%	-37.27%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.40%	104.28%	103.09%	116.13%	104.42%

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

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

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN of TCRS
JUNE 30, 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution (ADC)	\$ 365,390	\$ 347,918	\$ 340,998	\$ 317,564	\$ 297,598	\$ 332,798	\$ 344,908	\$ 334,070	\$ 337,826	\$ 280,547
Contribution in relation to the actuarially determined contribution	365,390	347,918	340,998	317,564	297,598	332,798	344,908	334,070	337,826	280,547
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lexington City School's covered payroll	\$ 4,114,749	\$ 3,848,655	\$ 3,772,098	\$ 3,512,880	\$ 3,277,515	\$ 3,181,623	\$ 3,244,671	\$ 3,261,634	\$ 3,279,856	\$ 3,228,381
Contributions as a percentage of Lexington City School's covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%	10.27%	10.30%	8.69%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN of TCRS
JUNE 30, 2023

	2015	2016	2017	2018	2019	2020	2021	2022
Lexington City School's proportion of the net pension asset	0.103052%	0.070969%	0.007589%	0.053504%	0.052229%	0.047882%	0.044563%	0.050275%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (4,146)	\$ (7,388)	\$ (20,024)	\$ (24,265)	\$ (29,483)	\$ (27,228)	\$ (48,271)	\$ (15,230)
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 604,236	\$ 643,138	\$ 858,538
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%	-2.37%	-4.02%	-5.19%	-5.33%	-4.51%	-7.51%	-1.77%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%	104.55%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN of TCRS
JUNE 30, 2023

	2015	2016	2017	2018	2019*	2020**	2021***	2022****	2023*****
Actuarially Determined Contribution (ADC)	\$ 5,353	\$ 7,817	\$ 19,924	\$ 7,625	\$ 10,772	\$ 12,266	\$ 12,991	\$ 17,257	\$ 30,146
Contribution in relation to the actuarially determined contribution	8,565	12,491	19,924	18,702	10,772	12,266	12,991	17,257	30,146
Contribution deficiency (excess)	\$ (3,212)	\$ (4,674)	\$ -	\$ (11,077)	\$ -	\$ -	\$ -	\$ -	\$ -
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 604,236	\$ 643,138	\$ 858,538	\$ 1,053,479
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.02%	2.01%	2.86%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

*In FY 2019 the School System placed the actuarially determined contributed rate (1.94%) of covered payroll into the pension plan and placed 2.06% of covered payroll into the Pension Stabilization Reserve Trust.

**In FY 2020 the School System placed the actuarially determined contributed rate (2.03%) of covered payroll into the pension plan and placed 1.97% of covered payroll into the Pension Stabilization Reserve Trust.

***In FY 2021 the School System placed the actuarially determined contributed rate (2.02%) of covered payroll into the pension plan and placed 1.98% of covered payroll into the Pension Stabilization Reserve Trust.

****In FY 2022 the School System placed the actuarially determined contributed rate (2.01%) of covered payroll into the pension plan and placed 1.99% of covered payroll into the Pension Stabilization Reserve Trust.

*****In FY 2023 the School System placed the actuarially determined contributed rate (2.86%) of covered payroll into the pension plan and placed 1.14% of covered payroll into the Pension Stabilization Reserve Trust.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - SCHOOL SYSTEM
(dollar amounts in thousands)
JUNE 30, 2023

	TGOP 2018	TNP 2018	TGOP 2019	TNP 2019	TGOP 2020	TNP 2020	TGOP 2021	TNP 2021	TGOP 2022	TNP 2022	TGOP 2023	TNP 2023
Total OPEB Liability												
Service cost	\$ 72	\$ 6	\$ 67	\$ 5	\$ 56	\$ 4	\$ 51	\$ 4	\$ 72	\$ 7	\$ 95	\$ 5
Interest	28	10	34	12	31	12	31	12	25	9	32	6
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(166)	(6)	30	22	55	8	(24)	(4)	(34)	(9)
Changes of assumptions	(48)	(28)	18	(3)	(64)	6	135	66	271	(54)	(156)	(54)
Benefit payments	(41)	(15)	(44)	(16)	(26)	(17)	(39)	(18)	(25)	(19)	(33)	(19)
Net change in total OPEB liability	10	(26)	(91)	(8)	26	26	232	73	319	(61)	(98)	(68)
Total OPEB Liability - beginning	896	359	906	333	815	325	841	351	1,073	424	1,392	364
Total OPEB Liability - ending	\$ 906	\$ 333	\$ 815	\$ 325	\$ 841	\$ 351	\$ 1,073	\$ 424	\$ 1,392	\$ 364	\$ 1,294	\$ 296
 Nonemployer contributing entities proportionate share of the collective total OPEB liability												
	\$ 319	\$ 333	\$ 285	\$ 325	\$ 300	\$ 351	\$ 361	\$ 424	\$ 488	\$ 364	\$ 482	\$ 296
 Employer's proportionate share of the collective total OPEB liability												
	\$ 587	\$ -	\$ 530	\$ -	\$ 541	\$ -	\$ 713	\$ -	\$ 904	\$ -	\$ 812	\$ -
 Covered-employee payroll												
	\$ 2,976	\$ -	2,976	-	2,976	-	2,976	-	2,976	-	2,976	-
 Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll												
	20%	n/a	18%	n/a	18%	n/a	24%	n/a	30%	n/a	27%	n/a

Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period: 2017 - 2.92%; 2018 - 3.56%; 2019 - 3.62%; 2020 - 3.51%; 2021 - 2.21%.

CITY OF LEXINGTON, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue					Debt Service				Capital Projects	Total Other Governmental Funds
	State Street Aid	School Tax Fund	School Food Service Fund	Internal School Funds	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	General Sinking Fund	School Debt Fund	Post Office Fund
ASSETS											
Cash and cash equivalents	\$ 325,122	\$ 2,300,708	\$ 106,474	\$ -	\$ 59,352	\$ 518	\$ 18,507	\$ 204,276	\$ 2,120	\$ -	\$ 1,434,763
Other receivables	-	-	-	-	46,094	-	-	-	-	-	23,363
Due from other funds	-	-	-	-	73,111	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	20,380	-	-	-	-	-	-
Inventory	-	-	34,923	-	-	-	-	-	-	-	-
Due from other governments	47,256	336,860	-	-	-	-	-	-	-	-	-
Restricted assets - cash and cash equivalents	-	-	-	190,250	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 372,378</u>	<u>\$ 2,637,568</u>	<u>\$ 141,397</u>	<u>\$ 190,250</u>	<u>\$ 198,937</u>	<u>\$ 518</u>	<u>\$ 18,507</u>	<u>\$ 204,276</u>	<u>\$ 2,120</u>	<u>\$ -</u>	<u>\$ 1,458,126</u>
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ -	\$ 4,133	\$ 69,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	8,812	-	-	-	-	-	-
Unearned revenues	-	-	4,125	-	-	-	-	42,585	-	-	-
Due to other funds	-	-	-	-	11,253	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>4,125</u>	<u>4,133</u>	<u>89,992</u>	<u>-</u>	<u>-</u>	<u>42,585</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES											
Nonspendable											
Inventory	-	-	34,923	-	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	20,380	-	-	-	-	-	-
Restricted											
State street aid	372,378	-	-	-	-	-	-	-	-	-	-
School food authority	-	-	102,349	-	-	-	-	-	-	-	-
E-citation fund	-	-	-	-	-	-	18,507	-	-	-	-
Drug fund	-	-	-	-	-	-	-	161,691	-	-	-
Solid waste	-	-	-	-	88,565	-	-	-	-	-	-
Internal school funds	-	-	-	186,117	-	-	-	-	-	-	-
Assigned											
DARE fund	-	-	-	-	-	518	-	-	-	-	-
Debt service	-	2,637,568	-	-	-	-	-	-	2,120	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>372,378</u>	<u>2,637,568</u>	<u>137,272</u>	<u>186,117</u>	<u>108,945</u>	<u>518</u>	<u>18,507</u>	<u>161,691</u>	<u>2,120</u>	<u>-</u>	<u>1,458,126</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 372,378</u>	<u>\$ 2,637,568</u>	<u>\$ 141,397</u>	<u>\$ 190,250</u>	<u>\$ 198,937</u>	<u>\$ 518</u>	<u>\$ 18,507</u>	<u>\$ 204,276</u>	<u>\$ 2,120</u>	<u>\$ -</u>	<u>\$ 1,458,126</u>

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, 2023

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Internal School Funds	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Debt Service General City Sinking Fund	School Debt Fund	Capital Projects Post Office Fund	Total Other Governmental Funds
Revenues:												
Taxes	\$ -	\$ 1,919,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,952	\$ 2,226,498
Intergovernmental	276,386	-	507,383	-	-	-	-	-	-	-	1,187,779	1,971,548
Charges for services	-	-	89,016	-	1,206,257	-	-	-	-	-	-	1,295,273
Fines, forfeitures, and penalties	-	-	-	-	-	-	4,645	40,173	-	-	-	44,818
Internal school funds	-	-	-	251,929	-	-	-	-	-	-	-	251,929
Other revenue	10,583	17,997	35,383	-	2,335	-	595	5,363	75	-	84,875	157,206
Total Revenues	<u>286,969</u>	<u>1,937,543</u>	<u>631,782</u>	<u>251,929</u>	<u>1,208,592</u>	<u>-</u>	<u>5,240</u>	<u>45,536</u>	<u>75</u>	<u>-</u>	<u>1,579,606</u>	<u>5,947,272</u>
Expenditures:												
Current:												
Public works	196,672	-	-	-	1,190,613	-	-	-	-	-	-	1,387,285
Public safety	-	-	-	-	-	1,813	-	22,840	-	-	-	24,653
Health, welfare and recreation	-	16,826	739,423	-	-	-	-	-	-	-	55,566	811,815
Economic and community development	-	-	-	-	-	-	-	-	-	-	50,000	50,000
Internal school funds	-	-	-	236,557	-	-	-	-	-	-	-	236,557
Capital outlay	-	-	-	-	82,727	-	-	12,980	-	-	624,576	720,283
Debt Service	-	-	-	-	115,151	-	-	-	-	470,290	-	585,441
Total Expenditures	<u>196,672</u>	<u>16,826</u>	<u>739,423</u>	<u>236,557</u>	<u>1,388,491</u>	<u>1,813</u>	<u>-</u>	<u>35,820</u>	<u>-</u>	<u>470,290</u>	<u>730,142</u>	<u>3,816,034</u>
Revenues over Expenditures	<u>90,297</u>	<u>1,920,717</u>	<u>(107,641)</u>	<u>15,372</u>	<u>(179,899)</u>	<u>(1,813)</u>	<u>5,240</u>	<u>9,716</u>	<u>75</u>	<u>(470,290)</u>	<u>849,464</u>	<u>2,131,238</u>
Other Financing Sources (Uses)												
Note proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-
Operating transfer in (out)	-	(1,533,290)	-	-	180,000	-	-	-	-	470,290	(1,170,386)	(2,053,386)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(1,533,290)</u>	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>470,290</u>	<u>(1,170,386)</u>	<u>(2,053,386)</u>
Net Change in Fund Balances	<u>90,297</u>	<u>387,427</u>	<u>(107,641)</u>	<u>15,372</u>	<u>101</u>	<u>(1,813)</u>	<u>5,240</u>	<u>9,716</u>	<u>75</u>	<u>-</u>	<u>(320,922)</u>	<u>77,852</u>
Fund Balance at Beginning of Year, as previously reported	<u>282,081</u>	<u>2,250,141</u>	<u>249,015</u>	<u>170,745</u>	<u>108,844</u>	<u>2,331</u>	<u>13,267</u>	<u>151,975</u>	<u>2,045</u>	<u>-</u>	<u>1,779,048</u>	<u>5,009,492</u>
Change in reserve for inventory	<u>-</u>	<u>-</u>	<u>(4,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,102)</u>
Fund Balance at Beginning of Year, as restated	<u>282,081</u>	<u>2,250,141</u>	<u>244,913</u>	<u>170,745</u>	<u>108,844</u>	<u>2,331</u>	<u>13,267</u>	<u>151,975</u>	<u>2,045</u>	<u>-</u>	<u>1,779,048</u>	<u>5,005,390</u>
Fund Balance at End of Year	<u>\$ 372,378</u>	<u>\$ 2,637,568</u>	<u>\$ 137,272</u>	<u>\$ 186,117</u>	<u>\$ 108,945</u>	<u>\$ 518</u>	<u>\$ 18,507</u>	<u>\$ 161,691</u>	<u>\$ 2,120</u>	<u>\$ -</u>	<u>\$ 1,458,126</u>	<u>\$ 5,083,242</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental:				
State gas and motor fuel tax	\$ 278,740	\$ 280,557	\$ 141,768	\$ (138,789)
State gas 1989 tax	-	6,000	22,186	16,186
State 2017 gas tax	-	-	71,465	71,465
State gas three cent tax	-	10,000	40,967	30,967
Other revenues				
Interest income	300	8,000	10,583	2,583
Total revenues	<u>279,040</u>	<u>304,557</u>	<u>286,969</u>	<u>(17,588)</u>
 Expenditures:				
Public Works:				
Street lighting	241,565	230,062	196,672	33,390
Repairs and maintenance	60,000	-	-	-
Capital Outlay	-	8,447	-	8,447
Total expenditures	<u>301,565</u>	<u>238,509</u>	<u>196,672</u>	<u>41,837</u>
 Revenues over (under) Expenditures	<u>(22,525)</u>	<u>66,048</u>	<u>90,297</u>	<u>24,249</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	<u>(22,525)</u>	<u>66,048</u>	<u>90,297</u>	<u>24,249</u>
 Fund Balance at Beginning of Year	<u>282,081</u>	<u>282,081</u>	<u>282,081</u>	<u>-</u>
 Fund Balance at End of Year	<u>\$ 259,556</u>	<u>\$ 348,129</u>	<u>\$ 372,378</u>	<u>\$ 24,249</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,737,698	\$ 1,772,855	\$ 1,919,546	\$ 146,691
Other revenues:				
Interest income	3,946	16,812	17,997	1,185
Total Revenues	<u>1,741,644</u>	<u>1,789,667</u>	<u>1,937,543</u>	<u>147,876</u>
Expenditures:				
Health, Welfare and Recreation:				
Operating costs	9,500	15,000	15,536	(536)
Paying agent fees	2,000	600	1,290	(690)
Capital projects	25,000	-	-	-
Total Expenditures	<u>36,500</u>	<u>15,600</u>	<u>16,826</u>	<u>(1,226)</u>
Revenues over (under) Expenditures	<u>1,705,144</u>	<u>1,774,067</u>	<u>1,920,717</u>	<u>146,650</u>
Other financing sources and uses:				
Transfers out	(915,789)	(1,542,975)	(1,533,290)	9,685
Total Other financing sources and uses	<u>(915,789)</u>	<u>(1,542,975)</u>	<u>(1,533,290)</u>	<u>9,685</u>
Net Change in Fund Balances	789,355	231,092	387,427	156,335
Fund Balance at Beginning of Year	<u>2,250,141</u>	<u>2,250,141</u>	<u>2,250,141</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,039,496</u>	<u>\$ 2,481,233</u>	<u>\$ 2,637,568</u>	<u>\$ 156,335</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHOOL FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Less:	Add:	Actual	Variance with
	Original	Final	(GAAP Basis)	Encumbrances	Encumbrances	Revenues/ Expenditures (Budgetary Basis)	Final Budget Positive (Negative)
				7/1/2022	6/30/2023		
Revenues							
Payment for lunches							
Student	\$ 60,000	\$ 74,136	\$ 74,137	\$ -	\$ -	\$ 74,137	\$ 1
Adult	9,500	10,083	10,083	-	-	10,083	-
Payment for breakfast							
Student	27,000	755	755	-	-	755	-
Federal Fund							
USDA - lunch programs	250,000	263,756	263,756	-	-	263,756	-
USDA - breakfast programs	110,000	137,003	137,003	-	-	137,003	-
USDA - commodities	39,568	37,392	37,393	-	-	37,393	1
USDA - other	15,000	69,231	69,231	-	-	69,231	-
State funds							
State matching funds	4,500	4,041	4,041	-	-	4,041	-
A La Carte sales	34,000	29,585	29,585	-	-	29,585	-
Revenues from individual schools	2,000	1,793	1,794	-	-	1,794	1
Interest income	500	715	766	-	-	766	51
Other revenues	-	3,168	3,238	-	-	3,238	70
Total Revenues	552,068	631,658	631,782	-	-	631,782	124
Expenditures							
Food supplies	162,777	307,520	307,519	-	-	307,519	1
Personnel expenditures							
Supervisor/director	40,320	40,500	40,500	-	-	40,500	-
Accountants and bookkeepers	28,773	28,465	28,465	-	-	28,465	-
Cafeteria personnel	169,145	190,876	190,876	-	-	190,876	-
Bonus payments	-	17,750	17,750	-	-	17,750	-
Other salaries and wages	4,000	-	-	-	-	-	-
Inservice training	1,650	-	-	-	-	-	-
Social security	15,121	15,178	15,178	-	-	15,178	-
Medical insurance	70,500	67,261	67,261	-	-	67,261	-
Dental insurance	866	1,069	1,069	-	-	1,069	-
Unemployment compensation	650	553	553	-	-	553	-
Retirement	12,530	13,187	13,187	-	-	13,187	-
Employer medicare	3,636	3,608	3,608	-	-	3,608	-
Dues and memberships	250	-	-	-	-	-	-
Operations and maintenance							
Maintenance and repair	5,000	2,513	2,513	-	-	2,513	-
Nonfood supplies							
Food preparation supplies	10,000	22,406	22,406	-	-	22,406	-
Office supplies	1,000	1,169	1,169	-	-	1,169	-
Printing, stationery and forms	400	-	-	-	-	-	-
Uniforms	800	1,117	1,117	-	-	1,117	-
Other supplies and materials	4,000	3,336	3,336	-	-	3,336	-
Other							
Postal charges	100	120	120	-	-	120	-
Other contracted services	10,000	6,887	6,886	-	-	6,886	1
Other transportation	3,000	3,703	3,702	-	-	3,702	1
Travel	50	50	-	-	-	-	50
Inservice/staff development	5,000	6,023	6,023	-	-	6,023	-
Other charges	500	65	65	-	-	65	-
Food service equipment	2,000	6,120	6,120	-	-	6,120	-
Total Expenditures	552,068	739,476	739,423	-	-	739,423	53
Excess (deficiency) of revenues over (under) expenditures	-	(107,818)	(107,641)	-	-	(107,641)	177
Fund balance - beginning of year, as previously reported	249,015	249,015	249,015	-	-	249,015	-
Change in reserve for inventory	-	-	(4,102)	-	-	7,766	7,766
Fund balance - beginning of year, as restated	249,015	249,015	244,913	-	-	256,781	7,766
Fund balance - end of year	\$ 249,015	\$ 141,197	\$ 137,272	\$ -	\$ -	\$ 149,140	\$ 7,943

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues:				
Charges for Services:				
Collection charges	\$ 910,986	\$ 884,533	\$ 883,996	\$ (537)
Transfer stations use charge	272,519	296,098	316,148	20,050
Sale recyclables	7,000	3,841	3,281	(560)
Recovery of bad debts	3,100	2,895	2,832	(63)
Other revenues:				
Interest revenue	200	2,391	2,335	(56)
Total revenues	1,193,805	1,189,758	1,208,592	18,834
Expenditures				
Public Works:				
Salaries	417,946	435,674	409,531	26,143
Payroll taxes	33,436	33,329	31,464	1,865
Hospital and health insurance	77,405	74,269	78,571	(4,302)
Retirement	8,296	24,934	25,582	(648)
Other benefits	154	6,896	6,869	27
Workers compensation insurance	12,211	41,856	23,156	18,700
Unemployment insurance	179	464	320	144
Employee education and benefits	-	699	699	-
Memberships	50	44	41	3
Legal	3,570	235	215	20
Data processing	5,080	6,898	6,322	576
Utilities	6,290	4,868	4,710	158
Telephone	2,180	2,122	2,167	(45)
Compensation for damages	7,540	11,770	10,844	926
Tires, flats, etc.	10,650	12,807	11,740	1,067
R&M vehicles	29,270	33,539	32,235	1,304
R&M machinery and equipment	5,730	4,482	4,406	76
R&M grounds	4,770	609	559	50
R&M buildings	13,080	5,361	4,949	412
R&M other	2,250	382	350	32
Travel	1,010	712	652	60
Office supplies	1,530	1,046	1,172	(126)
Operating supplies	1,430	1,085	954	131
Janitorial supplies	90	155	142	13
Clothing and uniforms	2,890	3,259	2,987	272
Fuel supplies	55,240	64,341	57,002	7,339
Consumable tools	660	214	196	18
Small items of equipment	620	164	150	14
Safety supplies	470	364	334	30
Insurance	24,090	12,679	13,059	(380)
Tipping fees	391,430	414,851	445,701	(30,850)
Permit fees	5,160	5,073	4,650	423
Soil testing	3,190	880	880	-
Medical costs	370	261	290	(29)
Bad debt expense	8,500	7,948	7,714	234
Notes principal	65,220	69,606	63,651	5,955
Interest on notes	-	-	5,955	(5,955)
Interest on bonds	15,545	15,545	15,545	-
Bond principal	30,000	30,000	30,000	-
Capital outlay	93,500	84,002	82,727	1,275
Total expenditures	1,341,032	1,413,423	1,388,491	24,932
Revenues over (under) expenditures	(147,227)	(223,665)	(179,899)	43,766
Other financing sources and uses:				
Note proceeds	-	-	-	-
Sale of fixed assets	-	-	-	-
Transfers in (out)	180,000	180,000	180,000	-
Total other financing sources and uses	180,000	180,000	180,000	-
Net change in fund balances	32,773	(43,665)	101	43,766
Fund Balance at Beginning of Year	108,844	108,844	108,844	-
Fund Balance at End of Year	\$ 141,617	\$ 65,179	\$ 108,945	\$ 43,766

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:				
Other revenues:				
Miscellaneous	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>(3,500)</u>
 Expenditures:				
Public Safety:				
Public relations	3,500	800	1,555	(755)
Education program operating supplies	600	600	258	342
Total expenditures	<u>4,100</u>	<u>1,400</u>	<u>1,813</u>	<u>(413)</u>
 Revenues over (under) expenditures	<u>(600)</u>	<u>2,100</u>	<u>(1,813)</u>	<u>(3,913)</u>
 Other financing sources and uses:				
Transfers in	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>(3,500)</u>
 Net change in fund balances	<u>2,900</u>	<u>5,600</u>	<u>(1,813)</u>	<u>(7,413)</u>
 Fund Balance at Beginning of Year	<u>2,331</u>	<u>2,331</u>	<u>2,331</u>	<u>-</u>
 Fund Balance at End of Year	<u>\$ 5,231</u>	<u>\$ 7,931</u>	<u>\$ 518</u>	<u>\$ (7,413)</u>

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

CITY OF LEXINGTON, TENNESSEE
E-CITATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND
ACTUAL
YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:				
Fines, forfeitures, and penalties:				
Police fines and fees	\$ 5,000	\$ 5,300	\$ 4,645	\$ (655)
Other revenues:				
Interest income	450	500	595	95
Total revenues	<u>5,450</u>	<u>5,800</u>	<u>5,240</u>	<u>(560)</u>
 Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Revenues over (under) expenditures	<u>5,450</u>	<u>5,800</u>	<u>5,240</u>	<u>(560)</u>
 Other financing sources and uses:				
Transfer in	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balances	<u>5,450</u>	<u>5,800</u>	<u>5,240</u>	<u>(560)</u>
 Fund Balance at Beginning of Year	<u>13,267</u>	<u>13,267</u>	<u>13,267</u>	<u>-</u>
 Fund Balance at End of Year	<u>\$ 18,717</u>	<u>\$ 19,067</u>	<u>\$ 18,507</u>	<u>\$ (560)</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, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:				
Fines, forfeitures, and penalties:				
Drug related fines	\$ 15,000	\$ 20,000	\$ 21,232	\$ 1,232
Forfeitures	5,000	10,000	18,941	8,941
Handling fees	-	-	-	-
Sale of seized property	5,000	-	-	-
Other revenues:				
Donation	-	-	4,000	4,000
Miscellaneous	100	-	-	-
Interest income	200	1,250	1,363	113
Total revenues	<u>25,300</u>	<u>31,250</u>	<u>45,536</u>	<u>14,286</u>
 Expenditures:				
Public Safety:				
Vehicle licenses and titles	-	50	45	5
Ammunition	5,000	-	-	-
Vehicle tow (seized property)	500	260	250	10
Repair and maintenance	1,300	3,700	3,597	103
Operating costs	15,000	20,000	16,700	3,300
Educational costs	2,000	3,000	2,248	752
Small items of equipment	2,000	-	-	-
Capital outlay	-	13,800	12,980	820
Total expenditures	<u>25,800</u>	<u>40,810</u>	<u>35,820</u>	<u>4,990</u>
 Revenues over (under) expenditures	<u>(500)</u>	<u>(9,560)</u>	<u>9,716</u>	<u>19,276</u>
 Other financing sources and uses:				
Transfer out	(3,500)	(3,500)	-	3,500
Sale of capital assets	-	-	-	-
Total other financing sources and uses	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>	<u>3,500</u>
 Net change in fund balances	<u>(4,000)</u>	<u>(13,060)</u>	<u>9,716</u>	<u>22,776</u>
 Fund Balance at Beginning of Year	<u>151,975</u>	<u>151,975</u>	<u>151,975</u>	<u>-</u>
 Fund Balance at End of Year	<u>\$ 147,975</u>	<u>\$ 138,915</u>	<u>\$ 161,691</u>	<u>\$ 22,776</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:				
Other revenues:				
Interest income	\$ -	\$ 60	\$ 75	\$ 15
Total revenues	<u>-</u>	<u>60</u>	<u>75</u>	<u>15</u>
 Expenditures:				
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Revenues over (under) expenditures	<u>-</u>	<u>60</u>	<u>75</u>	<u>15</u>
 Net change in fund balances	<u>-</u>	<u>60</u>	<u>75</u>	<u>15</u>
 Fund Balance at Beginning of Year	<u>2,045</u>	<u>2,045</u>	<u>2,045</u>	<u>-</u>
 Fund Balance at End of Year	<u>\$ 2,045</u>	<u>\$ 2,105</u>	<u>\$ 2,120</u>	<u>\$ 15</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHOOL DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Less:	Add:	Actual	Variance with
	Original	Final	(GAAP Basis)	Encumbrances	Encumbrances	Revenues/ Expenditures (Budgetary Basis)	Final Budget Positive (Negative)
				7/1/2022	6/30/2023		
Revenues							
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-
Expenditures							
Debt Service							
Principal	525,000	525,000	417,658	-	-	417,658	107,342
Interest	75,000	75,000	52,632	-	-	52,632	22,368
Total Expenditures	600,000	600,000	470,290	-	-	470,290	129,710
Excess (deficiency) of revenues over (under) expenditures	(600,000)	(600,000)	(470,290)	-	-	(470,290)	129,710
Other financing sources and (uses)							
Transfers in	600,000	600,000	470,290	-	-	470,290	(129,710)
Total other financing sources and (uses)	600,000	600,000	470,290	-	-	470,290	(129,710)
Net change in fund balance	-	-	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues:				
Taxes:				
Liquor taxes	\$ 215,000	\$ 270,000	\$ 306,952	\$ 36,952
Intergovernmental:				
Federal Grant - ARPA	1,170,386	1,170,386	1,170,386	-
Federal Grant - FEMA	-	18,000	17,393	(607)
Other revenues:				
Donations - museum	-	1,500	-	(1,500)
Interest income	600	70,000	84,775	14,775
Fireworks contributions	-	-	100	100
Total Revenues	<u>1,385,986</u>	<u>1,529,886</u>	<u>1,579,606</u>	<u>49,720</u>
 Expenditures:				
Economic development:				
Industrial development expenses	50,000	50,000	50,000	-
Health, welfare and recreation:				
Operating costs	20,000	20,000	5,631	14,369
Professional services	65,000	85,000	44,935	40,065
Fireworks	-	10,400	5,000	5,400
Capital projects	50,000	667,685	624,576	43,109
Total Expenditures	<u>185,000</u>	<u>833,085</u>	<u>730,142</u>	<u>102,943</u>
 Revenues over (under) Expenditures	<u>1,200,986</u>	<u>696,801</u>	<u>849,464</u>	<u>152,663</u>
 Other financing sources and uses:				
Transfers in (out)	<u>(1,170,386)</u>	<u>(1,192,386)</u>	<u>(1,170,386)</u>	<u>22,000</u>
Total other financing sources and uses	<u>(1,170,386)</u>	<u>(1,192,386)</u>	<u>(1,170,386)</u>	<u>22,000</u>
 Net Change in Fund Balances	30,600	(495,585)	(320,922)	174,663
 Fund Balance at Beginning of Year	<u>1,779,048</u>	<u>1,779,048</u>	<u>1,779,048</u>	<u>-</u>
 Fund Balance at End of Year	<u>\$ 1,809,648</u>	<u>\$ 1,283,463</u>	<u>\$ 1,458,126</u>	<u>\$ 174,663</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, 2023

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2023	1.04	\$ 262,153,022	\$ 2,734,000	\$ -	\$ 2,734,000	\$ -	\$ -	\$ 2,734,000
2022	1.21	185,336,345	2,237,995	2,237,995	30,134	(16,841)	2,176,571	74,717
2021	1.21	189,491,395	2,288,155	153,754	-	(7,812)	139,021	6,921
2020	1.21	188,656,284	2,278,072	3,077	-	(2,840)	(55)	292
2019	1.21	187,870,835	2,268,575	1	-	(2,430)	(2,430)	1
2018	1.21	183,131,696	2,211,386	240	-	(3,171)	(3,171)	240
2017	1.21	183,444,653	2,212,920	290	-	(3,171)	(3,171)	290
2016	1.23	175,652,631	2,160,565	291	-	-	-	291
2015	1.23	174,738,487	2,155,335	81	-	-	-	81
2014	1.23	175,884,882	2,163,382	141	-	-	-	141
2013	1.23	176,525,774	2,171,302	-	-	-	-	-
2012	1.23	176,045,704	2,165,379	1,045	-	(1,045)	-	-
2011	1.23	169,837,658	2,089,033	117	-	(117)	-	-
				<u>\$ 2,397,032</u>	<u>\$ 2,764,134</u>	<u>\$ (37,427)</u>	<u>\$ 2,306,765</u>	<u>\$ 2,816,974</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, 2023

Year Ending June 30,	School Refunding Series 2020		Public Works Series 2020		Bond Series 2019		Refunding Bond Series 2012		Cadence Equipment Finance		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 400,000	\$ 41,975	\$ 60,000	\$ 89,890	\$ 65,000	\$ 36,099	\$ 23,737	\$ 2,373	\$ 225,450	\$ 5,940	\$ 774,187	\$ 176,277
2025	405,000	37,975	70,000	98,690	65,000	33,699	24,784	1,899	-	-	564,784	172,263
2026	410,000	33,925	70,000	97,290	70,000	31,224	25,831	1,403	-	-	575,831	163,842
2027	415,000	29,825	70,000	95,890	70,000	28,674	26,878	886	-	-	581,878	155,275
2028	420,000	24,637	70,000	93,790	70,000	25,830	17,450	349	-	-	577,450	144,606
2029	425,000	19,387	70,000	91,690	75,000	22,767	-	-	-	-	570,000	133,844
2030	430,000	14,075	80,000	99,590	75,000	19,687	-	-	-	-	585,000	133,352
2031	435,000	8,700	80,000	97,990	75,000	16,312	-	-	-	-	590,000	123,002
2032	-	-	80,000	96,390	80,000	12,487	-	-	-	-	160,000	108,877
2033	-	-	80,000	94,790	80,000	8,325	-	-	-	-	160,000	103,115
2034	-	-	80,000	93,190	80,000	4,162	-	-	-	-	160,000	97,352
2035	-	-	80,000	91,590	-	-	-	-	-	-	80,000	91,590
2036	-	-	80,000	89,910	-	-	-	-	-	-	80,000	89,910
2037	-	-	90,000	98,190	-	-	-	-	-	-	90,000	98,190
2038	-	-	90,000	96,210	-	-	-	-	-	-	90,000	96,210
2039	-	-	90,000	94,185	-	-	-	-	-	-	90,000	94,185
2040	-	-	90,000	92,115	-	-	-	-	-	-	90,000	92,115
	<u>\$ 3,340,000</u>	<u>\$ 210,499</u>	<u>\$ 1,330,000</u>	<u>\$ 1,611,390</u>	<u>\$ 805,000</u>	<u>\$ 239,266</u>	<u>\$ 118,680</u>	<u>\$ 6,910</u>	<u>\$ 225,450</u>	<u>\$ 5,940</u>	<u>\$ 5,819,130</u>	<u>\$ 2,074,005</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - WATER SYSTEMS
JUNE 30, 2023

Year Ending June 30,	2012 General Obligation Bonds		Local Government Loan Program Bond, Series 2015		2017 General Obligation Bonds		2019 Refunding Bonds		2020 General Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 314,636	\$ 31,464	\$ 102,000	\$ 39,630	\$ 82,875	\$ 36,828	\$ 280,000	\$ 108,450	\$ 345,000	\$ 156,233	\$ 1,124,511	\$ 372,605
2025	328,517	25,171	104,000	36,570	82,875	35,398	290,000	100,050	340,000	149,333	1,145,392	346,522
2026	342,398	18,601	105,000	33,450	85,000	33,824	300,000	91,350	350,000	142,533	1,182,398	319,758
2027	356,279	11,753	106,000	30,300	87,125	32,058	310,000	82,350	360,000	135,533	1,219,404	291,994
2028	231,352	4,627	108,000	27,120	89,250	30,118	320,000	73,050	370,000	124,733	1,118,602	259,648
2029	-	-	109,000	23,880	91,375	28,040	325,000	63,450	385,000	113,633	910,375	229,003
2030	-	-	111,000	20,610	93,500	25,821	335,000	53,700	390,000	102,083	929,500	202,214
2031	-	-	112,000	17,280	95,625	23,456	345,000	43,650	400,000	94,283	952,625	178,669
2032	-	-	114,000	13,920	97,750	20,966	360,000	33,300	405,000	86,282	976,750	154,468
2033	-	-	115,000	10,500	102,000	18,293	370,000	22,500	415,000	78,182	1,002,000	129,475
2034	-	-	117,000	7,050	104,125	15,433	380,000	11,400	425,000	69,882	1,026,125	103,765
2035	-	-	118,000	3,540	106,250	12,408	-	-	435,000	61,382	659,250	77,330
2036	-	-	-	-	110,500	9,155	-	-	450,000	52,247	560,500	61,402
2037	-	-	-	-	114,750	5,634	-	-	450,000	42,572	564,750	48,206
2038	-	-	-	-	117,000	1,899	-	-	460,000	32,672	577,000	34,571
2039	-	-	-	-	-	-	-	-	475,000	22,323	475,000	22,323
2040	-	-	-	-	-	-	-	-	485,000	11,397	485,000	11,397
	<u>\$ 1,573,182</u>	<u>\$ 91,616</u>	<u>\$ 1,321,000</u>	<u>\$ 263,850</u>	<u>\$ 1,460,000</u>	<u>\$ 329,331</u>	<u>\$ 3,615,000</u>	<u>\$ 683,250</u>	<u>\$ 6,940,000</u>	<u>\$ 1,475,303</u>	<u>\$ 14,909,182</u>	<u>\$ 2,843,350</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, 2023

Year Ending June 30,	2012 General Obligation Bonds		2017 General Obligation Bonds		2019 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,627	\$ 163	\$ 112,125	\$ 49,826	\$ 75,000	\$ 29,700	\$ 188,752	\$ 79,689
2025	1,699	130	112,125	47,892	80,000	27,450	193,824	75,472
2026	1,771	96	115,000	45,761	80,000	25,050	196,771	70,907
2027	1,843	61	117,875	43,373	80,000	22,650	199,718	66,084
2028	1,196	24	120,750	40,747	85,000	20,250	206,946	61,021
2029	-	-	123,625	37,936	90,000	17,700	213,625	55,636
2030	-	-	126,500	34,934	95,000	15,000	221,500	49,934
2031	-	-	129,375	31,735	100,000	12,150	229,375	43,885
2032	-	-	132,250	28,366	95,000	9,150	227,250	37,516
2033	-	-	138,000	24,749	100,000	6,300	238,000	31,049
2034	-	-	140,875	20,880	110,000	3,300	250,875	24,180
2035	-	-	143,750	16,787	-	-	143,750	16,787
2036	-	-	149,500	12,387	-	-	149,500	12,387
2037	-	-	155,250	7,623	-	-	155,250	7,623
2038	-	-	158,000	2,569	-	-	158,000	2,569
	<u>\$ 8,136</u>	<u>\$ 474</u>	<u>\$ 1,975,000</u>	<u>\$ 445,565</u>	<u>\$ 990,000</u>	<u>\$ 188,700</u>	<u>\$ 2,973,136</u>	<u>\$ 634,739</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, 2023

Year Ending June 30,	Revenue Refunding Bond Series 2017		Revenue Refunding Bond Series 2019		Series 2018 Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 435,000	\$ 103,531	\$ 295,000	\$ 162,023	\$ 125,000	\$ 80,218	\$ 855,000	\$ 345,772
2025	445,000	94,831	305,000	150,760	130,000	75,218	880,000	320,809
2026	450,000	85,931	320,000	136,660	140,000	70,018	910,000	292,609
2027	460,000	75,806	335,000	120,285	145,000	64,418	940,000	260,509
2028	475,000	65,456	350,000	103,160	150,000	60,068	975,000	228,684
2029	485,000	53,581	370,000	85,160	150,000	55,568	1,005,000	194,309
2030	495,000	41,456	390,000	66,160	155,000	51,068	1,040,000	158,684
2031	510,000	28,463	410,000	46,160	160,000	46,418	1,080,000	121,041
2032	525,000	14,438	430,000	27,310	165,000	41,618	1,120,000	83,366
2033	-	-	445,000	9,810	170,000	36,668	615,000	46,478
2034	-	-	455,000	796	175,000	31,143	630,000	31,939
2035	-	-	455,000	569	180,000	25,455	635,000	26,024
2036	-	-	455,000	341	190,000	19,605	645,000	19,946
2037	-	-	455,000	114	195,000	13,430	650,000	13,544
2038	-	-	-	-	200,000	6,800	200,000	6,800
	<u>\$ 4,280,000</u>	<u>\$ 563,493</u>	<u>\$ 5,470,000</u>	<u>\$ 909,308</u>	<u></u>	<u>\$ 677,713</u>	<u>\$ 12,180,000</u>	<u>\$ 2,150,514</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2023

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2023
Governmental Activities									
BONDS PAYABLE									
Payable through City of Lexington General Fund									
2012 General Obligation Public Improvement Bonds General Portion	\$ 140,927	1.00 - 2.00%	10/18/2012	4/1/2028	\$ 63,855	\$ -	\$ 10,381	\$ -	\$ 53,474
Public Works Refund Bonds, Series 2019 General Portion	\$ 830,000	2.00 to 3.00%	2/7/2019	3/1/2034	690,000	-	50,000	-	640,000
2020 Public Works Improvement Bonds General Portion	\$ 1,510,000	2.00 to 2.36%	4/30/2020	4/12040	1,390,000	-	60,000	-	1,330,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Fund					<u>2,143,855</u>	<u>-</u>	<u>120,381</u>	<u>-</u>	<u>2,023,474</u>
BONDS PAYABLE									
Payable through City of Lexington General Purpose School Fund									
Public Works Refund Bonds, Series 2019 School Portion	\$ 205,000	2.00 to 3.00%	2/7/2019	3/1/2034	175,000	-	10,000	-	165,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>175,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>165,000</u>
BONDS PAYABLE									
Payable through City of Lexington School Tax Fund									
2012 General Obligation Public Improvement Bonds	\$ 171,835	1.00 - 2.00%	10/18/2012	4/1/2028	77,864	-	12,658	-	65,206
2020 General Obligation School Refunding Bonds	\$ 4,530,000	1.00 - 2.00%	6/30/2020	5/1/2031	3,735,000	-	395,000	-	3,340,000
TOTAL BONDS PAYABLE - Payable through City of Lexington School Tax Fund					<u>3,812,864</u>	<u>-</u>	<u>407,658</u>	<u>-</u>	<u>3,405,206</u>
TOTAL BONDS PAYABLE					<u>\$ 6,131,719</u>	<u>\$ -</u>	<u>\$ 538,039</u>	<u>\$ -</u>	<u>\$ 5,593,680</u>
NOTES PAYABLE									
Payable through City of Lexington Solid Waste Collection Fund									
Cadence Equipment Finance	\$ 315,195	2.29%	2/11/2022	3/11/2024	289,101	-	63,651	-	225,450
TOTAL NOTES PAYABLE - Payable through City of Lexington Solid Waste Collection Fund					<u>\$ 289,101</u>	<u>\$ -</u>	<u>\$ 63,651</u>	<u>\$ -</u>	<u>\$ 225,450</u>
Business-Type Activities									
BONDS PAYABLE									
Payable through Lexington Electric System									
Revenue Refunding Bond - Series 2017	\$ 6,810,000	2.00 to 2.75%	3/1/2017	3/1/2028	4,705,000	-	425,000	-	4,280,000
Revenue Refunding Bond - Series 2019	\$ 6,300,000	.05% - 5.00%	7/25/2019	9/1/2036	5,755,000	-	285,000	-	5,470,000
Electric Revenue Bonds - Series 2018	\$ 3,000,000	3.00 to 4.00%	5/22/2018	6/1/2038	2,550,000	-	120,000	-	2,430,000
TOTAL BONDS PAYABLE - Payable through Lexington Electric System					<u>\$ 13,010,000</u>	<u>\$ -</u>	<u>\$ 830,000</u>	<u>\$ -</u>	<u>\$ 12,180,000</u>
BONDS PAYABLE									
Payable through Lexington Gas System Fund									
G.O. Public Improvement Bonds, Series 2012 Gas Portion	\$ 21,441	1.00 to 2.00%	10/18/2012	4/1/2028	9,715	-	1,579	-	8,136
General Obligation Public Works Bonds, Series 2017 Gas Portion	\$ 2,300,000	1.30 to 3.25%	7/20/2017	7/15/2037	2,085,000	-	110,000	-	1,975,000
Public Works Refund Bonds, Series 2019 Gas Portion	\$ 1,300,000	2.00 to 3.00%	2/7/2019	3/1/2034	1,070,000	-	80,000	-	990,000
TOTAL BONDS PAYABLE - Payable through Lexington Gas System Fund					<u>\$ 3,164,715</u>	<u>\$ -</u>	<u>\$ 191,579</u>	<u>\$ -</u>	<u>\$ 2,973,136</u>
BONDS PAYABLE									
Payable through Lexington Water System Fund									
G. O. Public Improvement Bonds, Series 2012 Water Portion	\$ 4,145,797	1.00 to 2.00%	10/18/2012	4/1/2028	1,878,564	-	305,382	-	1,573,182
General Obligation Public Works Bonds, Series 2017 Water Portion	\$ 1,700,000	1.30 to 3.25%	7/20/2017	7/15/2037	1,540,000	-	80,000	-	1,460,000
Public Works Refund Bond, Series 2019 Water Portion	\$ 4,675,000	2.00 to 3.00%	2/7/2019	3/1/2034	3,890,000	-	275,000	-	3,615,000
Public Works Improvement Bonds, Series 2020 Water Portion	\$ 7,940,000	2.00 to 3.00%	4/30/2020	4/30/2030	7,275,000	-	335,000	-	6,940,000
TOTAL BONDS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 14,583,564</u>	<u>\$ -</u>	<u>\$ 995,382</u>	<u>\$ -</u>	<u>\$ 13,588,182</u>
OTHER LOANS PAYABLE									
Payable through Lexington Water System Fund									
Local Government Loan Program Bond, Series 2015	\$ 2,000,000	Variable Rate	8/27/2015	5/25/2035	\$ 1,422,000	\$ -	\$ 101,000	\$ -	\$ 1,321,000
TOTAL OTHER LOANS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 1,422,000</u>	<u>\$ -</u>	<u>\$ 101,000</u>	<u>\$ -</u>	<u>\$ 1,321,000</u>

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT
JUNE 30, 2023

Tax Year	Outstanding Balance
2021	\$ 6,921
2020	292
2019	1
2018	240
2017	290
2016	291
2015	81
2014	141
Total	<u>\$ 8,257</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2023

GAS FUND					
Residential Rate	Minimum	Base Rate	+	PGA Rate	
First 500 cubic feet (minimum)	\$ 6.70				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.14	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.07	+	current PGA	= Rate Per MCF
Small Commercial Rate					
First 500 cubic feet (minimum)	\$ 7.50				
Over 500 cubic feet: Inside city (per MCF)		\$ 3.18	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.26	+	current PGA	= Rate Per MCF
Medium Commercial Rate					
First 1,500 cubic feet (minimum)	\$ 24.85				
Over 1,500 cubic feet: Inside city (per MCF)		\$ 3.46	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.52	+	current PGA	= Rate Per MCF
Large Commercial Rate					
First 10,000 cubic feet (minimum)	\$ 124.60				
Over 10,000 cubic feet: Inside city (per MCF)		\$ 3.60	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.65	+	current PGA	= Rate Per MCF
Transport (Customer buys from 3rd party)		\$ 3.12			
Number of customers at year end:	<u>9,347</u>				

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

WATER RATES

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

	Meter Charge	Maint Fee	2,000 gallons @ cons. Rate	Customer Charge
5/8"	\$19.13 +	\$1.00 +	\$4.05 =	\$24.18
1"	\$23.15 +	\$1.00 +	\$4.05 =	\$28.20
1.5"	\$27.14 +	\$1.00 +	\$4.05 =	\$32.19
2"	\$38.16 +	\$1.00 +	\$4.05 =	\$43.21
3"	\$119.29 +	\$1.00 +	\$4.05 =	\$124.34
4"	\$149.34 +	\$1.00 +	\$4.05 =	\$154.39
6"	\$219.45 +	\$1.00 +	\$4.05 =	\$224.50

Consumption Rate Over 2,000 gallons = \$4.05 Per 1,000 gallons

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

	Meter Charge	Maint Fee	2,000 gallons @ cons. Rate	Customer Charge
5/8"	\$27.70 +	\$1.60 +	\$4.05 =	\$33.35
1"	\$34.89 +	\$1.60 +	\$4.05 =	\$40.54
1.5"	\$42.09 +	\$1.60 +	\$4.05 =	\$47.74
2"	\$61.87 +	\$1.60 +	\$4.05 =	\$67.52
3"	\$207.54 +	\$1.60 +	\$4.05 =	\$213.19
4"	\$261.49 +	\$1.60 +	\$4.05 =	\$267.14
6"	\$387.38 +	\$1.60 +	\$4.05 =	\$393.03

Consumption Rate Over 2,000 gallons = \$4.05 Per 1,000 gallons

BULK WATER - Consumption Rate = \$3.82 Per 1,000 gallons

NUMBER OF CUSTOMERS AT YEAR END: 10,310

SEWER RATES

LEXINGTON		PARKERS CROSSROADS	
Customer Charge 0-2,000 gallons		Customer Charge 0-2,000 gallons	
5/8"	\$20.41	5/8"	\$42.82
1"	\$20.41	1"	\$42.82
1.5"	\$50.29	1.5"	\$124.17
2"	\$50.29	2"	\$124.17
3"	\$84.25	3"	\$176.90
4"	\$84.25	4"	\$176.90
6"	\$84.25	6"	\$176.90

Usage Rate Over 2,000 gallons = \$6.14 Per 1,000 gallons

SEWER CUSTOMERS WITH WELLS
Customer Charge (based on 5,000 gallons) = \$35.58 Flat Rate \$56.14 Flat Rate

NUMBER OF CUSTOMERS AT YEAR END: 3,761

GARBAGE RATES

Residential (1x week)	\$ 25.00	Commercial (2x week)	\$ 62.50
Industrial (2x week)	\$ 62.50	Commercial (3x week)	\$147.75
		Commercial (5x week)	\$330.25

NUMBER OF CUSTOMERS AT YEAR END: 3,772

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED
JUNE 30, 2023

Electric Department	
Residential Rate Schedule	
Customer Charge - per delivery point per month	\$ 15.50
Energy Charges - cents per kWh	0.10539
General Power Rate Schedule	
GSA1	
Customer Charge - per delivery point per month	\$ 17.96
Energy Charges - per kWh	0.11873
GSA2	
Customer charge - per delivery point per month	\$ 89.03
Demand charge - per kw per month - First 50 kW	No charge
- Excess over 50 kW	14.11
Energy charge - per kw - First 15,000 kWh per month	0.11873
- Additional kWh per month	0.07203
GSA3	
Customer charge - per delivery point per month	\$ 223.58
Demand charge - per kw per month - First 1,000 kW	13.77
- Excess over 1,000 kW	16.29
Energy charge - cents per kW	0.07377
GSB	
Customer charge per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.87
Energy charge - cents per kWh use of metered demand per month	0.08891
OffPeak:	
All kW - per kW per month	\$ 10.87
Energy charge - first 200 HUD	0.06400
Next 200 HUD	0.02942
Additional HUD	0.02601
GSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.87
Energy charge - cents per kWh use of metered demand per month	0.08891
OffPeak:	
All kW - per kW per month	\$ 4.70
Energy charge - first 200 HUD	0.06400
Next 200 HUD	0.02942
Additional HUD	0.02601
GSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.87
Energy charge - cents per kWh use of metered demand per month	0.08891
OffPeak:	
All kW - per kW per month	\$ 4.59
Energy charge - first 200 HUD	0.06400
Next 200 HUD	0.02828
Additional HUD	0.02601
MSB	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.24
Energy charge - cents per kWh use of metered demand per month	0.08139
OffPeak:	
All kW - per kW per month	\$ 2.26
Energy charge - first 200 HUD	0.05639
Next 200 HUD	0.02670
Additional HUD	0.02415
MSC	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.24
Energy charge - cents per kWh use of metered demand per month	0.08027
OffPeak:	
All kW - per kW per month	\$ 1.75
Energy charge - first 200 HUD	0.05526
Next 200 HUD	0.02811
Additional HUD	0.02811
MSD	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.24
Energy charge - cents per kWh use of metered demand per month	0.07800
OffPeak:	
All kW - per kW per month	\$ 1.64
Energy charge - first 200 HUD	0.05299
Next 200 HUD	0.02642
Additional HUD	0.02583
QL	
Energy charge	0.07447

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, 2023

Federal Grantor/Pass- Through Grantor/ Program Title	Assistance Listing Number	Contract Number	Expenditures
FEDERAL AWARDS			
Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 1,170,386
Total Department of Treasury			1,170,386
Department of Justice			
Violence Against Women Formula Grants - STOP, Domestic Violence and Sexual Assault Law Enforcement Investigators	16.588	N/A	58,962
Total Department of Justice			58,962
Department of Election Assistance Commission			
Delta Area Economic Development- Lift Station #33	90.201	N/A	82,544
Total Department of Election Assistance Commission			82,544
Department of Homeland Security			
Disaster Grants - Public Assistance - Capital Projects	97.036	N/A	16,523
Disaster Grants - Public Assistance - Flood - Water	97.036	N/A	37,652
Disaster Grants - Public Assistance - Gas	97.036	N/A	5,903
Total for CFDA #	97.036		60,078
Total Department of Homeland Security			60,078
Department of Transportation - General Government			
Highway Planning and Construction	20.205	STP-M-9407(11)	7,956
Highway Planning and Construction	20.205	STP-M-5339(10)	4,736
Highway Planning and Construction	20.205	TAP-104(41)	3,336
Total for CFDA #	20.205		16,028
State and Community Highway Safety - Fire THSO	20.600	Z23THS154	12,500
State and Community Highway Safety - Network Coordinator	20.600	Z23THS156	690
State and Community Highway Safety - Network Coordinator	20.600	Z22THS164	10,041
Total for CFDA #	20.600		23,231
Alcohol Open Container Requirements - Enforcement of TN DUI Laws	20.607	Z23THS155	36,572
Alcohol Open Container Requirements - Enforcement of TN DUI Laws	20.607	Z22THS165	11,519
Total for CFDA #	20.607		48,091
Total Department of Transportation			87,350
TOTAL FEDERAL AWARDS			1,459,320
STATE FINANCIAL ASSISTANCE			
Disaster Grants - Public Assistance - Capital Projects	N/A	N/A	870
Site Development Grant	N/A	N/A	108,604
TDOT Multimodal Access Project	N/A	39LPLM-S3-030	624,897
TDOT Multimodal Access Project	N/A	39LPLM-S3-049	19,950
State 2023 Police Salary Supplements	N/A	N/A	21,600
State 2023 Fire Fighting Supplements	N/A	N/A	12,000
TOTAL STATE AWARDS			787,921
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			\$ 2,247,241

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance summarized the expenditures of the Town of Lexington, Tennessee, under programs of the federal and state governments for the year ended June 30, 2023. The schedule is presented using the modified accrual basis of accounting.

Note 2: Single Audit

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

Note 3: Lexington Electric System

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

Note 4: Indirect Cost Rate

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

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



**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, the aggregate discretely component unit, 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, 2023, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 15, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items SAF 2023-001 and COL 2023-001 – to be material weaknesses.

Report on Compliance and Other Matters

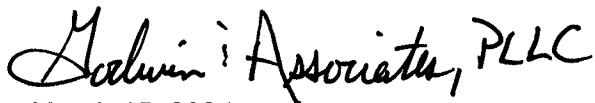
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items COL 2023-002 and COL 2023-003.

City of Lexington, Tennessee's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the schedule of findings and questioned costs. The City of Lexington, Tennessee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Yalwin Associates, PLLC". The signature is written in a cursive, flowing style.

March 15, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor and City Aldermen
City of Lexington, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lexington, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Lexington, Tennessee's major federal programs for the year ended June 30, 2023. The City of Lexington, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Lexington, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Lexington, Tennessee and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Lexington, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Lexington, Tennessee's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Lexington, Tennessee's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Lexington, Tennessee's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Lexington, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Lexington, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lexington, Tennessee's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Lexington, Tennessee's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

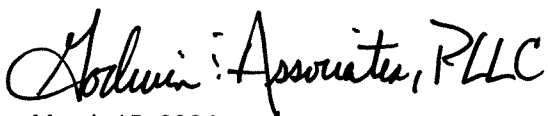
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Audwin Associates, PLLC

March 15, 2024

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023**

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
SAF 2022-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated/SAF 2023-001
COL 2022-001	General ledger materially misstated before adjustments	Repeated/COL 2023-001
COL 2022-002	Inaccurate reconciliation of account	Corrected
COL 2022-003	Payroll timesheets not properly approved	Corrected
COL 2022-004	Improper controls over grants	Corrected
COL 2022-005	Untimely closing of books/general ledger	Corrected
COL 2022-006	Expenditures exceeded appropriations	Repeated/COL 2023-002
COL 2022-007	Untimely reconciliations of bank account	Corrected
COL 2022-008	Interfund receivables/payables not liquidated within one year	Corrected
COL 2022-009	Comptroller approval not obtained for debt obligation	Corrected

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION I – Summary of Auditor’s Results

Financial Statements:

1. Our report on the financial statements of City of Lexington, Tennessee is unmodified.
2. Internal Control Financial Reporting:
 - Material weakness identified? Yes
 - Significant deficiency identified? No
3. Noncompliance material to the financial statements noted Yes

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - Material weakness identified: No
 - Significant deficiency identified? None
Reported
5. Type of report auditor issued on compliance for major programs:
Unmodified
6. Any Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) No
7. Identification of Major Federal Programs:
 - CFDA 21.027 – American Rescue Plan – Local Fiscal Recovery Plan
8. Dollar threshold used to distinguish between Type A and Type B programs:
\$750,000
9. Auditee qualified as low-risk auditee?
No

SECTION II – Financial Statement Findings

SAF 2023-001 INADEQUATE SEGREGATION OF DUTIES

Schools Still Deficient from the Prior Audit Finding 2018-01: All schools.

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

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

Cause: Not enough available staff.

Effect: Weakened internal controls.

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

Managements' Responses: Caywood Elementary School and Lexington Middle School

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

COL 2023-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS –WATER

Condition: The financial statements were materially misstated before audit adjustments due to grants, numerous monthly revenues, and year-end entries not being posted properly. Additionally, capital asset activity had not been properly recorded before audit adjustments.

Criteria: Generally accepted accounting principles require that accounting transaction be posted properly.

Cause: Oversight of City personnel.

Effect: Material adjustments were required because the City's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records.

Recommendation: We recommend that the financial statements be materially stated.

Management's Response: End of year procedure checklist has been modified to ensure these entries are recorded properly.

COL 2023-002 EXPENDITURES EXCEEDED APPROPRIATIONS – SCHOOL TAX FUND AND DARE FUND

Condition: The City had expenditures that exceeded budgeted appropriations in the School Tax Fund and DARE Fund.

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

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

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

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

Management's Response: We are correcting this problem by monitoring closer and amending as required.

COL 2023-003 SINGLE AUDIT NOT FILED TIMELY

Condition: The City's single audit was not filed with the federal clearinghouse within nine months of the fiscal year end.

Criteria: 2 CFR 200.512 states “the audit must be completed...and submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.”

Cause: The City failed to have the books closed timely which delayed the audit report significantly.

Effect: The City is in violation of 2 CFR 200.512.

Recommendation: Post transactions properly and close books timely to verify the audit report is available within nine months of the fiscal year end.

Management's Response: We are correcting this problem and closed our books timely in fiscal year 2023 and will be filing the 2023 single audit by March 31, 2023.

SECTION III – Federal Award Findings and Questioned Costs

NONE

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
JUNE 30, 2023**

INTERNAL SCHOOL FUNDS

SAF FINDING 2023 – 001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned

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

Anticipated completion date

Unable to correct; duties are segregated as much as reasonably possible considering the size of the schools

Responsible party

Each individual school's principal


Director of Schools

CITY OF LEXINGTON FUNDS

**COL 2023-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS -
WATER**

Corrective action planned

The CMFO and accounting staff will properly post transactions throughout the year for the Water Fund and will review at year end for material compliance.

Anticipated completion date

March 28, 2024

Responsible party

Mr. Griggs, City Mayor and Mr. Cody Wood, City Recorder

**COL 2023-002 EXPENDITURES EXCEEDED APPROPRIATIONS – SCHOOL TAX FUND AND DARE
FUND**

Corrective action planned

Expenditures in these two funds collectively exceeded appropriations by \$1,639. The CMFO and accounting staff will monitor expenditures throughout the year and amend the budget as needed.

Anticipated completion date

March 28, 2024

Responsible party

Mr. Griggs, City Mayor and Mr. Cody Wood, City Recorder

COL 2023-003 SINGLE AUDIT NOT FILED TIMELY

Corrective action planned

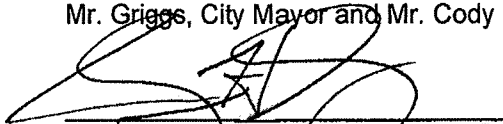
This is a result of the previous fiscal year (FY2022) single audit not being filed in a timely manner. The CMFO and accounting staff will oversee proper and timely posting of transactions so that books are closed timely and the single audit is filed within nine months of yearend by the City's contracted auditing firm.

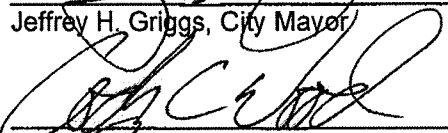
Anticipated completion date

March 28, 2024

Responsible party

Mr. Griggs, City Mayor and Mr. Cody Wood, City Recorder



Jeffrey H. Griggs, City Mayor

Cody C. Wood, City Recorder