

**CITY OF LEXINGTON,
TENNESSEE
ANNUAL FINANCIAL REPORT
JUNE 30, 2020**

CITY OF LEXINGTON, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

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CITY OF LEXINGTON, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

JUNE 30, 2020

PUBLICLY ELECTED OFFICIALS

Jeff Griggs	Mayor
Sandra Wood	Vice-Mayor
Emmitt Blankenship	Alderman
Peggy Gilbert	Alderman
Jack Johnson	Alderman
Tim Rhodes	Alderman
Gordon Wildridge	Alderman
Gabe Williams	Alderman

MANAGEMENT OFFICIALS

Cody Wood	CMFOA Designee City Recorder
Michael Harper	Utility General Manager



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee, (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the the financial statements of the Lexington Electric System, which is both a major fund and 53%, 55%, and 78% respectively, of the assets, net position, and revenues of the business-type activities.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Electric System, which represent 53%, 55%, and 78% respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included for Lexington Electric System, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and the schedule of funding progress on pages 94 through 95 and other required supplementary information on pages 96 through 104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2021, 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.



May 24, 2021

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

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, 2020. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 - 93.

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 94 - 104 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 105 - 118 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 \$83,922,066 at June 30, 2020.

CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 13,255,189	\$ 11,858,366	\$ 30,018,551	\$ 28,836,918	\$ 43,273,740	\$ 40,695,284
Capital Assets	26,772,901	26,122,060	83,866,269	77,336,730	110,639,170	103,458,790
Total Assets	<u>40,028,090</u>	<u>37,982,445</u>	<u>113,884,820</u>	<u>106,175,667</u>	<u>153,912,910</u>	<u>144,154,074</u>
Deferred outflows of resources	<u>963,700</u>	<u>937,743</u>	<u>882,667</u>	<u>898,986</u>	<u>1,846,367</u>	<u>1,836,729</u>
Long term liabilities	11,437,632	11,327,108	47,419,695	41,065,446	58,857,327	52,392,554
Other liabilities	589,932	694,860	5,437,221	6,031,916	6,027,153	6,726,776
Total liabilities	<u>12,027,564</u>	<u>12,021,968</u>	<u>52,856,916</u>	<u>47,097,362</u>	<u>64,884,480</u>	<u>59,119,330</u>
Deferred inflows of resources	<u>4,734,097</u>	<u>3,439,513</u>	<u>2,218,634</u>	<u>1,389,542</u>	<u>6,952,731</u>	<u>4,829,055</u>
Net Position:						
Net investment in capital assets	19,284,236	19,386,731	47,181,101	47,162,600	66,465,337	66,549,331
Restricted	1,635,409	1,035,788	10,223,495	4,369,003	11,858,904	5,404,791
Unrestricted	3,310,484	3,034,169	2,287,341	7,054,127	5,597,825	10,088,296
Total Net Position	<u>\$ 24,230,129</u>	<u>\$ 23,456,688</u>	<u>\$ 59,691,937</u>	<u>\$ 58,585,730</u>	<u>\$ 83,922,066</u>	<u>\$ 82,042,418</u>

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 \$483,249 which is compared to an increase in the prior year of \$375,011. This increase in net position from the prior year to the current year is primarily due to a decrease in the cost of natural gas purchases and overall expenses.
- The City's Water Systems Fund had an increase of net position of \$1,333,562 compared to a decrease in the prior year of \$294,100. This increase in net position from the prior year to the current year is primarily due to capital contributions from grant revenues and an increase in charges for services.
- The City's Electric Department had a decrease in net position of \$710,604 compared to an increase in the prior year of \$869,902. This decrease in net position from the prior year to the current year is primarily due to a decrease in charges for services.

The following table provides a summary of the City's operations for the year ended June 30, 2020, with comparative totals for the year ended June 30, 2019.

CITY OF LEXINGTON'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>TOTAL</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,458,294	\$ 1,490,947	\$ 59,341,292	\$ 61,562,311	\$ 60,799,586	\$ 63,053,258
Operating grants and contributions	8,736,582	8,224,900	-	-	8,736,582	8,224,900
Capital grants and contributions	389,953	564,535	-	-	389,953	564,535
General revenues:						
Property taxes	2,233,874	2,251,212	-	-	2,233,874	2,251,212
In-lieu of property taxes	115,600	133,759	-	-	115,600	133,759
Public service taxes	133,275	134,246	-	-	133,275	134,246
Sales taxes	5,020,370	4,740,223	-	-	5,020,370	4,740,223
Investment earnings	94,834	125,041	179,263	243,149	274,097	368,190
Insurance recovery	125,389	180,007	49,716	-	175,105	180,007
Gain(loss) on sale of capital assets	(163,223)	(75,890)	33,103	45,032	(130,120)	(30,858)
Bond issue costs	(126,010)	20,819	(136,991)	-	(263,001)	20,819
Miscellaneous	134,005	124,940	94,391	2,661	228,396	127,601
Total revenues	<u>18,152,943</u>	<u>17,914,739</u>	<u>59,560,774</u>	<u>61,853,153</u>	<u>77,713,717</u>	<u>79,767,892</u>
						75,813,617
Expenses:						
General government and administration	1,859,697	3,171,472	-	-	1,859,697	3,171,472
Public safety	3,707,082	3,603,912	-	-	3,707,082	3,603,912
Public works	2,514,668	2,377,076	-	-	2,514,668	2,377,076
Health, Welfare and Recreation	9,963,207	9,562,085	-	-	9,963,207	9,562,085
Economic development	274,867	530,947	-	-	274,867	530,947
Interest on long-term debt	172,254	197,331	-	-	172,254	197,331
Paying agent fees	-	20,957	-	-	-	20,957
Water Systems	-	-	6,205,926	6,525,282	6,205,926	6,525,282
Natural Gas	-	-	5,400,160	6,535,664	5,400,160	6,535,664
Electric Department	-	-	46,254,720	46,819,826	46,254,720	46,819,826
Total expenses	<u>18,491,775</u>	<u>19,463,780</u>	<u>57,860,806</u>	<u>59,880,772</u>	<u>76,352,581</u>	<u>79,344,552</u>
Increase (decrease) in net position before transfers and contributions	<u>(338,832)</u>	<u>(1,549,041)</u>	<u>1,699,968</u>	<u>1,972,381</u>	<u>1,361,136</u>	<u>423,340</u>
Transfers	1,098,229	1,085,838	(1,098,229)	(1,085,838)	-	-
Capital contributions	-	-	504,468	64,270	504,468	64,270
Increase (decrease) in net position	<u>759,397</u>	<u>(463,203)</u>	<u>1,106,207</u>	<u>950,813</u>	<u>1,865,604</u>	<u>487,610</u>
Net position at beginning of year, as originally stated	23,456,688	23,921,226	58,585,730	57,634,917	82,042,418	81,556,143
Inventory adjustment	14,044	(1,335)	-	-	14,044	(1,335)
Net position at beginning of year, as restated	<u>23,470,732</u>	<u>23,919,891</u>	<u>58,585,730</u>	<u>57,634,917</u>	<u>82,056,462</u>	<u>81,554,808</u>
Net position at end of year	<u>\$ 24,230,129</u>	<u>\$ 23,456,688</u>	<u>\$ 59,691,937</u>	<u>\$ 58,585,730</u>	<u>\$ 83,922,066</u>	<u>\$ 82,042,418</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$9,337,199 which is 10% above last year's total of \$8,523,887.

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, 2020, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2020	Percent of Total	June 30, 2019
Taxes	\$ 6,661,249	36.27%	\$ 6,382,800
Intergovernmental	9,978,641	54.33%	9,583,272
Licenses and permits	12,746	0.07%	23,096
Charges for services	1,108,125	6.03%	1,107,207
Fines and forfeitures	224,343	1.22%	252,050
Other revenues	380,807	2.07%	440,539
Total Revenues	\$ 18,365,911	100.00%	\$ 17,788,964

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

Expenditures	June 30, 2020	Percent of Total	June 30, 2019
General government	\$ 1,539,422	7.36%	\$ 1,328,974
Public Safety	3,378,250	16.15%	3,318,468
Public Works	2,309,494	11.04%	2,138,767
Health, welfare, and recreation	9,474,960	45.31%	9,246,217
Economic development	274,867	1.31%	530,947
Capital outlay	2,696,250	12.89%	1,191,873
Debt Service	1,240,360	5.93%	1,128,109
Total Expenditures	\$ 20,913,603	100.00%	\$ 18,883,355

Expenditures increased 11% from the prior year to the current year.

General Fund Budgetary Highlights

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2020, the City had \$110,639,172 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 \$7,180,380, or 6.5% over the prior year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$44,577,419 in outstanding long-term debt compared to \$37,230,863 last year. Of the total outstanding debt 16% belongs to the Governmental funds, 8% to the Gas Fund, 34% to the Water Systems Fund, and 42% to the Electric Department.

See Note 3.G for additional information.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Cody Wood
City Recorder

CITY OF LEXINGTON, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,249,679	\$ 14,083,960	\$ 22,333,639
Cash and cash equivalents - restricted	-	10,235,016	10,235,016
Investments	-	100,000	100,000
Receivables:			
Property taxes	2,331,235	-	2,331,235
Accounts receivable, net of allowance	112,136	2,940,535	3,052,671
Grant receivables	57,829	134,815	192,644
Other receivables	18,331	330,203	348,534
Internal balances	166,460	(166,460)	-
Due from other governments	1,188,683	-	1,188,683
Inventory	50,945	745,846	796,791
Hybrid retirement stabilization funds	24,672	-	24,672
Natural gas storage	-	325,467	325,467
Prepaid expenses	50,149	77,193	127,342
Net pension asset	1,005,070	-	1,005,070
Other assets	-	1,211,976	1,211,976
Capital assets:			
Land and construction in progress	3,688,282	7,640,588	11,328,870
Other capital assets, net of depreciation	23,084,619	76,225,681	99,310,300
TOTAL ASSETS	40,028,090	113,884,820	153,912,910
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on bond refunding	-	35,071	35,071
Deferred outflows - employee benefits	799,210	778,679	1,577,889
Deferred outflows - OPEB	164,490	68,917	233,407
	<u>963,700</u>	<u>882,667</u>	<u>1,846,367</u>
LIABILITIES			
Accounts payable and accrued expenses	571,441	3,672,083	4,243,524
Customer deposits	-	1,276,487	1,276,487
Unearned revenue	18,491	-	18,491
Compensated absences	-	488,651	488,651
Long-term liabilities:			
Advances from Home Installation Program	-	506,098	506,098
Net OPEB liability	1,199,791	4,233,590	5,433,381
Net Pension liability	1,200,313	3,549,136	4,749,449
Compensated absences	1,344,938	2,246,043	3,590,981
Landfill closure costs	203,925	-	203,925
Due within one year	658,614	2,046,358	2,704,972
Due in more than one year, net of unamortized premiums	6,830,051	34,838,470	41,668,521
TOTAL LIABILITIES	12,027,564	52,856,916	64,884,480
DEFERRED INFLOWS OF REVENUES			
Unavailable revenue - property taxes	2,244,245	-	2,244,245
Deferred inflows - employee benefits	2,253,667	2,144,443	4,398,110
Deferred inflows - OPEB	236,185	74,191	310,376
TOTAL DEFERRED INFLOWS OF REVENUES	4,734,097	2,218,634	6,952,731
NET POSITION			
Net investment in capital assets	19,284,236	47,181,101	66,465,337
Restricted for:			
Capital projects	-	8,131,175	8,131,175
Tank/hydrant maintenance	-	505,986	505,986
Sex offender	4,318	-	4,318
State Street Aid Fund	166,385	-	166,385
E-citation	5,147	-	5,147
School Food Service	103,497	-	103,497
Hybrid retirement stabilization funds	24,672	-	24,672
Solid Waste Collection	177,676	-	177,676
Police Drug Fund	148,644	-	148,644
Pensions	1,005,070	-	1,005,070
Debt service	-	1,586,334	1,586,334
Unrestricted	3,310,484	2,287,341	5,597,825
TOTAL NET POSITION	\$ 24,230,129	\$ 59,691,937	\$ 83,922,066

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, 2020**

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 1,859,697	\$ 123,320	\$ 307,544	\$ -	\$ (1,428,833)	\$ -	\$ (1,428,833)
Public Safety	3,707,082	244,228	213,608	307,213	(2,942,033)	-	(2,942,033)
Public Works	2,514,668	906,373	398,202	12,600	(1,197,493)	-	(1,197,493)
Health, Welfare and Recreation	9,963,207	181,000	7,652,328	-	(2,129,879)	-	(2,129,879)
Economic Development	274,867	3,373	164,900	70,140	(36,454)	-	(36,454)
Interest on long-term debt	172,254	-	-	-	(172,254)	-	(172,254)
Business-type activities:							
Gas Fund	5,400,160	5,802,699	-	-	-	402,539	402,539
Water Systems Fund	6,205,926	7,190,894	-	504,468	-	1,489,436	1,489,436
Electric Department	46,254,720	46,347,699	-	-	-	92,979	92,979
Total business-type activities	57,860,806	59,341,292	-	504,468	-	1,984,954	1,984,954
Total government	\$ 76,352,581	\$ 60,799,586	\$ 8,736,582	\$ 894,421	(7,906,946)	1,984,954	(5,921,992)
General revenues:							
Taxes:							
Property					2,233,874	-	2,233,874
In-lieu of taxes					115,600	-	115,600
Public service taxes					133,275	-	133,275
Sales					5,020,370	-	5,020,370
Investment earnings					94,834	179,263	274,097
Insurance recovery					125,389	49,716	175,105
Gain (loss) on sale/retirement of capital assets					(163,223)	33,103	(130,120)
Miscellaneous					134,005	94,391	228,396
Bond issue cost					(126,010)	(136,991)	(263,001)
Transfer in - in lieu of taxes					1,098,229	(1,098,229)	-
					<u>8,666,343</u>	<u>(878,747)</u>	<u>7,787,596</u>
					<u>759,397</u>	<u>1,106,207</u>	<u>1,865,604</u>
Net position - beginning, as originally stated					23,456,688	58,585,730	82,042,418
Inventory adjustment - school food service fund					14,044	-	14,044
Net position - beginning, as restated					<u>23,470,732</u>	<u>58,585,730</u>	<u>82,056,462</u>
Net position - ending					<u>\$ 24,230,129</u>	<u>\$ 59,691,937</u>	<u>\$ 83,922,066</u>

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

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	General Purpose School Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 4,336,751	\$ 1,492,887	\$ 2,420,041	\$ 8,249,679
Taxes receivable	2,331,235	-	-	2,331,235
Accounts receivable	112,136	-	-	112,136
Grant receivable	57,829	-	-	57,829
Other receivables	-	-	18,331	18,331
Inventory	-	-	50,945	50,945
Hybrid retirement stabilization funds	-	24,672	-	24,672
Due from other governments	778,950	75,841	333,892	1,188,683
Due from other funds	593,000	-	112,598	705,598
Prepaid expenses	46,768	-	3,381	50,149
TOTAL ASSETS	\$ 8,256,669	\$ 1,593,400	\$ 2,939,188	\$ 12,789,257
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 271,176	\$ -	\$ 1,321	\$ 272,497
Accrued expenses	180,732	103,532	6,433	290,697
Unearned revenue - other	-	-	18,491	18,491
Due to other funds	109,196	-	429,942	539,138
TOTAL LIABILITIES	561,104	103,532	456,187	1,120,823
DEFERRED INFLOWS OF REVENUES				
Unavailable revenue - property taxes	2,331,235	-	-	2,331,235
TOTAL DEFERRED INFLOWS OF REVENUES	2,331,235	-	-	2,331,235
FUND BALANCE				
Nonspendable				
Inventory	-	-	50,945	50,945
Prepaid expenses	46,768	-	3,381	50,149
Restricted for:				
Sex offender	4,318	-	-	4,318
State street aid	-	-	166,385	166,385
E-citation	-	-	5,147	5,147
School food authority	-	-	103,497	103,497
Hybrid retirement stabilization funds	-	24,672	-	24,672
Drug fund	-	-	148,644	148,644
Solid Waste Collection	-	-	177,676	177,676
Committed:				
Rainy Day fund	2,749,485	-	-	2,749,485
Shop with Cops	10,756	-	-	10,756
Assigned				
Special revenue funds	-	-	645,458	645,458
Capital projects	-	-	1,181,868	1,181,868
Unassigned				
General fund	2,553,003	-	-	2,553,003
Education	-	(3,594)	-	(3,594)
General purpose school fund	-	1,468,790	-	1,468,790
TOTAL FUND BALANCES	5,364,330	1,489,868	2,483,001	9,337,199
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES	\$ 8,256,669	\$ 1,593,400	\$ 2,939,188	\$ 12,789,257

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, 2020**

Total fund balance - total governmental funds	\$	9,337,199
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		26,772,901
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		86,990
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		1,005,070
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(1,200,313)
Net OPEB liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.		(1,199,791)
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.		(1,454,457)
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.		(71,695)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.		(8,247)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		<u>(9,037,528)</u>
Net position of governmental activities	\$	<u><u>24,230,129</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, 2020

	<u>General</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes				
Property taxes	\$ 2,233,432	\$ -	\$ -	\$ 2,233,432
Penalty and interest	10,678	-	-	10,678
In lieu of taxes	21,286	-	-	21,286
Sales	1,853,219	-	1,537,274	3,390,493
Beer tax	378,120	-	-	378,120
Business	249,808	-	-	249,808
Liquor tax	-	-	200,196	200,196
Franchise	133,275	-	-	133,275
Hotel/motel tax	41,136	-	-	41,136
Privilege	2,825	-	-	2,825
Intergovernmental revenues	2,010,785	7,304,440	663,416	9,978,641
Licenses and permits	12,746	-	-	12,746
Charges for services	176,909	-	931,216	1,108,125
Fines, forfeits, and penalties	193,767	-	30,576	224,343
Other revenues	152,331	145,849	82,627	380,807
Total revenues	<u>7,470,317</u>	<u>7,450,289</u>	<u>3,445,305</u>	<u>18,365,911</u>
Expenditures				
Current:				
General government	1,539,422	-	-	1,539,422
Public safety	3,359,719	-	18,531	3,378,250
Public works	1,201,064	-	1,108,430	2,309,494
Health, welfare, and recreation	636,606	8,296,899	541,455	9,474,960
Economic development	217,483	-	57,384	274,867
Capital outlay	1,692,018	-	1,004,232	2,696,250
Debt service:				
Principal payments	54,437	45,232	827,035	926,704
Interest payments	26,644	6,133	154,869	187,646
Other debt costs	13,634	-	112,376	126,010
Total expenditures	<u>8,741,027</u>	<u>8,348,264</u>	<u>3,824,312</u>	<u>20,913,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,270,710)</u>	<u>(897,975)</u>	<u>(379,007)</u>	<u>(2,547,692)</u>
Other financing sources (uses)				
Transfers in	1,098,229	1,063,000	1,125,130	3,286,359
Transfers out	(780,433)	-	(1,407,697)	(2,188,130)
Proceeds from sale of bonds	755,000	-	5,285,000	6,040,000
Premiums on bonds	21,160	-	100,743	121,903
Bonds refunded	-	-	(4,480,000)	(4,480,000)
Insurance recoveries	114,501	-	-	114,501
Proceeds from sale of general capital assets	439,702	-	12,625	452,327
Total other financing sources (uses)	<u>1,648,159</u>	<u>1,063,000</u>	<u>635,801</u>	<u>3,346,960</u>
Net Change in Fund Balances	<u>377,449</u>	<u>165,025</u>	<u>256,794</u>	<u>799,268</u>
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	4,986,881	1,324,843	2,212,163	8,523,887
Inventory adjustment	-	-	14,044	14,044
FUND BALANCE AT BEGINNING OF YEAR, as restated	<u>4,986,881</u>	<u>1,324,843</u>	<u>2,226,207</u>	<u>8,537,931</u>
FUND BALANCE AT END OF YEAR	<u>\$ 5,364,330</u>	<u>\$ 1,489,868</u>	<u>\$ 2,483,001</u>	<u>\$ 9,337,199</u>

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

CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds	\$	799,268
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.		
		2,696,250
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.		
		(1,429,859)
Net effect of asset disposal.		
		(615,550)
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.		
		66,159
The net proceeds from bond sales over repayments increases the current financial resources of governmental funds. However, it has no effect on net position.		
		(633,296)
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.		
		(124,017)
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.		
		442
Change in net position of governmental activities	\$	759,397

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Taxes				
Property taxes - current	\$ 2,100,000	\$ 2,163,441	\$ 2,171,816	\$ 8,375
Property taxes - delinquent	79,000	55,922	61,616	5,694
Penalties and interest	15,000	9,228	10,678	1,450
In lieu of taxes:				
Lexington Housing Authority	42,945	21,280	21,286	6
Local sales tax	1,756,150	1,726,610	1,853,219	126,609
Local beer tax	346,595	340,270	378,120	37,850
Business tax	278,100	244,360	249,808	5,448
Franchise tax	140,080	131,570	133,275	1,705
Hotel/motel tax	37,595	38,490	41,136	2,646
Privilege tax	2,675	2,670	2,825	155
Total taxes	4,798,140	4,733,841	4,923,779	189,938
Intergovernmental				
TVA payments in lieu of taxes	90,290	94,314	94,314	-
State fire education	7,800	11,200	11,200	-
State law enforcement grant	23,200	23,200	23,200	-
Police - vest grant	-	550	275	(275)
Police grant - network coordinator	-	19,440	16,206	(3,234)
Police grant - DUI traffic	-	32,170	37,831	5,661
Police grant - OCJPDV investigator	76,795	59,039	47,911	(11,128)
Police grant - OCDETF Grant	-	-	10,313	10,313
Police grant - COPS Grant	-	36,588	-	(36,588)
Fire assistance II grant	-	11,813	11,813	-
Forestry assistance	-	3,000	3,000	-
FEMA firefighter 18	-	-	154,004	154,004
Volunteer fire grant	-	-	12,672	12,672
Downtown audio grant	-	-	15,000	15,000
Community development grant	303,000	352,914	307,544	(45,370)
2017 ECD SDG Sewer I	-	149,900	149,900	-
ECD 2020 Sit	-	-	36,900	36,900
TDEC LPRF	-	-	12,397	12,397
Farmers market	-	-	17,936	17,936
Multimodal grant phase II	-	-	2,907	2,907
1033 grant	-	-	150,209	150,209
Sidewalks	740,000	2,190	-	(2,190)
State of Tennessee				
- Sales tax allocation	681,000	638,430	697,136	58,706
- Telecommunication tax	-	-	6,198	6,198
- Telecommunication privileged tax	-	-	297	297
- Income tax allocation	39,000	30,520	22,756	(7,764)
- Beer tax allocation	3,826	3,540	3,584	44
- Mixed drink tax	9,500	9,670	9,020	(650)
- Petroleum special	15,300	13,670	15,192	1,522
- Street maintenance	91,710	154,150	111,069	(43,081)
- Excise tax	28,000	18,800	18,801	1
Grants from Local Governments				
- Crimestoppers	1,200	1,200	1,200	-
- County recreation grant	10,000	10,000	10,000	-
- Other miscellaneous grants	-	70,000	-	(70,000)
Total intergovernmental revenues	2,120,621	1,746,298	2,010,785	264,487
Licenses and permits				
Beer licenses	750	750	750	-
Building permits	25,000	13,610	11,546	(2,064)
Other permits	1,000	480	450	(30)
Total licenses and permits	26,750	14,840	12,746	(2,094)

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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (continued)				
Charges for services				
Clerk's fees - business tax	38,625	36,260	36,174	(86)
Accident report filing fees	2,500	3,190	3,159	(31)
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	1,000	1,650	1,400	(250)
Community policing	2,500	2,689	3,558	869
Mowing and lot cleanup	1,000	1,850	1,992	142
Street repair charges	60,000	31,580	37,396	5,816
Parks and recreation charges	13,000	3,183	8,230	5,047
Total charges for services	<u>203,625</u>	<u>165,402</u>	<u>176,909</u>	<u>11,507</u>
City court fines and costs	<u>213,785</u>	<u>193,154</u>	<u>193,767</u>	<u>613</u>
Other revenues				
Interest income	54,000	43,340	38,617	(4,723)
Donations	1,000	300	300	-
Contributions - homeowners	4,000	1,000	1,000	-
Shop with a cop donations	10,000	16,020	15,426	(594)
Community center revenue	8,650	1,430	1,330	(100)
Rent income	74,400	74,400	74,400	-
Sales of cemetery lots	15,000	7,680	10,800	3,120
Sales of other materials	4,750	5,933	6,451	518
Miscellaneous income	2,000	8,720	4,007	(4,713)
Total other revenue	<u>173,800</u>	<u>158,823</u>	<u>152,331</u>	<u>(6,492)</u>
Total revenues	<u>7,536,721</u>	<u>7,012,358</u>	<u>7,470,317</u>	<u>457,959</u>
Expenditures				
General government				
General				
Salaries	84,503	84,114	84,563	(449)
Employee benefits	303,850	304,058	291,919	12,139
Memberships	3,500	3,600	3,000	600
Election payroll	10,000	8,205	8,205	-
Legal services	2,000	-	-	-
Operating expenses	23,500	20,970	21,509	(539)
Other operating expenses	21,050	18,415	17,417	998
Insurance	165,110	207,740	164,168	43,572
Home grant - repairs	290,500	335,714	292,844	42,870
Home grant - consultant services	16,500	18,700	16,200	2,500
Capital outlay	20,000	5,606	5,442	164
Total general	<u>940,513</u>	<u>1,007,122</u>	<u>905,267</u>	<u>101,855</u>
Judicial				
Salaries	12,000	12,000	12,000	-
Total judicial	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>

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

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	326,486	331,180	329,336	1,844
Employee benefits	45,075	37,802	37,731	71
Insurance	140	130	105	25
Office expense	21,500	20,100	15,204	4,896
Professional fees	63,600	69,660	62,351	7,309
Membership and dues	450	760	654	106
Repair and maintenance	6,850	2,770	3,750	(980)
Other operating expenses	156,150	45,900	140,188	(94,288)
ADA project	35,000	25,254	25,254	-
Total city recorder	655,251	533,556	614,573	(81,017)
City Hall				
Utilities	15,204	14,460	13,024	1,436
Total general government	1,622,968	1,567,138	1,544,864	22,274
Public safety				
Police department				
Salary	1,732,301	1,698,009	1,689,937	8,072
Employee benefits	342,285	299,002	271,635	27,367
Utilities	38,325	36,370	33,531	2,839
Repair and maintenance	32,000	21,940	21,114	826
Memberships and dues	2,800	2,140	1,780	360
Supplies	60,599	32,650	28,906	3,744
Travel	8,500	4,430	4,070	360
Uniforms and clothing	11,322	10,970	17,237	(6,267)
Gas, oil, and diesel	68,750	57,870	54,487	3,383
Insurance	1,000	540	338	202
Equipment rental	7,000	5,430	5,246	184
Office expense	74,625	72,880	68,886	3,994
Community - shop with a cop	10,000	11,162	11,162	-
STOP	-	62,649	62,981	(332)
Other grant expenses	-	1,560	1,560	-
Capital outlay - 1033 equipment	-	7,000	155,006	(148,006)
Capital outlay	190,000	189,925	205,203	(15,278)
Total police department	2,579,507	2,514,527	2,633,079	(118,552)
Fire department				
Salaries	768,617	785,047	763,898	21,149
Employee benefits	133,770	119,790	109,069	10,721
Volunteer firemen benefits	10,000	(1,180)	5,661	(6,841)
Utilities	47,700	48,830	44,922	3,908
Memberships	600	1,300	1,633	(333)
Public relations	1,000	-	-	-
Data processing	1,980	2,000	1,807	193
Repair and maintenance	32,400	24,237	22,989	1,248
Supplies	16,240	8,640	10,127	(1,487)
Clothing and uniforms	6,790	7,790	6,491	1,299
Gas, oil, diesel	15,950	13,670	13,149	521
Insurance	500	480	397	83
Travel	4,000	1,940	2,239	(299)
Small equipment	40,000	21,690	23,286	(1,596)
Equipment rent	3,024	1,990	2,115	(125)
Capital outlay	751,880	967,322	967,472	(150)
Total fire department	1,834,451	2,003,546	1,975,255	28,291
Building inspector				
Salaries	64,746	66,304	64,649	1,655
Employee benefits	10,400	9,680	8,519	1,161
Insurance	30	30	21	9
Other operating expenses	15,905	5,980	5,877	103
Total building inspector	91,081	81,994	79,066	2,928
Total public safety	4,505,039	4,600,067	4,687,400	(87,333)

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, 2020**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	586,816	440,084	383,339	56,745
Employee benefits	109,960	92,030	84,570	7,460
Utilities	12,810	15,630	14,088	1,542
Street lighting	38,325	38,160	34,189	3,971
Repair and maintenance	357,100	433,940	365,475	68,465
Repair and maintenance - equipment	10,000	17,410	16,694	716
Clothing and uniforms	4,150	4,870	4,525	345
Gas, oil, diesel	32,500	28,320	27,617	703
Small equipment	1,000	1,190	1,293	(103)
Operating supplies	15,150	10,710	9,826	884
Insurance	450	440	366	74
Capital outlay	-	129,324	129,324	-
Total highways and streets	1,168,261	1,212,108	1,071,306	140,802
Garage				
Salaries	146,243	146,287	143,298	2,989
Employee benefits	49,165	38,860	48,528	(9,668)
Repair and maintenance	6,400	4,240	3,776	464
Supplies	17,610	19,050	16,867	2,183
Utilities	4,830	5,310	4,702	608
Capital outlay	-	17,938	20,122	(2,184)
Total garage	224,248	231,685	237,293	(5,608)
Animal control				
Contract labor	36,000	31,667	38,083	(6,416)
Total animal control	36,000	31,667	38,083	(6,416)
Sanitation				
Landfill closure	5,500	3,827	3,828	(1)
Total public works	1,434,009	1,479,287	1,350,510	128,777
Health, welfare, and recreation				
Appropriations				
Library	31,900	35,900	-	35,900
Library utilities	5,940	10,111	4,612	5,499
Senior Citizens	12,000	12,000	12,000	-
Rescue Squad	2,500	2,500	2,500	-
Easter Seals	1,500	1,500	1,500	-
Christmas parade	500	500	500	-
Carl Perkins Center	1,725	1,725	1,725	-
Lexington scholarship	500	500	500	-
Hope utilities	7,350	6,819	6,607	212
Project Graduation	1,200	1,200	1,200	-
Animal Shelter	5,000	5,000	5,000	-
BRWDA	10,000	10,000	10,000	-
Regional airport	52,939	52,939	52,939	-
General	3,500	2,400	2,400	-
Total appropriations	136,554	143,094	101,483	41,611

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Museum				
Salaries	19,010	18,758	18,758	-
Employee benefits	1,454	1,205	1,435	(230)
Unemployment insurance	28	30	24	6
Public relations	1,000	-	-	-
Utilities	5,775	5,140	4,638	502
Repair and maintenance	6,000	4,150	3,458	692
Telephone	1,397	1,570	1,526	44
Security system	693	526	526	-
Operating costs	500	90	71	19
Janitorial costs	250	80	114	(34)
Total museum	<u>36,107</u>	<u>31,549</u>	<u>30,550</u>	<u>999</u>
Civic center				
Utilities	25,725	13,530	11,860	1,670
Repair and maintenance	30,500	183,526	190,413	(6,887)
Operating costs	500	1,340	1,191	149
Janitorial costs	2,000	580	501	79
Capital outlay	-	5,500	-	5,500
Total civic center	<u>58,725</u>	<u>204,476</u>	<u>203,965</u>	<u>511</u>
Parks				
Salaries	191,369	159,173	159,025	148
Employee benefits	39,620	32,450	29,864	2,586
Repair and maintenance	43,300	45,900	44,929	971
Utilities	50,111	56,360	49,240	7,120
Insurance	400	190	155	35
Other operating expenses	20,850	17,120	17,395	(275)
Capital outlay	50,000	32,918	34,918	(2,000)
Total parks	<u>395,650</u>	<u>344,111</u>	<u>335,526</u>	<u>8,585</u>
Total health, welfare, and recreation	<u>627,036</u>	<u>723,230</u>	<u>671,524</u>	<u>51,706</u>
Economic development				
State plan service	15,000	14,107	14,107	-
Professional fees	17,000	2,950	17,950	(15,000)
Architectural engineering and land	9,000	10,184	10,184	-
Legal	6,500	-	-	-
WTRBA Membership	2,000	2,000	2,000	-
Tourism advertising	1,000	310	359	(49)
Travel	3,000	-	-	-
Industrial development	24,000	266,003	150,607	115,396
Meals & entertainment	1,000	-	-	-
Miscellaneous	32,500	21,707	21,775	(68)
Small assets	-	421	501	(80)
Capital outlay	780,000	137,964	174,531	(36,567)
Total economic development	<u>891,000</u>	<u>455,646</u>	<u>392,014</u>	<u>63,632</u>
Debt service				
Principal payments	114,861	114,861	54,437	60,424
Interest payments	26,644	26,644	26,644	-
Paying agent fees	1,000	-	13,634	(13,634)
Total debt service	<u>142,505</u>	<u>141,505</u>	<u>94,715</u>	<u>46,790</u>
Total expenditures	<u>9,222,557</u>	<u>8,966,873</u>	<u>8,741,027</u>	<u>225,846</u>

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

**CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	(1,685,836)	(1,954,515)	(1,270,710)	683,805
Other financing sources (uses)				
Transfers in	1,085,036	1,070,999	1,098,229	27,230
Transfers out	(719,066)	(681,424)	(780,433)	(99,009)
Proceeds from sale of bonds	700,000	755,000	755,000	-
Premium on refunding bonds issued	-	21,160	21,160	-
Insurance recoveries	20,000	59,209	114,501	55,292
Sale of general fixed assets	400,000	373,858	439,702	65,844
Total other financing sources (uses)	1,485,970	1,598,802	1,648,159	49,357
Net change in fund balance	(199,866)	(355,713)	377,449	733,162
Fund Balance at Beginning of Year	4,986,881	4,986,881	4,986,881	-
Fund Balance at End of Year	<u>\$ 4,787,015</u>	<u>\$ 4,631,168</u>	<u>\$ 5,364,330</u>	<u>\$ 733,162</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Less: Encumbrances 7/1/2019</u>	<u>Add: Encumbrances 6/30/2020</u>	<u>Actual Revenues/ Expenditures (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>					
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Current year tax levy	\$ 435,000	\$ 435,000	\$ 447,475	\$ -	\$ -	\$ 447,475	\$ 12,475
Prior year tax receipts	15,500	15,500	15,896	-	-	15,896	396
Mixed drink tax	100	100	489	-	-	489	389
Local sales tax	725,000	725,000	782,560	-	-	782,560	57,560
Bank excise tax	4,000	4,000	1,488	-	-	1,488	(2,512)
Marriage licenses	300	300	289	-	-	289	(11)
Interstate telecommunication taxes	350	350	-	-	-	-	(350)
Other	7,800	7,800	8,440	-	-	8,440	640
State funds							
Basic education program	4,920,500	4,920,500	4,940,000	-	-	4,940,000	19,500
Basic education program salary equity	76,985	76,985	76,984	-	-	76,984	(1)
Early childhood education	203,390	203,390	203,390	-	-	203,390	-
Portfolio	-	-	2,000	-	-	2,000	2,000
Student management	-	-	1,246	-	-	1,246	1,246
Safe schools	89,130	89,130	89,130	-	-	89,130	-
Coordinated School Health	92,000	92,000	92,000	-	-	92,000	-
Career ladder	26,000	26,000	20,057	-	-	20,057	(5,943)
Federal funds							
Title I grants	274,170	274,170	245,154	-	-	245,154	(29,016)
Title IIA grants	35,856	35,856	35,491	-	-	35,491	(365)
Title 4A grants	21,078	21,078	21,729	-	-	21,729	651
Title VI grants	-	-	15,783	-	-	15,783	15,783
IDEA basic grant	278,978	278,978	271,801	-	-	271,801	(7,177)
IDEA preschool	27,483	27,483	29,612	-	-	29,612	2,129
IDEA technology	5,110	5,110	2,847	-	-	2,847	(2,263)
English language acquisition grant	945	945	579	-	-	579	(366)
Total Intergovernmental revenues	<u>7,239,675</u>	<u>7,239,675</u>	<u>7,304,440</u>	<u>-</u>	<u>-</u>	<u>7,304,440</u>	<u>64,765</u>
Other revenues							
Interest income	4,700	4,700	7,824	-	-	7,824	3,124
Receipts from individual schools	76,925	76,925	76,013	-	-	76,013	(912)
On-behalf payments	50,000	50,000	38,679	-	-	38,679	(11,321)
Insurance recovery	6,888	6,888	10,888	-	-	10,888	4,000
Miscellaneous revenues	2,500	2,500	12,445	-	-	12,445	9,945
Total other revenues	<u>141,013</u>	<u>141,013</u>	<u>145,849</u>	<u>-</u>	<u>-</u>	<u>145,849</u>	<u>4,836</u>
Total Revenues	<u>7,380,688</u>	<u>7,380,688</u>	<u>7,450,289</u>	<u>-</u>	<u>-</u>	<u>7,450,289</u>	<u>69,601</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, 2020**

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2019	Add: Encumbrances 6/30/2020	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
	Instruction						
Regular instruction program							
Teachers	2,175,541	2,224,307	2,213,510	-	-	2,213,510	10,797
Career ladder program	11,000	11,000	10,000	-	-	10,000	1,000
Homebound teachers	-	220	220	-	-	220	-
Educational assistants	164,289	161,248	154,146	-	-	154,146	7,102
Bonus payments	66,000	92,028	91,028	-	-	91,028	1,000
Certified substitute teachers	24,000	19,000	18,885	-	-	18,885	115
Non-certified substitute teachers	30,000	22,500	22,169	-	-	22,169	331
Social security	151,229	146,803	141,995	-	-	141,995	4,808
Administrative costs	2,750	50	-	-	-	-	50
State retirement	239,018	236,974	224,758	-	-	224,758	12,216
Life insurance	6,120	6,120	5,462	-	-	5,462	658
Medical insurance	404,541	389,541	389,267	-	-	389,267	274
Dental insurance	6,762	5,846	5,671	-	-	5,671	175
Unemployment compensation	4,150	4,150	2,132	-	-	2,132	2,018
Local retirement	9,857	7,857	7,109	-	-	7,109	748
Employer medicare	35,703	34,422	33,453	-	-	33,453	969
On-behalf payments	-	50,000	38,679	-	-	38,679	11,321
Maintenance and repair services - equipmer	1,000	100	-	-	-	-	100
Other contracted services	4,000	4,000	52,779	-	-	52,779	(48,779)
Instructional supplies	37,233	35,933	33,263	-	-	33,263	2,670
Textbooks	30,000	126,979	126,978	-	-	126,978	1
Software	75,750	71,750	22,613	-	-	22,613	49,137
Other supplies and materials	9,000	7,000	6,819	-	-	6,819	181
Other charges	3,000	200	-	-	-	-	200
Regular instruction equipment	139,052	139,352	139,342	-	-	139,342	10
Indirect cost	6,119	6,119	5,698	-	-	5,698	421
Total regular instruction program	3,636,114	3,803,499	3,745,976	-	-	3,745,976	57,523
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	327,988	332,330	332,330	-	-	332,330	-
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Educational assistants	148,855	149,650	149,563	-	-	149,563	87
Speech pathology	48,900	49,000	49,000	-	-	49,000	-
Certified substitute teachers	2,000	1,425	1,425	-	-	1,425	-
Non-certified substitute teachers	4,500	4,960	4,960	-	-	4,960	-
Social security	32,996	31,169	30,672	-	-	30,672	497
State retirement	40,063	40,236	40,071	-	-	40,071	165
Medical insurance	94,069	88,715	86,964	-	-	86,964	1,751
Dental insurance	1,656	1,656	1,326	-	-	1,326	330
Unemployment compensation	920	920	823	-	-	823	97
Local retirement	7,184	7,125	6,835	-	-	6,835	290
Employer medicare	7,717	7,717	7,088	-	-	7,088	629
Other contracted services	10,000	36	-	-	-	-	36
Food supplies	1,673	1,266	297	-	-	297	969
Instructional supplies	-	6,310	2,847	-	-	2,847	3,463
Other supplies and materials	750	783	783	-	-	783	-
Total special education	730,271	724,298	715,984	-	-	715,984	8,314
Student body education							
Other salaries and wages	84,150	85,300	85,300	-	-	85,300	-
Social security	5,204	4,685	4,679	-	-	4,679	6
State retirement	8,923	8,839	8,083	-	-	8,083	756
Medical insurance	17,456	17,766	17,766	-	-	17,766	-
Dental insurance	276	246	245	-	-	245	1
Unemployment compensation	100	83	81	-	-	81	2
Employer medicare	1,217	1,107	1,094	-	-	1,094	13
Travel	500	-	-	-	-	-	-
Other contracted services	12,000	12,000	12,000	-	-	12,000	-
Other charges	6,000	6,200	6,200	-	-	6,200	-
Total student body education	135,826	136,226	135,448	-	-	135,448	778
Total instruction	4,528,211	4,690,023	4,623,408	-	-	4,623,408	66,615

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, 2020**

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2019	Add: Encumbrances 6/30/2020	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Support services							
Attendance							
Postal charges	300	300	-	-	-	-	300
Other contracted services	3,500	4,958	4,958	-	-	4,958	-
Other supplies and materials	500	-	-	-	-	-	-
Inservice/staff development	2,000	1,542	1,429	-	-	1,429	113
Other charges	500	-	-	-	-	-	-
Total attendance	6,800	6,800	6,387	-	-	6,387	413
Health instruction program							
Supervisor/directors	59,355	59,355	59,355	-	-	59,355	-
Medical personnel	67,500	70,261	70,261	-	-	70,261	-
Other salaries	8,313	8,313	8,313	-	-	8,313	-
Social security	8,454	7,378	7,378	-	-	7,378	-
State retirement	6,309	6,309	6,309	-	-	6,309	-
Health insurance	26,546	26,009	26,009	-	-	26,009	-
Dental insurance	276	264	237	-	-	237	27
Unemployment insurance	200	213	213	-	-	213	-
Local retirement	3,447	1,735	1,734	-	-	1,734	1
Employer medicare	1,982	1,807	1,726	-	-	1,726	81
Postal charges	100	-	-	-	-	-	-
Other supplies and materials	1,834	2,997	2,997	-	-	2,997	-
Inservice/staff development	1,124	1,499	1,499	-	-	1,499	-
Total health instruction program	185,440	186,140	186,031	-	-	186,031	109
Other student support							
Career ladder program	3,000	-	-	-	-	-	-
Guidance personnel	72,400	72,400	72,329	-	-	72,329	71
Assessment personnel	69,900	96,124	96,124	-	-	96,124	-
Social security	9,008	8,417	8,414	-	-	8,414	3
State retirement	15,445	14,745	14,265	-	-	14,265	480
Medical insurance	17,650	17,718	17,719	-	-	17,719	(1)
Dental insurance	276	276	186	-	-	186	90
Unemployment compensation	200	200	147	-	-	147	53
Employer medicare	2,110	2,349	2,349	-	-	2,349	-
Contracts with government agencies	87,500	71,100	71,055	-	-	71,055	45
Evaluation and testing	2,000	410	409	-	-	409	1
Other contracted services	-	12,750	12,750	-	-	12,750	-
Other supplies and materials	300	300	300	-	-	300	-
Other equipment	1,000	-	-	-	-	-	-
Total other student support	280,789	296,789	296,047	-	-	296,047	742
Regular instruction program							
Supervisor/Director	76,761	76,761	76,761	-	-	76,761	-
Career ladder program	4,000	4,000	3,000	-	-	3,000	1,000
Libraries	100,735	102,349	102,349	-	-	102,349	-
Other salaries	230,090	207,090	206,674	-	-	206,674	416
Social security	23,543	23,543	21,644	-	-	21,644	1,899
State retirement	40,465	40,532	40,504	-	-	40,504	28
Medical insurance	46,130	46,130	46,128	-	-	46,128	2
Dental insurance	552	663	648	-	-	648	15
Unemployment compensation	300	349	313	-	-	313	36
Employer medicare	5,968	5,967	5,175	-	-	5,175	792
Consultants	3,000	591	-	-	-	-	591
Dues and memberships	1,000	1,000	138	-	-	138	862
Travel	500	500	89	-	-	89	411
Other contracted services	29,000	40,569	36,569	-	-	36,569	4,000
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	11,000	11,000	9,564	-	-	9,564	1,436
Inservice/staff development	18,304	28,481	24,291	-	-	24,291	4,190
Other charges	300	1,200	614	-	-	614	586
Other equipment	1,269	1,269	1,269	-	-	1,269	-
Total regular instruction program	601,917	600,994	584,730	-	-	584,730	16,264

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, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2019	Add: Encumbrances 6/30/2020	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services(continued)							
Special Education							
Supervisor/directors	27,405	27,707	27,708	-	-	27,708	(1)
Social security	23,150	23,200	23,200	-	-	23,200	-
State retirement	3,134	3,090	3,090	-	-	3,090	-
Medical insurance	5,374	5,033	4,562	-	-	4,562	471
Unemployment compensation	3,167	3,167	3,167	-	-	3,167	-
Employer medicare	69	94	94	-	-	94	-
Other contracted services	50	42	42	-	-	42	-
Other supplies and materials	733	723	723	-	-	723	-
Inservice/staff development	9,000	20,722	20,722	-	-	20,722	-
Inservice/staff development	1,500	4,569	4,345	-	-	4,345	224
Total special education	73,582	88,347	87,653	-	-	87,653	694
Technology							
Supervisor/directors	52,520	52,662	52,662	-	-	52,662	-
Data processing personnel	30,300	47,184	47,184	-	-	47,184	-
Social security	5,134	5,538	5,538	-	-	5,538	-
Medical insurance	15,389	15,389	15,388	-	-	15,388	1
Dental insurance	276	276	249	-	-	249	27
Unemployment compensation	100	114	114	-	-	114	-
Local retirement	4,969	5,440	5,440	-	-	5,440	-
Employer medicare	1,198	1,295	1,295	-	-	1,295	-
Dues and memberships	200	60	60	-	-	60	-
Repair and maintenance - equipment	7,000	2,402	2,402	-	-	2,402	-
Internet connectivity	27,650	27,290	27,288	-	-	27,288	2
Travel	1,000	110	103	-	-	103	7
Other contracted services	52,350	58,034	58,025	-	-	58,025	9
Software	-	3,007	3,007	-	-	3,007	-
Other supplies and materials	17,000	18,819	18,816	-	-	18,816	3
Inservice/staff development	3,000	1,960	1,960	-	-	1,960	-
Other charges	1,000	-	-	-	-	-	-
Other equipment	8,000	8,228	8,755	-	-	8,755	73
Total technology	227,086	248,408	248,286	-	-	248,286	122
Total support services	1,375,614	1,427,478	1,409,134	-	-	1,409,134	18,344
General administration							
Board of education							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,823	1,753	1,749	-	-	1,749	4
Medical insurance	37,897	37,692	37,691	-	-	37,691	1
Dental insurance	-	388	388	-	-	388	-
Unemployment compensation	-	176	176	-	-	176	-
Employer medicare	426	416	409	-	-	409	7
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	9,345	7,195	7,188	-	-	7,188	7
Legal services	6,000	5,400	5,384	-	-	5,384	16
Printing, stationery, etc...	100	1,408	1,408	-	-	1,408	-
Travel	1,000	-	-	-	-	-	-
Other contracted services	5,000	13,217	12,360	-	-	12,360	857
Other supplies and materials	100	22	-	-	-	-	22
Liability insurance	12,500	12,550	12,550	-	-	12,550	-
Surety bonds	650	533	533	-	-	533	-
Trustee's commission	16,500	17,010	17,010	-	-	17,010	-
Workmans compensation	16,679	17,197	17,197	-	-	17,197	-
Inservice/staff development	3,000	200	183	-	-	183	17
Refunds to applicants	500	563	562	-	-	562	1
Other charges	8,000	8,000	8,000	-	-	8,000	-
Total board of education	173,920	178,120	177,188	-	-	177,188	932
Office of education							
County officials	95,000	98,200	97,765	-	-	97,765	435
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	5,890	6,086	6,086	-	-	6,086	-
State retirement	10,099	10,545	10,545	-	-	10,545	-
Medical insurance	-	3,702	3,702	-	-	3,702	-
Dental insurance	-	68	68	-	-	68	-
Unemployment compensation	60	60	42	-	-	42	18
Employer medicare	1,377	1,423	1,423	-	-	1,423	-
Communication	12,000	18,200	18,199	-	-	18,199	1
Dues and memberships	1,750	150	120	-	-	120	30
Postage	1,500	100	8	-	-	8	92
Travel	2,000	300	246	-	-	246	54
Other contracted services	1,000	100	-	-	-	-	100
Office supplies	3,000	900	820	-	-	820	80
Inservice/staff development	2,000	1,857	1,738	-	-	1,738	119
Other charges	2,500	4,985	4,985	-	-	4,985	-
Administrative equipment	1,000	-	-	-	-	-	-
Total office of education	140,176	147,676	146,747	-	-	146,747	929

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, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2019	Add: Encumbrances 6/30/2020	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of principal							
Principals	129,100	129,086	129,030	-	-	129,030	56
Career ladder program	3,000	2,000	2,000	-	-	2,000	-
Accountants and bookkeepers	44,465	47,815	47,815	-	-	47,815	-
Assistant principal	116,800	118,197	118,197	-	-	118,197	-
Clerical personnel	43,135	43,707	43,706	-	-	43,706	1
Social security	20,849	19,759	19,757	-	-	19,757	2
State retirement	26,111	26,493	26,493	-	-	26,493	-
Medical insurance	40,863	46,523	46,518	-	-	46,518	5
Dental insurance	552	624	624	-	-	624	-
Unemployment compensation	500	340	335	-	-	335	5
Local retirement	5,256	5,465	5,465	-	-	5,465	-
Employer medicare	4,876	4,626	4,621	-	-	4,621	5
Dues and memberships	2,000	1,500	1,500	-	-	1,500	-
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	50	37	-	-	37	13
Other contracted services	1,200	2,122	2,122	-	-	2,122	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	1,140	1,135	-	-	1,135	5
Other charges	1,325	2,085	2,085	-	-	2,085	-
Administrative equipment	1,000	900	897	-	-	897	3
Total office of principal	<u>446,032</u>	<u>455,432</u>	<u>455,337</u>	<u>-</u>	<u>-</u>	<u>455,337</u>	<u>95</u>
Fiscal services							
Accountants and bookkeepers	97,103	97,103	96,036	-	-	96,036	1,067
Purchasing personnel	48,304	48,304	48,303	-	-	48,303	1
Clerical personnel	25,532	25,549	25,549	-	-	25,549	-
Other salaries and wages	1,000	1,000	-	-	-	-	1,000
Social security	10,660	9,660	9,514	-	-	9,514	146
Medical insurance	30,800	30,800	30,752	-	-	30,752	48
Dental insurance	414	414	373	-	-	373	41
Unemployment compensation	300	300	169	-	-	169	131
Local retirement	6,859	6,860	6,860	-	-	6,860	-
Employer medicare	2,439	2,438	2,225	-	-	2,225	213
Dues and memberships	300	300	192	-	-	192	108
Other contracted services	10,264	11,964	11,963	-	-	11,963	1
Data processing supplies	1,000	1,000	269	-	-	269	731
Office supplies	2,300	1,583	889	-	-	889	694
Inservice/staff development	3,000	3,000	2,380	-	-	2,380	620
Total fiscal services	<u>240,275</u>	<u>240,275</u>	<u>235,474</u>	<u>-</u>	<u>-</u>	<u>235,474</u>	<u>4,801</u>
Plant operations							
Janitorial services	318,500	318,500	312,242	-	-	312,242	6,258
Disposal fees	4,000	4,000	2,993	-	-	2,993	1,007
Permits	500	500	165	-	-	165	335
Other contracted services	25,000	25,000	19,524	-	-	19,524	5,476
Electricity	350,000	334,035	333,553	-	-	333,553	482
Natural gas	33,000	31,689	24,108	-	-	24,108	7,581
Water	30,000	30,000	27,890	-	-	27,890	2,110
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	1,305	1,362	1,362	-	-	1,362	-
Building and contents insurance	29,044	29,996	29,996	-	-	29,996	-
Vehicle and equipment	8,557	8,859	8,859	-	-	8,859	-
Total plant operations	<u>800,006</u>	<u>784,041</u>	<u>760,692</u>	<u>-</u>	<u>-</u>	<u>760,692</u>	<u>23,349</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, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2019	Encumbrances 6/30/2020		
Expenditures(continued)							
General administration(continued)							
Plant maintenance							
Part time personnel	6,000	1,000	740	-	-	740	260
Social security	434	434	46	-	-	46	388
Unemployment compensation	25	25	4	-	-	4	21
Employer medicare	102	102	11	-	-	11	91
Contracts with government agencies	90,000	85,000	84,228	-	-	84,228	772
Maintenance and repair - buildings	22,000	51,440	54,235	(6,025)	6,500	54,710	(3,270)
Maintenance and repair - equipment	5,000	2,500	2,447	-	-	2,447	53
Maintenance and repair - vehicle	500	263	-	-	-	-	263
Other contracted services	77,000	75,000	74,690	-	-	74,690	310
Gasoline	3,000	1,545	1,542	-	-	1,542	3
Vehicle parts	1,000	2,077	2,078	-	-	2,078	(1)
Other supplies and materials	30,000	30,337	29,737	-	-	29,737	600
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	-	-	-	-	500
Administrative equipment	21,700	28,038	28,038	-	-	28,038	-
Other contracted services	-	10,523	6,663	-	-	6,663	3,860
Total plant maintenance	<u>258,061</u>	<u>289,584</u>	<u>284,459</u>	<u>(6,025)</u>	<u>6,500</u>	<u>284,934</u>	<u>4,650</u>
Total general administration	<u>2,058,470</u>	<u>2,095,128</u>	<u>2,059,897</u>	<u>(6,025)</u>	<u>6,500</u>	<u>2,060,372</u>	<u>34,756</u>
Early childhood education							
Teachers	100,903	100,619	100,619	-	-	100,619	-
Educational assistants	52,395	52,186	52,186	-	-	52,186	-
Non-certified substitute teachers	1,000	3,048	3,048	-	-	3,048	-
Social security	9,504	9,118	9,118	-	-	9,118	-
State retirement	10,726	10,696	10,696	-	-	10,696	-
Medical insurance	20,898	20,898	20,898	-	-	20,898	-
Dental insurance	276	250	250	-	-	250	-
Unemployment compensation	300	213	213	-	-	213	-
Local retirement	3,143	3,131	3,131	-	-	3,131	-
Employer medicare	2,222	2,132	2,132	-	-	2,132	-
Travel	100	-	-	-	-	-	-
Instructional supplies	923	643	643	-	-	643	-
Other supplies and materials	250	856	856	-	-	856	-
Indirect costs	-	-	-	-	-	-	-
Inservice/staff development	500	422	422	-	-	422	-
Other charges	250	249	248	-	-	248	1
Total early childhood education	<u>203,390</u>	<u>204,461</u>	<u>204,460</u>	<u>-</u>	<u>-</u>	<u>204,460</u>	<u>1</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, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures/ (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2019	Encumbrances 6/30/2020		
Expenditures(continued)							
Debt service							
Principal payments	45,232	45,232	45,232	-	-	45,232	-
Interest payments	6,135	6,135	6,133	-	-	6,133	2
Total debt service	51,367	51,367	51,365	-	-	51,365	2
Capital outlay							
Building improvements	-	-	-	-	-	-	-
Total capital outlay	-	-	-	-	-	-	-
Total Expenditures	8,217,052	8,468,457	8,348,264	(6,025)	6,500	8,348,739	119,718
Excess (deficiency) of revenues over (under) expenditures	(836,364)	(1,087,769)	(897,975)	6,025	(6,500)	(898,450)	189,319
Other financing sources and (uses)							
Transfers in	1,067,400	1,067,400	1,063,000	-	-	1,063,000	(4,400)
Total other financing sources and (uses)	1,067,400	1,067,400	1,063,000	-	-	1,063,000	(4,400)
Net change in fund balance	231,036	(20,369)	165,025	6,025	(6,500)	164,550	184,919
Fund balance - beginning of year	1,324,843	1,324,843	1,324,843	-	-	1,324,843	-
Fund balance - end of year	\$ 1,555,879	\$ 1,304,474	\$ 1,489,868	\$ 6,025	\$ (6,500)	\$ 1,489,393	\$ 184,919

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,958,238	\$ 1,621,971	\$ 6,503,751	\$ 14,083,960
Cash and cash equivalents - restricted	-	8,535,522	1,699,494	10,235,016
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	701,796	-	2,238,739	2,940,535
Current portion of advance to other funds	-	-	-	-
Grant receivables	535	134,280	-	134,815
Other receivables	-	10,452	319,751	330,203
Due from other funds	42,685	597,149	-	639,834
Inventory	239,164	196,999	309,683	745,846
Natural gas storage	325,467	-	-	325,467
Prepaid expenses	15,228	23,044	38,921	77,193
TOTAL CURRENT ASSETS	7,283,113	11,119,417	11,210,339	29,612,869
PROPERTY, PLANT AND EQUIPMENT				
Land	512,402	76,153	-	588,555
Buildings	3,912,086	1,711,296	-	5,623,382
Equipment	2,421,597	2,228,630	-	4,650,227
General plant	-	-	6,813,684	6,813,684
Distribution plant	14,817,450	43,270,770	66,221,819	124,310,039
Construction in progress	160,057	632,236	6,259,740	7,052,033
TOTAL PROPERTY, PLANT AND EQUIPMENT	21,823,592	47,919,085	79,295,243	149,037,920
Less accumulated depreciation	(11,392,232)	(22,971,498)	(30,807,921)	(65,171,651)
NET PROPERTY, PLANT AND EQUIPMENT	10,431,360	24,947,587	48,487,322	83,866,269
OTHER ASSETS				
Note receivable - TVA Home Insulation Program	-	-	506,699	506,699
Deposits	-	65	-	65
Other deferred costs	-	-	375,949	375,949
Bond issue costs, net of accumulated amortization	-	-	329,263	329,263
TOTAL OTHER ASSETS	-	65	1,211,911	1,211,976
TOTAL ASSETS	17,714,473	36,067,069	60,909,572	114,691,114
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on bond refunding	-	-	35,071	35,071
Deferred outflows related to pensions	84,412	111,272	582,995	778,679
Deferred outflows related to OPEB	36,969	31,948	-	68,917
TOTAL DEFERRED OUTFLOWS OF RESOURCES	121,381	143,220	618,066	882,667
CURRENT LIABILITIES				
Accounts payable	133,385	263,969	2,816,912	3,214,266
Accrued expenses	61,260	113,018	36,363	210,641
Accrued interest	36,911	98,744	111,521	247,176
Compensated absences	-	-	488,651	488,651
Customer deposits	428,626	144,686	703,175	1,276,487
Due to other funds	661,215	145,079	-	806,294
Current portion of long-term debt	187,859	1,063,499	795,000	2,046,358
TOTAL CURRENT LIABILITIES	1,509,256	1,828,995	4,951,622	8,289,873
LONG-TERM LIABILITIES				
Compensated absences	366,624	401,548	1,477,871	2,246,043
Bonds and notes payable (net of unamortized bond premiums)	3,378,796	17,435,014	14,024,660	34,838,470
Net pension liability	379,047	526,454	2,643,635	3,549,136
Net OPEB Liability	172,524	146,182	3,914,884	4,233,590
Advances from Home Installation Program	-	-	506,098	506,098
TOTAL LONG-TERM LIABILITIES	4,296,991	18,509,198	22,567,148	45,373,337
TOTAL LIABILITIES	5,806,247	20,338,193	27,518,770	53,663,210
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	423,694	588,464	1,132,285	2,144,443
Deferred inflows - OPEB	2,339	71,852	-	74,191
TOTAL DEFERRED OUTFLOWS OF RESOURCES	426,033	660,316	1,132,285	2,218,634
NET POSITION				
Net investment in capital assets	6,864,705	6,449,074	33,867,322	47,181,101
Restricted for capital projects	-	8,029,536	101,639	8,131,175
Restricted for tank/hydrant maintenance	-	505,986	-	505,986
Restricted for debt service	-	-	1,586,334	1,586,334
Unrestricted net position	4,738,869	227,184	(2,678,712)	2,287,341
TOTAL NET POSITION	\$ 11,603,574	\$ 15,211,780	\$ 32,876,583	\$ 59,691,937

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
OPERATING REVENUES				
Charges for services	\$ 5,796,408	\$ 7,183,596	\$ 45,345,495	\$ 58,325,499
Miscellaneous	6,291	7,298	1,002,204	1,015,793
TOTAL OPERATING REVENUES	5,802,699	7,190,894	46,347,699	59,341,292
OPERATING EXPENSES				
Natural gas purchases	2,497,811	-	-	2,497,811
Water purchases	-	125,166	-	125,166
Purchased for resale	-	-	34,163,658	34,163,658
Personnel expenses	1,483,536	2,329,897	-	3,813,433
Economic development	25,000	-	-	25,000
Supplies	-	471,296	-	471,296
Utilities	41,095	424,190	-	465,285
Repairs and maintenance	311,353	859,148	3,172,262	4,342,763
Professional fees	27,445	52,609	-	80,054
Operating expenses	65,472	45,600	5,875,762	5,986,834
Rent	40,000	110,100	-	150,100
Office expense	181,917	137,628	-	319,545
Transportation expense	34,440	60,932	-	95,372
Insurance	28,282	105,698	-	133,980
Taxes and tax equivalents	-	-	269,842	269,842
Memberships and subscriptions	-	13,605	-	13,605
Miscellaneous	-	3,718	-	3,718
Depreciation and amortization	572,143	1,176,625	2,372,981	4,121,749
TOTAL OPERATING EXPENSES	5,308,494	5,916,212	45,854,505	57,079,211
OPERATING INCOME (LOSS)	494,205	1,274,682	493,194	2,262,081
NONOPERATING REVENUES (EXPENSES)				
Interest income	65,564	17,135	96,564	179,263
Sale of materials	-	1,469	-	1,469
Rent revenue	72,900	-	-	72,900
Amortization of debt expense	-	-	(11,632)	(11,632)
Accretion of debt premiums	-	7,802	-	7,802
Miscellaneous expense	-	-	(78,316)	(78,316)
TEAC settlement	102,168	-	-	102,168
Insurance recoveries	3,438	46,278	-	49,716
Gain (loss) on sale of asset	12,274	20,829	-	33,103
Bond issue cost/premium	2,122	(139,113)	-	(136,991)
Interest expense	(91,666)	(289,714)	(400,215)	(781,595)
TOTAL NONOPERATING REVENUES (EXPENSES)	166,800	(335,314)	(393,599)	(562,113)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	661,005	939,368	99,595	1,699,968
Transfers to other funds	(177,756)	(110,274)	(810,199)	(1,098,229)
Capital contributions	-	504,468	-	504,468
TOTAL CONTRIBUTIONS AND TRANSFERS	(177,756)	394,194	(810,199)	(593,761)
CHANGE IN NET POSITION	483,249	1,333,562	(710,604)	1,106,207
NET POSITION - BEGINNING OF YEAR	11,120,325	13,878,218	33,587,187	58,585,730
NET POSITION - END OF YEAR	\$ 11,603,574	\$ 15,211,780	\$ 32,876,583	\$ 59,691,937

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, 2020**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 5,876,037	\$ 7,181,148	\$ 46,347,699	\$ 59,404,884
Cash received from other funds for services	5,390	835	-	6,225
Cash received from rent	72,900	-	-	72,900
Other operating cash receipts	6,412	7,298	-	13,710
Cash payments to city - tax equivalents	-	-	(810,199)	(810,199)
Cash payments to suppliers for goods and services	(3,126,742)	(2,488,894)	(40,526,562)	(46,142,198)
Cash payments to employees for services	(1,440,596)	(2,269,954)	(2,263,162)	(5,973,712)
Other operating cash payments	-	-	(78,316)	(78,316)
Customer deposits received	-	-	242,317	242,317
Customer deposits refunded	-	-	(125,382)	(125,382)
Cash payments to other funds for services	-	(17,416)	-	(17,416)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,393,401	2,413,017	2,786,395	6,592,813
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	102,168	-	-	102,168
Amounts paid to other funds	(177,756)	(110,274)	-	(288,030)
Sale of materials	-	1,469	-	1,469
Advances from Home Insulation Program	-	-	(2,102)	(2,102)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(75,588)	(108,805)	(2,102)	(186,495)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(384,783)	(2,072,153)	(7,703,322)	(10,160,258)
Plant removal cost	-	-	(155,616)	(155,616)
Materials salvaged from retirements	-	-	31,623	31,623
Gain on sale of capital assets	12,274	22,840	-	35,114
Insurance recoveries	3,438	46,278	-	49,716
Debt issue costs	-	(139,113)	(129,947)	(269,060)
Loss on refunding of bonds	-	-	3,006	3,006
Premium on issuance of bonds	-	-	86,006	86,006
Advances to other funds	60,424	-	-	60,424
Bond proceeds	-	7,940,000	6,300,000	14,240,000
Principal payments on long-term debt	(76,436)	(789,621)	(7,075,000)	(7,941,057)
Capital contributions	-	257,075	-	257,075
Interest paid on long-term debt	(96,061)	(51,000)	(417,862)	(564,923)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(481,144)	5,214,306	(9,061,112)	(4,327,950)
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	-	-	1,501	1,501
Interest on cash and investments	65,564	17,135	96,564	179,263
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	65,564	17,135	98,065	180,764
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	902,233	7,535,653	(6,178,754)	2,259,132
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,056,005	2,621,840	14,381,999	22,059,844
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,958,238	\$ 10,157,493	\$ 8,203,245	\$ 24,318,976
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 494,205	\$ 1,274,682	\$ 493,194	\$ 2,262,081
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	572,143	1,176,625	2,372,981	4,121,749
Amounts paid to City - tax equivalents	-	-	(810,199)	(810,199)
Miscellaneous expense	-	(15,002)	(78,316)	(93,318)
Change in pension	(20,344)	42,350	177,105	199,111
Change in OPEB	45,684	-	-	45,684
Rent revenue	72,900	-	-	72,900
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	71,992	-	366,970	438,962
(Increase) decrease in other receivables	121	(140)	-	(19)
(Increase) decrease in inventory	7,980	8,693	(13,908)	2,765
(Increase) decrease in prepaid assets	18,806	54,036	375,472	448,314
(Increase) decrease in due from other funds	5,780	835	-	6,615
(Increase) decrease in natural gas storage	135,903	-	-	135,903
Increase (decrease) in accounts payable	(36,616)	(140,011)	(745,208)	(921,835)
Increase (decrease) in due to other funds	(390)	(17,416)	-	(17,806)
Increase (decrease) in net pension liability	-	-	(94,443)	(94,443)
Increase (decrease) in net OPEB liability	-	-	420,941	420,941
Increase (decrease) in customer deposits	7,637	(2,308)	116,935	122,264
Increase (decrease) in compensated absences	12,448	32,595	204,871	249,914
Increase (decrease) in accrued liabilities	5,152	(1,922)	-	3,230
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,393,401	\$ 2,413,017	\$ 2,786,395	\$ 6,592,813
NONCASH TRANSACTIONS				
Capital asset acquisitions per Balance Sheet	-	(2,337,448)	-	(2,337,448)
Less: Noncash capital asset acquired through passthrough grant	-	265,295	-	265,295
Capital asset acquisitions per Statement of Cash Flows	-	(2,072,153)	-	(2,072,153)
Change in Due to Other Funds per Balance Sheet	-	97,979	-	97,979
Less: Noncash due to general fund due to passthrough grant	-	(115,395)	-	(115,395)
Change in Due to Other Funds per Statement of Cash Flows	-	(17,416)	-	(17,416)
Capital Contributions per Statement of Revenues, Expenses, and Changes in Net Position	-	504,468	-	504,468
Add: Prior year grants receivable	-	36,787	-	36,787
Less: Current year grants receivable	-	(134,280)	-	(134,280)
Less: Noncash capital contributions due to passthrough grant	-	(149,900)	-	(149,900)
Capital Contributions per Statement of Cash Flows	-	257,075	-	(284,180)

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>School Activity</u>	<u>Pension Trust Funds</u>	
	<u>Agency Fund</u>	<u>Municipal Employees</u>	<u>Electric Employees</u>
ASSETS			
Cash and cash equivalents	\$ 128,679	\$ -	\$ -
Investments:			
Mutual funds (market value)	-	12,147,392	8,267,524
Annuities (market value)	-	189,741	-
TOTAL ASSETS	<u>128,679</u>	<u>12,337,133</u>	<u>8,267,524</u>
LIABILITIES			
Accrued liabilities	<u>128,679</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension benefits	<u>-</u>	<u>12,337,133</u>	<u>8,267,524</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 12,337,133</u>	<u>\$ 8,267,524</u>

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

CITY OF LEXINGTON, TENNESSEE
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
Additions			
Contributions and other additions	\$ 508,603	\$ 323,097	\$ 831,700
Investment income	958	(107,583)	(106,625)
Net investment gain/(loss)	146,947	-	146,947
Total Additions	<u>656,508</u>	<u>215,514</u>	<u>872,022</u>
Deductions			
Fees (refunds)	73,463	(2,160)	71,303
Benefits	640,144	856,610	1,496,754
Total Deductions	<u>713,607</u>	<u>854,450</u>	<u>1,568,057</u>
Net increase (decrease) in net position	(57,099)	(638,936)	(696,035)
NET POSITION - BEGINNING OF YEAR	<u>12,394,232</u>	<u>8,906,460</u>	<u>21,300,692</u>
NET POSITION - END OF YEAR	<u>\$ 12,337,133</u>	<u>\$ 8,267,524</u>	<u>\$ 20,604,657</u>

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Lexington
Blended Component Units:	None

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

Blended Component Units

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

Discretely Presented Component Units

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

1. B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Fund

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

Debt Service

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Proprietary Fund

Enterprise Fund

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

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

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

Pension Trust Funds

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

Major and Nonmajor Funds

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

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Nonmajor

Special Revenue Funds:

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

The City does not allocate indirect costs.

1.D. BUDGETARY INFORMATION

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

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

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

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

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

Cash and Investments

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020**

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, 2020

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

Long-term Debt

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

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

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

Compensated Absences

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

Electric System

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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).

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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 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.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

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.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

Pension Plan Investments

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

2.C. REVENUE RESTRICTIONS

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

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

2.D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The City had no deficit fund balances at June 30, 2020.

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 Solid Waste Fund and the Drug Fund – with expenditures exceeding appropriations for the year ended June 30, 2020.

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 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.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

General Government

As of June 30, 2020, 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, 2020, 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, 2020, 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, 2020, the System's bank deposits were fully collateralized or insured.

School System

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

Investment-Fiduciary Fund

The following is the asset allocation as of June 30, 2020.

	<u>City of Lexington</u>		<u>Lexington Electric</u>		<u>Total</u>
	<u>Market Value</u>	<u>Percentage of Total</u>	<u>Market Value</u>	<u>Percentage of Total</u>	
Fixed income	\$ 3,521,800	28.99%	\$ 3,192,894	38.19%	\$ 6,714,694
Equities	8,625,592	71.01%	5,074,630	61.38%	13,700,222
	<u>\$ 12,147,392</u>	<u>100.00%</u>	<u>\$ 8,267,524</u>	<u>99.57%</u>	<u>\$ 20,414,916</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, 2020.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

	<u>City of Lexington</u>	<u>Lexington Electric</u>
Western Asset Core Bond Fund	\$ 733,942	\$ -
Fidelity Advisor Total Bond Return	686,959	-
American Funds Washington Mutual	857,420	582,206
Fidelity Total Market Index Fund	-	478,728
Contra Fund	993,727	680,712
American Funds Investment Fund of America	624,581	424,579
American Funds Capital World Growth	869,604	588,477
Oppenheimer Global	859,454	575,303
Wells ACBF	-	517,927
Van TBMIF	691,703	483,178
BR TRF	688,442	480,156
Van SEF	-	711,189
Intl VAL	637,827	418,935
VS Blue Chip Growth	1,038,058	-
Invesco Growth and Income	694,072	-

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.22) 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, 2020.

	<u>Fair Value Measurements Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Debt securities				
Pooled and separate accounts	\$ 6,714,694	\$ 3,521,800	\$ 3,192,894	\$ -
Equity securities				
Pooled and separate accounts	13,700,222	8,625,592	5,074,630	-
Total	<u>\$ 20,414,916</u>	<u>\$ 12,147,392</u>	<u>\$ 8,267,524</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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 59,367	\$ 3,094,276	\$ 3,153,643
Allowance for doubtful accounts	(6,201)	(153,741)	(159,942)
Net accounts receivable	<u>\$ 53,166</u>	<u>\$ 2,940,535</u>	<u>\$ 2,993,701</u>

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Balance 7/1/19</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/20</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,167,067	\$ -	\$ -	\$ 2,167,067
Construction in Progress	607,355	920,360	6,500	1,521,215
Total Capital assets not being depreciated	<u>2,774,422</u>	<u>920,360</u>	<u>6,500</u>	<u>3,688,282</u>
Capital assets being depreciated				
Buildings	25,747,103	784,717	390,980	26,140,840
Equipment	10,005,128	764,173	1,033,690	9,735,611
Infrastructure	16,262,662	207,287	-	16,469,949
Improvements	8,055,938	26,214	109,130	7,973,022
Total Capital assets being depreciated	<u>60,070,831</u>	<u>1,782,391</u>	<u>1,533,800</u>	<u>60,319,422</u>
Less accumulated depreciation for:				
Buildings	12,558,751	508,543	267,440	12,799,854
Equipment	7,223,851	539,970	544,310	7,219,511
Infrastructure	11,865,871	56,155	-	11,922,026
Improvements	5,074,720	325,190	106,498	5,293,412
Total accumulated depreciation	<u>36,723,193</u>	<u>1,429,858</u>	<u>650,808</u>	<u>37,234,803</u>
Total capital assets, being depreciated, net	<u>23,347,638</u>			<u>23,084,619</u>
Governmental activities capital assets, net	<u>\$ 26,122,060</u>			<u>\$ 26,772,901</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 606,092	\$ 15,017	\$ -	\$ 621,109
Construction in Progress	2,022,751	8,780,926	3,751,642	7,052,035
Total Capital assets not being depreciated	<u>2,628,843</u>	<u>8,795,943</u>	<u>3,751,642</u>	<u>7,673,144</u>
Capital assets being depreciated				
Buildings	5,225,562	1,183,738	-	6,409,300
Equipment	9,237,067	407,565	151,993	9,492,639
Plant	122,162,292	4,225,227	924,680	125,462,839
Total Capital assets being depreciated	<u>136,624,921</u>	<u>5,816,530</u>	<u>1,076,673</u>	<u>141,364,778</u>
Less accumulated depreciation for:				
Buildings	980,332	93,623	2	1,073,953
Equipment	6,575,801	342,630	149,978	6,768,453
Plant	54,360,901	4,000,764	1,032,420	57,329,245
Total accumulated depreciation	<u>61,917,034</u>	<u>4,437,017</u>	<u>1,182,400</u>	<u>65,171,651</u>
Total capital assets, being depreciated, net	<u>74,707,887</u>			<u>76,193,127</u>
Business-type activities capital assets, net	<u>\$ 77,336,730</u>			<u>\$ 83,866,271</u>

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 141,940
Public safety	328,832
Public works	209,002
Health, recreation and welfare	<u>750,085</u>
Total depreciation expense	<u>\$1,429,859</u>

3.D. ACCOUNTS PAYABLE

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

3.E. OPERATING LEASES

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

3.F. PREPAID MEALS

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

3.G. LONG-TERM 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, 2020, 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, 2020, 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, 2020**

Governmental Activities

As of June 30, 2020, the governmental long-term liabilities of the financial reporting entity consisted of the following:

Governmental Activities

General Obligation Bonds

2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest.	\$	75,529
2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.		185,701
2019 Public Works Refund Bonds, dated February 7, 2019, due March 1, 2034 interest 2% to 3%.		980,000
2020 General Obligation School Refunding Bonds, dated June 30, 2020, due November 1, 2020 through May 1, 2031, interest 1% to 2%.		4,530,000
2020 Public Works Improvements Bonds, dated April 30, 2020, due April 30, 2021 through April 1, 2040, interest 2% to 2.35%.		1,510,000

Direct Borrowing and Direct Placements

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest.		61,668
		7,342,898

Other Liabilities

Compensated absences		1,344,938
Unamortized debt premiums		145,767
Net pension liability		1,200,314
Net OPEB liability		659,117
Landfill closure costs		203,925

Total Government Activity	\$	10,896,959
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**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Business-type Activities

Revenue Bonds

2019 Water Refunding Bonds, dated September 1, 2019, through March 1, 2034, interest 2.00% to 3.00%.	4,425,000
Electric Plant Revenue Refunding Bonds, Series 2017, interest of 2.00% to 2.75% due serially through 2032.	5,535,000
Electric Plant Revenue Bonds, Series 2018, interest at 3.00% to 4.00%% due serially through 2038	2,785,000
Electric Plant Revenue Refunding Bonds, Series 2019, interest of .05% to 5.00% due serially through 2037.	6,300,000
2019 Gas Refunding Bonds, dated February 7, 2019, due March 1, 2020 through March 1, 2034, interest 2.00% to 3.00%	1,225,000

Direct Borrowing and Direct Placements

Local Government Loan Program Bond, Series 2015, variable interest	1,619,900
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General Obligation Bonds

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	2,474,298
2017 General Obligation Bonds, dated July 20, 2017, due July 15, 2018 through July 15, 2037, interest 1.30% to 3.25%.	4,000,000
2020 Public Works Improvements General dated April 30, 2020, through April 1, 2040 interest 2.00% to 3.00%	7,940,000

Other liabilities

Compensated absences	2,734,694
Advances from Home Installation Program	506,098
Net pension liability	3,549,136
Net OPEB liability	4,233,590
Unamortized debt premiums	580,631

Total Business-type Activites	\$ 47,908,347
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**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	<u>Balance 7/1/2019</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2020</u>	<u>Due within one year</u>
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 6,612,702	\$ 6,040,000	\$ 5,371,472	\$ 7,281,230	\$ 612,171
Direct Borrowing and Direct Placements	96,900	-	35,232	61,668	35,232
Landfill Closure Costs	207,753	-	3,828	203,925	-
Unamortized debt premiums	25,726	121,902	1,861	145,767	11,211
Total governmental type activities	<u>6,943,081</u>	<u>6,161,902</u>	<u>5,412,393</u>	<u>7,692,590</u>	<u>658,614</u>
<u>Business Type Activities</u>					
Revenue Bonds	21,535,000	6,300,000	7,565,000	20,270,000	1,140,000
Direct Borrowing and Direct Placements	1,716,900	-	97,000	1,619,900	98,000
General Obligation Bonds	6,753,354	7,940,000	279,056	14,414,298	808,358
Unamortized debt premiums	282,531	308,198	10,098	580,631	107,001
Total business type activities	<u>30,287,785</u>	<u>14,548,198</u>	<u>7,951,154</u>	<u>36,884,829</u>	<u>2,153,359</u>
Total government	<u>\$ 37,230,866</u>	<u>\$ 20,710,100</u>	<u>\$ 13,363,547</u>	<u>\$ 44,577,419</u>	<u>\$ 2,811,973</u>

Water and General Systems

During the year, the City of Lexington issued \$9,450,000 in public works improvement bonds and \$4,530,000 in school refunding bonds. These bonds were issued to fund various projects for the Water System and General Fund. Issuance costs associated with these bonds were approximately \$165,580 and \$112,376, respectively. The issue costs will be recognized as expenses in the current year according to GASB Statement No. 65.

The Water System's portion of the public works improvement bonds is \$7,940,000 with related issue costs of \$139,113.

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, 2020**

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2020 are as follows:

Year Ending June 30,	<i>General Obligation Bonds</i>				Principal and Interest Total
	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	
2021	612,171	182,132	808,358	305,005	1,907,666
2022	537,340	185,945	817,660	305,789	1,846,734
2023	538,039	178,149	831,961	290,432	1,838,581
2024	548,737	170,337	856,263	274,514	1,849,851
2025	564,784	172,263	865,216	257,924	1,860,187
2026-2030	2,890,159	730,919	3,839,840	1,006,289	8,467,207
2031-2035	1,150,000	523,936	3,270,000	603,084	5,547,020
2036-2040	440,000	470,610	3,125,000	200,478	4,236,088
Total	<u>\$ 7,281,230</u>	<u>\$ 2,614,291</u>	<u>\$ 14,414,298</u>	<u>\$ 3,243,515</u>	<u>\$ 27,553,334</u>

Year Ending June 30,	<i>Direct Placement and Direct Borrowings</i>			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	35,232	-	98,000	48,600
2022	26,436	-	100,000	45,660
2023	-	-	101,000	42,660
2024	-	-	102,000	39,630
2025	-	-	104,000	36,570
2026-2030	-	-	539,000	135,360
2031-2035	-	-	575,900	52,290
2036	-	-	-	-
	<u>\$ 61,668</u>	<u>\$ -</u>	<u>\$ 1,619,900</u>	<u>\$ 400,770</u>

Year Ending June 30,	<i>Revenue Bonds</i>	
	Business-type Activities	
	Principal	Interest
2021	1,140,000	563,528
2022	1,165,000	540,250
2023	1,190,000	514,472
2024	1,210,000	483,922
2025	1,255,000	448,309
2026-2030	6,860,000	1,599,345
2031-2035	5,875,000	450,598
2036-2040	1,575,000	40,290
	<u>\$ 20,270,000</u>	<u>\$ 4,640,714</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	TRANSFER FROM					Totals
	General	School Tax Fund	Lexington Electric	Water	Gas	
TRANSFER TO						
General	\$ -	\$ -	\$ 810,199	\$ 110,274	\$ 177,756	\$ 1,098,229
Solid Waste Fund	159,759	-	-	-	-	159,759
Lex-Hend Co Alliance	674	-	-	-	-	674
School Debt	-	964,697	-	-	-	964,697
General Purpose School	620,000	443,000	-	-	-	1,063,000
GRAND TOTALS	\$ 780,433	\$ 1,407,697	\$ 810,199	\$ 110,274	\$ 177,756	\$ 3,286,359

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.

Interfund Receivables and Payables

	DUE TO:				Totals
	General	Solid Waste	Water	Gas	
DUE FROM:					
General	\$ -	\$ 56,215	\$ 17,104	\$ 35,877	\$ 109,196
Sales Tax	429,454	-	-	-	429,454
Solid Waste	-	-	-	488	488
Gas	24,787	56,383	580,045	-	661,215
Water Systems	138,759	-	-	6,320	145,079
	\$ 593,000	\$ 112,598	\$ 597,149	\$ 42,685	\$ 1,345,432

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, 2020 were \$23,900 and \$14,779, 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, 2020**

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.

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.

Accrued and Vested Benefits

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

Early retirement subsidies are only valued once participants become eligible by meeting the specified requirements.

Disability and death benefits (other than qualified pre-retirement survivor annuity) are not treated as vested benefits for liability calculation purposes.

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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.

Participant Data

Inactive Plan Participants as of January 1, 2019:

Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to deferred benefits	28
Disabled employees entitled to deferred benefits	<u>0</u>
Total	38

Active Plan Participants as of January 1, 2019:

Vested	67
Partially-vested	11
Non-vested	<u>0</u>
Total	78

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/19

Eligibility Requirements: Minimum age of 20 and 12 minimum months of service. Entry date is the first day of the month coinciding with or next following the date the requirements are met. 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. Members of the prior plan will receive a benefit no less than 40% of the average monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater.

Average Monthly Compensation: Monthly contributions equal to 6% of member's monthly earnings.

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

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Maximum Annual Benefit: \$ 225,000 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 the Normal Retirement Benefit, increased 8% per annum for each year that retirement is deferred, and the accrued benefit based on service and earnings at termination.

Pre-Retirement Death Benefit: Actuarial equivalent of the member's vested accrued benefit, and the death benefit provided pursuant to the group term life insurance plan maintained by the City, plus the member's accumulated contributions with interest.

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

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

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

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.

Contribution Required

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

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

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

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Amortization Method: The amortization method shall be the Plan's Normal Cost plus a 30-year amortization of the Unfunded Liability as of January 1, 2015. The amortization period for future experience gains and losses shall be 10 years from the date of the actuarial valuation. The amortization period for plan amendment and assumptions will be the period to fully amortize the change by December 31, 2044.

Investments

Investment information has been provided by John Hancock.

Investment Policy:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equities	50%
International Equities	20%
Fixed Income	30%
Total	100%

Rate of Return: For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.41%. 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, 2019 is 2,105,814. 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, 2019

Valuation Date

January 1, 2019

Mortality

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

Discount Rate

7.25% per annum

Inflation

2.50% per annum. This assumption is an underlying component of a number of these economic assumptions. This assumption reflects the following factors: consumer price indices, forecasts of inflation, yields on government securities of various maturities, and yields on nominal and inflation-indexed debt.

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Salary Projection

Ages 20-29 5.00%, Ages 30-29 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 any 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
 - Separate assumptions for different compensation elements

Retirement Age

Age 60 35%, Ages 61-64 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 2019 for the period January 1, 2014 through December 31, 2018.

Liabilities were valued as of January 1, 2019 using data as of January 1, 2019 and provisions and assumptions as of June 30, 2019. This liability was then increased by service cost and interest cost (for the period January 1, 2019 – June 30, 2019) and reduced by actual benefit payments for the period plus interest.

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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, 2019 (see the discussion of the pension plan's investment policy) are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>	<u>Weighting</u>
Domestic Equities	50.00%	9.00%	4.50%
International Equities	20.00%	8.00%	1.60%
Fixed Income	30.00%	5.00%	1.50%
Total	<u>100.00%</u>		<u>7.60%</u>

*Long-Term real rates of return were provided by John Hancock.

Returns are arithmetic means.

Long-term capital market assumptions (20+ years) are applicable to approximate future return expectations. USI Consulting Group 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 (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Plan's net pension liability	\$ 3,814,632	\$ 2,105,814	\$ 650,948

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Change in City's Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/18	\$ 15,695,747	\$ 11,986,913	\$ 3,708,834
Changes for the year:			
Service cost	424,604	-	424,604
Interest	1,139,237	-	1,139,237
Differences between expected and actual experience	(1,823)	-	(1,823)
Changes in assumptions	(2,144,482)	-	(2,144,482)
Contributions - employer	-	330,342	(330,342)
Contributions - employee	-	206,464	(206,464)
Net investment income	-	521,328	(521,328)
Benefit payments	(790,604)	(790,604)	-
Administrative expense	-	(37,578)	37,578
Net changes	<u>(1,373,068)</u>	<u>229,952</u>	<u>(1,603,020)</u>
Balances at 6/30/19	<u>\$ 14,322,679</u>	<u>\$ 12,216,865</u>	<u>\$ 2,105,814</u>

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

For the measurement period ended June 30, 2019 reported in year ended June 30, 2020, the City recognized pension expense of \$235,922. At June 30, 2019, the City 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	\$ 87,213	\$ 311,051
Changes of assumptions	-	2,042,806
Net difference between projected and actual earnings on pension plan investments	41,451	-
Contributions subsequent to the measurement date of June 30, 2019	312,986	-
Total	<u>\$ 441,650</u>	<u>\$ 2,353,857</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:

2020	(409,013)
2021	(564,216)
2022	(420,104)
2023	(361,316)
2024	(345,873)
Thereafter	(124,671)

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Payable to the Pension Plan

At June 30, 2020, the City reported \$ 0 payable for outstanding amount of contributions to the pension plan.

Defined Contribution Plan

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

General Government	\$95,205
Water System	\$39,563
Gas System	\$19,604
School System	\$46,270

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 3.33% of member's Average Monthly Earnings multiplied by years of Credited Service subject to a maximum of 15 years. A member of the plan will receive a benefit of no less than 40% of the average of monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater. Average Monthly Earnings means the greater of (1) the average of monthly compensation for the 5 consecutive years of highest compensation, and (2) monthly compensation during the year immediately preceding the participant's 60th birthday. Maximum annual compensation is \$215,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

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

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

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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.

At July 1, 2019 and 2018 membership consisted of:

	<u>2019</u>	<u>2018</u>
Retirees and beneficiaries currently receiving benefits	7	9
Terminated employees entitled to benefits	4	4
Active employees:		
Fully or partially vested	<u>32</u>	<u>35</u>
Total	<u>43</u>	<u>48</u>

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Funded status and funding progress: As of June 30, 2020, the actuarial accrued liability for benefits was \$11,771,992 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%. As of June 30, 2019, the actuarial accrued liability for benefits was \$11,550,095 and the net pension liability was \$2,643,635. Total covered payroll was \$2,012,123 and the ratio of net pension liability to covered payroll was 131.39%. As of June 30, 2018, the actuarial accrued liability for benefits was \$12,108,677 and the net pension liability was \$2,738,078. Total covered payroll was \$2,266,450 and the ratio of net pension liability to covered payroll was 120.81%.

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, 2020 and 2019 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, 2020 in order to be in compliance with GASB Statement No. 67. The second table shows the net pension liability as of June 30, 2019, which is what is reported in the proprietary financial statements in accordance with GASB Statement No. 68.

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (a) - (b)
Balances at 6/30/19	\$ 11,550,095	\$ 8,906,460	\$ 2,643,635
Changes for the year:			
Service cost	189,353	-	189,353
Interest	832,035	-	832,035
Differences between expected and actual experience	69,222	-	69,222
Change of assumptions	(12,173)	-	(12,173)
Contributions - employer	-	202,081	(202,081)
Contributions - employee	-	121,016	(121,016)
Net investment income	-	(107,583)	107,583
Benefit payments	(856,610)	(856,610)	-
Administrative expense	-	(3,945)	3,945
Other	-	6,105	(6,105)
Net changes	221,827	(638,936)	860,763
Balances at 6/30/18	<u>\$ 11,771,922</u>	<u>\$ 8,267,524</u>	<u>\$ 3,504,398</u>

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (a) - (b)
Balances at 6/30/18	\$ 12,108,677	\$ 9,370,599	\$ 2,738,078
Changes for the year:			
Service cost	207,244	-	207,244
Interest	825,492	-	825,492
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(373,305)	-	(373,305)
Change of assumptions	68,445	-	68,445
Contributions - employer	-	204,174	(204,174)
Contributions - employee	-	124,285	(124,285)
Net investment income	-	497,713	(497,713)
Benefit payments	(1,286,458)	(1,286,458)	-
Administrative expense	-	(3,853)	3,853
Net changes	(558,582)	(464,139)	(94,443)
Balances at 6/30/19	<u>\$ 11,550,095</u>	<u>\$ 8,906,460</u>	<u>\$ 2,643,635</u>

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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:

	2020		
	1% Decrease	Current	1% Increase
	6.25%	Discount Rate 7.25%	8.25%
Net pension liability	\$ 4,472,193	\$ 3,504,398	\$ 2,671,438
	2019		
Net pension liability	\$ 3,640,009	\$ 2,643,635	\$ 1,786,244

Net Pension Liability

The System's net pension liability was measured as of June 30, 2019, 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, 2019 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	25 years as of 7/1/19
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
Investment rate of return	7.25% per annum
Retirement age assumption	100% at age 60
Mortality	RP-2006 Blue Collar Mortality Generational with Improvement Scale MP-2019
Disability mortality	RP-2006 Disabled Retiree Mortality Generational with Improvement Scale MP-2019

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of actuarial experience studies for the periods July 1, 2014 through June 30, 2019 and July 1, 2017 through June 30, 2018 respectively.

Discount Rate

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

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

For the measurement periods ended June 30, 2019 and 2018, the System recognized pension expense of \$298,032 and \$987,441. At June 30, 2019 and 2018, the System 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	\$ 272,721	\$ 731,161
Change of assumptions	108,193	339,018
Net difference between projected and actual earnings on pension plan investments	-	62,106
Contributions subsequent to the measurement date of June 30, 2019	202,081	-
Total	<u>\$ 582,995</u>	<u>\$ 1,132,285</u>
Differences between expected and actual experience	\$ 389,384	\$ 513,375
Change of assumptions	72,183	410,091
Net difference between projected and actual earnings on pension plan investments	-	101,171
Contributions subsequent to the measurement date of June 30, 2018	190,885	-
Total	<u>\$ 652,452</u>	<u>\$ 1,024,637</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:

2020	\$ (71,371)
2021	(175,984)
2022	(164,754)
2023	(179,369)
2024	(139,067)
Thereafter	(20,826)

Electric System

The System began offering a 403(b) defined contribution plan, title 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 \$64,668 to the plan in the current year and \$50,946 in 2019. 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.

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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 contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2020 to the Teacher Legacy Pension Plan were \$347,132 which is 10.63 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.

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

Pension liabilities (assets). At June 30, 2020, the Lexington City Schools reported a liability (asset) of (\$975,587) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, 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, 2019 Lexington City Schools' proportion was 0.094885 percent. The proportion measured as of June 30, 2018 was 0.093599 percent.

Pension expense (negative pension expense). For the year ended June 30, 2020, Lexington City Schools recognized pension expense (negative pension expense) of \$117,905.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, 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	\$ 47,499	\$ 595,908
Changes in assumptions	131,465	-
Net difference between projected and actual earnings on pension plan investments	-	278,744
Changes in proportion of Net Pension Liability (Asset)	7,338	30,462
LEA's contribution subsequent to the measurement date of June 30, 2019	347,132	n/a
Total	<u>\$ 533,434</u>	<u>\$ 905,114</u>

Lexington City Schools employer contribution of \$347,132 reported, as pension related deferred outflows or resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2020. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$ (211,349)
2022	(287,197)
2023	(127,522)
2024	(92,743)
2025	-
Thereafter	-

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

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Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 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	7.25 percent, net of pension plan investment expenses, Including inflation
Cost-of Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 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 2.5 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:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed marked international equity	5.29%	14%
Emerging marked international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	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 7.25 percent based on a blending of the factors described above.

**CITY OF LEXINGTON, TENNESSEE
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Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease</u> <u>6.25%</u>	<u>Current</u> <u>Discount Rate</u> <u>7.25%</u>	<u>1% Increase</u> <u>8.25%</u>
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 1,994,793	\$ (975,587)	\$ (3,338,441)

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, 2020, 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, 2020.

2. Teacher Retirement Plan

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

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Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2020 to the Teacher Retirement Plan were \$11,429, which is 1.96 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, 2020, Lexington City Schools reported an liability (asset) of (\$29,483) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Lexington City Schools' proportion of the net pension asset was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2019 Lexington City Schools' proportion was 0.052229 percent. The proportion measured at June 30, 2018 was 0.053504 percent.

Pension expense (negative pension expense). For the year ended June 30, 2020, Lexington City Schools recognized pension expense (negative pension expense) of \$9,775.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2020, Lexington City Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,222	\$ 5,147
Net difference between projected and actual earnings on pension plan investments	-	1,246
Changes in assumptions	1,024	-
Changes in proportion of Net Pension Liability (Asset)	6,135	461
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2019	<u>11,429</u>	<u>(not applicable)</u>
Total	<u>\$ 19,810</u>	<u>\$ 6,854</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Lexington City Schools employer contributions of \$11,429 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2021	\$	(102)
2022		(293)
2023		57
2024		235
2025		286
Thereafter		1,345

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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 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	7.25 percent, net of pension plan investment expenses, Including inflation
Cost-of Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 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 2.5 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, 2020**

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percent-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25)
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 9,341	\$ (29,483)	\$ (58,180)

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, 2020, 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, 2020.

CITY OF LEXINGTON, TENNESSEE
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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.

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.

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.

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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, 2020, the System had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 3,931
Developed Market International Equity	N/A	N/A	1,775
Emerging Market International Equity	N/A	N/A	507
U. S. Fixed Income	N/A	N/A	2,537
Real Estate	N/A	N/A	1,268
Short-term Securities	N/A	N/A	127
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>2,537</u>
Total			<u>\$ 12,682</u>

**CITY OF LEXINGTON, TENNESSEE
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Investments by Fair Value Level	Fair Value 6/30/2020	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)	
U. S. Equity	\$ 3,931	\$ 3,931	\$ -	\$ -	\$ -
Developed Market					
International Equity	1,775	1,775	-	-	-
Emerging Market					
International Equity	507	507	-	-	-
U. S. Fixed Income	2,537	-	2,537	-	-
Real Estate	1,268	-	-	1,268	-
Short-term Securities	127	-	127	-	-
Private Equity and Strategic Lending	2,537	-	-	-	2,537
Total	\$ 12,682	\$ 6,213	\$ 2,664	\$ 1,268	\$ 2,537

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
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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/2019/ad18092.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 has a stand-alone report that is publicly available upon request at city hall.

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:

Years of Service at Retirement Date	Employer-Funded Portion of Individual Coverage for Post-Retirement Individual Coverage
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, 2019 through June 30, 2020: Individual \$8,144.40

**CITY OF LEXINGTON, TENNESSEE
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Employees Covered By Benefit Terms

At the measurement date of July 1, 2019, 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	51
Total	<u>51</u>

Changes in Total OPEB Liability

	<u>City</u>	<u>Water</u>	<u>Gas</u>	<u>Total</u>
Balance at 6/30/19	\$ 432,751	\$ 147,655	\$ 93,987	\$ 674,393
Changes for the year:				
Service Cost	160,480	40,305	38,520	239,305
Interest	19,705	4,304	5,199	29,208
Differences between expected and actual experience	(51,476)	(72,081)	12,154	(111,403)
Changes in assumptions and other inputs	97,657	25,999	22,664	146,320
Benefit payments	-	-	-	-
Net changes	<u>226,366</u>	<u>(1,473)</u>	<u>78,537</u>	<u>303,430</u>
Balance at 6/30/20	<u>\$ 659,117</u>	<u>\$ 146,182</u>	<u>\$ 172,524</u>	<u>\$ 977,823</u>

Assumption changes – The discount rate was 3.50% as of June 30, 2019 and 2.21% as of June 30, 2020. The healthcare cost trend rates and demographic assumptions were updated.

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

<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
\$ 1,126,556	\$ 977,823	\$ 846,471

<u>1% Decrease (5.50% decreasing to 4.00%)</u>	<u>Healthcare Cost Trend Rates (6.50% decreasing to 5.00%)</u>	<u>1% Increase (7.50% decreasing to 6.00%)</u>
\$ 764,000	\$ 977,823	\$ 1,258,716

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$221,223. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 11,504	\$ 116,949
Changes of assumptions/inputs	169,776	16,600
Contributions subsequent to the measurement date	-	(not applicable)
Total	<u>\$ 181,280</u>	<u>\$ 133,549</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:

2021	2,710
2022	2,710
2023	2,710
2024	2,710
2025	2,710
Thereafter	31,471

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

In the July 1, 2019 actuarial valuation, the entry age actuarial cost method was used. Under this method, the Actuarial Present Value of Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age. The 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 2.21% was used in estimating the GASB 75 financial information for fiscal year ending June 30, 2020.

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Mortality: The sex distinct mortality rates are from the RP-2014 Combined Male and Female Fully Generational Mortality Table with projection scale MP-2019.

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 medical plan upon retirement.

Actuarial Value of Assets: N/A

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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:

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	\$ 11,990	\$ 13,832
55	14,559	15,107
60	17,559	16,831
65	9,996	9,359
70	11,038	10,342
75	12,188	11,420
80	12,812	11,995
85	13,468	12,610
90	14,150	13,252
95	14,873	13,935
100	15,632	14,644

Administrative expenses: Included in premiums used.

Participant Salary Increase: 3.50% annually

Payroll Growth Rate: 2.50% annually

High Cost Plan Excise Tax: Repealed 12/31/2019

ELECTRIC SYSTEM

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

Annual OPEB Cost and Net OPEB Obligation – Changes in the System’s net OPEB liability measured at June 30, 2020 and 2019 are detailed in the following tables. The table below shows the net OPEB liability as of June 30, 2020, which is what is reported in the financial statements in accordance with GASB Statement No. 75.

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Changes in Total OPEB Liability

Total OPEB Liability June 30, 2019	\$ 3,493,943
Service Cost	186,686
Interest	135,614
Difference between expected and actual experience	184,747
Changes of assumptions	77,316
Benefit payments	<u>(163,422)</u>
Net changes	<u>420,941</u>
Total OPEB Liability June 30, 2020	<u><u>\$ 3,914,884</u></u>

Total OPEB Liability June 30, 2018	\$ 3,528,042
Service Cost	144,058
Interest	132,283
Changes of assumptions	(198,816)
Benefit payments	<u>(111,924)</u>
Net changes	<u>(34,399)</u>
Total OPEB Liability June 30, 2019	<u><u>\$ 3,493,643</u></u>

Actuarial Methods and Assumptions

The valuation was based on information provided by Lexington Electric System as of July 1, 2019 and only those not frozen in the defined benefit plan.

Plan Membership

Number of participants	
Active	54
Inactives not receiving benefits	-
Inactives receiving benefits	<u>5</u>
Total participants	<u><u>59</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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.50% based on S & P Municipal Bond 20 Year High Grade Index
Health trend rate	7.5% starting in 2019 reduced each year by .05% 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-2019

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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, 2020 valuation were based on the results of an actuarial experience study for the period ending July 1, 2019. 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, 2020 and 2019, respectively:

1% Decrease (6% decreasing to 3.5%)	Healthcare Cost Trend Rates (7% decreasing to 4.5%)	1% Increase (8% decreasing to 5.5%)
\$ 3,547,914	\$ 3,914,884	\$ 3,640,821

1% Decrease (8% decreasing to 4%)	Healthcare Cost Trend Rates (9% decreasing to 5%)	1% Increase (10% decreasing to 6%)
\$ 3,759,538	\$ 3,493,943	\$ 3,251,220

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, 2020 and 2019, respectively:

1% Decrease 2.50%	Current 3.50%	1% Increase 4.50%
\$ 4,212,914	\$ 3,914,884	\$ 3,640,821

1% Decrease 2.87%	Current 3.87%	1% Increase 4.87%
\$ 3,768,531	\$ 3,493,943	\$ 3,241,676

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.

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Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2020 no benefits were payable and not paid. Qualified Plan administrative expenses are paid by the Plan. During the years ended June 30, 2020 and 2019, administrative expenses paid were \$0.

SCHOOL SYSTEM

1. Closed Teacher Group 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, 2019, the following employees of the System were covered by the benefit terms of the TGOP:

Inactive employees receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>89</u>
	<u>92</u>

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 \$24,131 to the TGOP for OPEB benefits as they came due.

**CITY OF LEXINGTON, TENNESSEE
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Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.5%. 5.20% for post-65 in 2019, 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.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2018 Pension Actuarial Valuation of the Tennessee Consolidate Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% 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.

Discount rate – The discount rate used to measure the total OPEB liability was 3.51%. 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 Fidelity 20-year Municipal GO AA index.

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Changes in Collective Total OPEB Liability

	Total OPEB Liability (a)
TGOP - (expressed in thousands)	
Balance at June 30, 2018	\$ 815
Changes for the year:	
Service costs	56
Interest	31
Changes in benefit terms	-
Differences between expected and actual experience	30
Changes in assumptions	(64)
Benefit payments	(26)
Net changes	26
Balance at June 30, 2019	\$ 841
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 300
Employer's proportionate share of the collective total OPEB liability	\$ 541
Employer's proportion of the collective total OPEB liability	64.29%

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 -.6% from the prior measurement date. The System recognized \$23.900 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. 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 (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Proportionate share of collective total OPEB liability	\$ 590	\$ 541	\$ 494

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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 (5.03%/4.20% decreasing to 3.50%)	Healthcare Cost Trend Rates 6.03%/5.20% decreasing to 4.50%)	1% Increase (7.03%/6.20% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 468	\$ 541	\$ 628

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

OPEB expense – For the fiscal year ended June 30, 2020, the System recognized OPEB expense of \$65,250.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
TGOP - (expressed in thousands)		
Differences between actual and expected experience	\$ 17	\$ 87
Changes in assumptions	10	59
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.	1	6
Employer payments subsequent to the measurement date	24	-
	\$ 52	\$ 153

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.

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

TGOP - (expressed in thousands)

For the year ended June 30:

2021	\$ (14.4)
2022	(14.4)
2023	(14.4)
2024	(14.4)
2025	(14.4)
Thereafter	(53.1)

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 July 1, 2019, 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	9
Active employees	<u>65</u>
	<u>105</u>

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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. 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, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
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, 2017, valuations were the same as those employed in the July 1, 2017 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, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% 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.

Discount rate – The discount rate used to measure the total OPEB liability was 3.51%. 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 Fidelity 20-year Municipal GO AA index.

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Changes in Collective Total OPEB Liability

TNP - (expressed in thousands)	Total OPEB Liability (a)
Balance at June 30, 2018	\$ 325
Changes for the year:	
Service costs	4
Interest	12
Changes of benefit terms	-
Differences between expected and actual experience	22
Changes in assumptions	6
Benefit payments	(17)
Net changes	26
Balance at June 30, 2019	\$ 351
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 351
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 \$14,779 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 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. 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, 2020, the System recognized OPEB expense of \$14,779.

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4.C. RISK MANAGEMENT

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

Balance at 7/1/2019	Incurred Claims	Claims Payments	Balance at 6/30/2020
\$ 78,365	\$ 262,548	\$ 317,668	\$ 23,245

4.D. RISK MANAGEMENT

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

School System

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

Electric System

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2020 and 2019, the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

4.E. LANDFILL POSTCLOSURE COSTS

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$203,925 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
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4.F. COMMITMENTS AND CONTINGENCIES

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

Electric System

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

4.G. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Lexington Gas System

The system has an ongoing project for the construction of a new gas main in the Huron community to serve incoming poultry farms. As of June 30, 2020, the System has incurred engineering costs of \$61,318 for the project. This project is expected to be bid in Spring 2020 with an anticipated cost of \$3,000,000.

The system plans to construct an aggregate storage facility to store gravel, sand, and other aggregates. As of June 30, 2020, the System has incurred engineering costs of \$7,201 for this project. The project is expected to be bid in Summer 2020 with an anticipated cost of \$300,000.

The System has a bypass project with estimated costs of \$134,903. As of June 30, 2020, the system had incurred costs of \$91,538. The System has \$535 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

Lexington Water System

The System has several construction projects in process at June 30, 2020. Commitments for these projects are described below.

The System has incurred \$22,032 in engineering costs for a filter plant project that involves a sludge pumping station. This project is expected to be bid in Fall 2021 with an anticipated cost of \$625,000. There is approximately \$625,000 remaining from a previous bond issue to complete the project.

A new curtain for the aeration basin at the Wastewater Treatment Plant is under construction. As of June, 30, 2020, there is approximately \$4,160 remaining from a previous bond issue to complete this project.

As of June 30, 2020, the System incurred \$27,258 in project design and planning for a waste water main line extension at Parkers Crossroads for the Parkers Crossroads RV Park and Campground. The system anticipates additional costs of \$41,500. The City of Parkers Crossroads has agreed to reimburse the System for \$31,125 which represents 75% of the estimated material costs of the project. The system anticipates bidding this project during FY 2022.

The System has incurred \$56,888 in project design costs to upgrade the Piney Water Booster Pump Station. The project is expected to be bid sometime in 2021 with a project estimate of \$80,000. There is approximately \$80,000 remaining from a previous bond issue to complete the project.

As of June 30, 2020, the System had incurred \$62,950 in project design and planning costs for various waste water pump stations. The lift stations include L.S. #6, 21, 25, and 33. These lift station projects are expected to be bid during FY 2021 with estimated costs of \$1,570,000. As of June, 30, 2020, there is approximately \$1,570,000 remaining from a previous bond issue to complete the projects.

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JUNE 30, 2020

The System has incurred \$215,381 in project design costs to replace several main waste water lines. The main trunk lines include the West Force Main, Town Branch Gravity, North Meadows Gravity, and the Dixon Street/West Lift Station Interceptor Line. These projects are expected to bid during FY 2021 with expected total costs of \$3,985,000. As of June 30, 2020, there is approximately \$3,900,000 remaining from a previous bond issue to complete these projects.

As of June 30, 2020, the System had incurred \$44,598 for a new waste water pumping station project in the Timberlake Industrial Park. As of June 30, 2020, there is approximately \$1,200,000 remaining from a previous bond issue to complete this project. This project is expected to be bid in Spring 2021. When completed, the new lift station will consolidate three existing lift stations and provide for future growth in the growing Timberlake Industrial Park.

The utility relocation projects involving the Bypass Highway are all on hold by the Tennessee Department of Transportation (TDoT). The sewer bypass project has estimated costs of \$157,205 with an estimated \$136,450 remaining to complete this project. The System has \$39,338 that is to be reimbursed by TDoT to help with these remaining costs. The water bypass project has estimated costs of \$257,834 with an estimated \$35,000 remaining to complete this project. The System has \$132,752 that is to be reimbursed by TDoT to help with these costs.

City of Lexington

The City has received a grant in the amount of \$897,750 for Phase II of the sidewalk/multimodal project which has a projected cost of \$945,000 and is expected to be bid in Fall 2021. As of June 30, 2020, the City had recognized \$93,033 in engineering and design for this project.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2020

General Government/Water System/Gas System

Total OPEB liability	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 239,305	\$ 161,711	\$ 165,949
Interest	29,208	23,822	16,367
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(111,403)	-	-
Changes of assumptions	146,320	35,034	(19,702)
Benefit payments and refunds	-	-	-
Net change in total OPEB liability	<u>303,430</u>	<u>220,567</u>	<u>162,614</u>
Total OPEB liability - beginning of year	<u>674,393</u>	<u>453,826</u>	<u>291,212</u>
Total OPEB liability - end of year	<u><u>\$ 977,823</u></u>	<u><u>\$ 674,393</u></u>	<u><u>\$ 453,826</u></u>
Covered-employee payroll	\$ 2,203,295	\$ 1,613,439	\$ 1,574,087
OPEB liability as a percentage of covered-employee payroll	44.38%	41.80%	28.83%

Notes:

Note 1: Plan changes - None

Note 2: Assumption changes - The discount rate was 3.50% as of June 30, 2019 and 2.21% as of June 30, 2020.

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, 2020

Total OPEB liability	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 186,686	\$ 144,058	\$ 160,992
Interest	135,614	132,283	108,224
Changes of benefit terms	-	-	-
Differences between expected and actual experience	184,747	-	-
Changes of assumptions	77,316	(198,516)	-
Benefit payments and refunds	<u>(163,422)</u>	<u>(111,924)</u>	<u>(75,047)</u>
Net change in total OPEB liability	420,941	(34,099)	194,169
Total OPEB liability - beginning of year	<u>3,493,943</u>	<u>3,528,042</u>	<u>3,333,873</u>
Total OPEB liability - end of year	<u><u>\$ 3,914,884</u></u>	<u><u>\$ 3,493,943</u></u>	<u><u>\$ 3,528,042</u></u>
Covered-employee payroll	\$ 3,107,217	\$ 3,070,151	\$ 2,995,269
Net OPEB liability as a percentage of covered-employee payroll	125.99%	113.80%	117.79%

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, 2020

	City 2014	City 2015	City 2016	City 2017	City 2018	City 2019
Total pension liability						
Service Cost	\$ 406,855	\$ 423,129	\$ 434,972	\$ 390,808	\$ 379,860	\$ 424,604
Interest	793,037	872,786	971,567	923,073	923,056	1,139,237
Changes in benefit terms	-	-	-	-	2,305,226	-
Differences between actual and expected experience	-	237,578	(98,825)	(368,339)	(65,512)	(1,823)
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)
Net change in total pension liability	1,003,053	1,426,250	450,478	(456,890)	3,009,246	(1,373,068)
Total pension liability - beginning	10,263,610	11,266,863	12,692,913	13,143,391	12,686,501	15,695,747
Total pension liability - ending (a)	\$ 11,266,663	\$ 12,692,913	\$ 13,143,391	\$ 12,686,501	\$ 15,695,747	\$ 14,322,679

Plan fiduciary net position						
Contributions - employer	\$ 509,921	\$ 510,282	\$ 501,481	\$ 380,037	\$ 338,238	\$ 330,342
Contributions - employee	268,022	263,830	252,445	229,686	211,399	206,464
Net investment income	1,272,111	193,153	(555)	1,454,142	943,442	521,328
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(513,384)	(790,604)
Administrative expense	(1,250)	(33,279)	(86,278)	(67,140)	(85,980)	(37,578)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	1,851,965	826,743	313,378	594,293	893,715	229,952
Plan fiduciary net position - beginning	7,506,819	9,358,784	10,185,527	10,498,905	11,093,198	11,986,913
Plan fiduciary net position - ending (b)	\$ 9,358,784	\$ 10,185,527	\$ 10,498,905	\$ 11,093,198	\$ 11,986,913	\$ 12,216,865

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**

Plan fiduciary net position as a percentage of total pension liability 83.07% 80.25% 79.88% 87.44% 76.37% 85.30%

Covered-employee payroll \$ 4,075,748 \$ 4,251,846 \$ 3,942,250 \$ 3,581,195 \$ 3,423,453 \$ 3,441,910

Net pension liability (asset) as a percentage of covered-employee payroll 46.81% 58.97% 67.08% 44.49% 108.34% 61.18%

	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019
Total pension liability						
Service Cost	\$ 207,035	\$ 215,316	\$ 212,645	\$ 230,698	\$ 224,008	\$ 207,244
Interest	700,229	706,762	771,286	781,193	822,895	825,492
Changes in benefit terms	-	-	-	-	780,756	-
Differences between actual and expected experience	-	819,077	32,345	(335,078)	(325,344)	(373,305)
Change of assumptions	-	159,411	-	-	(481,164)	68,445
Benefit payments, including refunds of employee contributions	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)
Net change in total pension liability	(494,924)	1,667,027	(131,980)	319,830	930,967	(558,582)
Total pension liability - beginning	9,817,757	9,322,833	10,989,860	10,857,880	11,177,710	12,108,677
Total pension liability - ending (a)	\$ 9,322,833	\$ 10,989,860	\$ 10,857,880	\$ 11,177,710	\$ 12,108,677	\$ 11,550,095

Plan fiduciary net position						
Contributions - employer	\$ 663,487	\$ 663,487	\$ 663,487	\$ 305,704	\$ 225,475	\$ 204,174
Contributions - employee	148,508	138,780	137,893	133,538	131,456	124,285
Net investment income	1,088,227	135,350	15,848	1,037,995	717,418	497,713
Benefit payments, including refunds of employee contributions	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)
Administrative expense	(505)	(295)	(425)	(3,410)	(2,878)	(3,853)
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	497,529	703,783	(331,453)	1,116,844	981,287	(464,139)
Plan fiduciary net position - beginning	6,402,609	6,900,138	7,603,921	7,272,468	8,389,312	9,370,599
Plan fiduciary net position - ending (b)	\$ 6,900,138	\$ 7,603,921	\$ 7,272,468	\$ 8,389,312	\$ 9,370,599	\$ 8,906,460

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**

Plan fiduciary net position as a percentage of total pension liability 74.01% 69.19% 66.98% 75.05% 77.39% 77.11%

Covered-employee payroll \$ 2,412,526 \$ 2,341,064 \$ 2,378,246 \$ 2,310,481 \$ 2,266,450 \$ 2,012,123

Net pension liability (asset) as a percentage of covered-employee payroll 100.42% 144.63% 150.76% 120.68% 120.81% 131.39%

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, 2020

	<u>City 2014</u>	<u>City 2015</u>	<u>City 2016</u>	<u>City 2017</u>	<u>City 2018</u>	<u>City 2019</u>
Actuarially determined contribution	\$ 428,197	\$ 486,860	\$ 401,377	\$ 292,712	\$ 229,917	\$ 258,426
Contributions in relation to the actuarially determined contribution	<u>509,921</u>	<u>510,282</u>	<u>501,481</u>	<u>380,037</u>	<u>338,238</u>	<u>330,342</u>
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>
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$ 3,441,910
Contributions as a percentage to covered payroll	12.51%	12.00%	12.72%	10.61%	9.88%	9.60%
	<u>LES 2014</u>	<u>LES 2015</u>	<u>LES 2016</u>	<u>LES 2017</u>	<u>LES 2018</u>	<u>LES 2019</u>
Actuarially determined contribution	\$ 625,883	\$ 366,403	\$ 305,704	\$ 241,669	\$ 170,322	\$ 190,885
Contributions in relation to the actuarially determined contribution	<u>663,487</u>	<u>663,487</u>	<u>663,487</u>	<u>305,704</u>	<u>225,475</u>	<u>204,174</u>
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>
Covered-employee payroll	\$ 2,412,526	\$ 2,341,064	\$ 2,341,064	\$ 2,310,481	\$ 2,266,450	\$ 2,012,123
Contributions as a percentage to covered payroll	27.50%	28.34%	27.90%	13.23%	9.95%	10.15%

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
Annual money-weighted rate of return, net of investment expense	16.32%	2.02%	-0.01%	14.61%	8.57%	4.41%
	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019
Annual money-weighted rate of return, net of investment expense	17.24%	1.91%	0.23%	14.48%	8.42%	5.75%

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, 2020**

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	26 years as of 1/1/2019
Remaining amortization period	26 as of 1/1/2019
Asset valuation	Market value of plan assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value
Salary increases	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 1/1/20 Actuarial Valuation

Notes to Schedule - LES OPEB

Valuation date: Actuarially determined contribution rates for 2020 were calculated based on July 1, 2019 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 Costs.
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 7.50% starting in 2019 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

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, 2020

	2014	2015	2016	2017	2018	2019
Lexington City School's proportion of the net pension asset	0.104835%	0.102809%	0.104496%	0.09933200%	0.09359900%	9.48850000%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (17,035)	\$ 42,114	\$ 653,043	\$ (32,500)	\$ (329,365)	\$ (975,587)
Lexington City School's covered payroll	\$ 4,114,750	\$ 3,848,655	\$ 3,772,098	\$ 3,511,338	\$ 3,277,516	\$ 3,181,623
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%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%

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, 2020**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution (ADC)	\$ 365,390	\$ 347,918	\$ 340,998	\$ 317,564	\$ 297,598	\$ 332,798	\$ 347,132
Contribution in relation to the actuarially determined contribution	<u>365,390</u>	<u>347,918</u>	<u>340,998</u>	<u>317,564</u>	<u>297,598</u>	<u>332,798</u>	<u>347,132</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Lexington City School's covered payroll	\$ 4,114,749	\$ 3,848,655	\$ 3,772,098	\$ 3,512,880	\$ 3,277,515	\$ 3,181,623	\$ 3,265,587
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%

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, 2020

	2015	2016	2017	2018	2019
Lexington City School's proportion of the net pension asset	0.103052%	0.070969%	0.007589%	0.053504%	5.222900%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (4,146)	\$ (7,388)	\$ (20,024)	\$ (24,265)	\$ (29,483)
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691
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%	-533.00%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%

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, 2020

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially Determined Contribution (ADC)	\$ 5,353	\$ 7,817	\$ 19,924	\$ 7,625	\$ 10,772	\$ 11,429
Contribution in relation to the actuarially determined contribution	<u>8,565</u>	<u>12,491</u>	<u>19,924</u>	<u>18,702</u>	<u>10,772</u>	<u>11,429</u>
Contribution deficiency (excess)	<u>\$ (3,212)</u>	<u>\$ (4,674)</u>	<u>\$ -</u>	<u>\$ (11,077)</u>	<u>\$ -</u>	<u>\$ -</u>
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 583,319
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%	1.96%

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.

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

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, 2020

	<u>TGOP 2018</u>	<u>TNP 2018</u>	<u>TGOP 2019</u>	<u>TNP 2019</u>	<u>TGOP 2020</u>	<u>TNP 2020</u>
Total OPEB Liability						
Service cost	\$ 72	\$ 6	\$ 67	\$ 5	\$ 56	\$ 4
Interest	28	10	34	12	31	12
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(166)	(6)	30	22
Changes of assumptions	(48)	(28)	18	(3)	(64)	6
Benefit payments	(41)	(15)	(44)	(16)	(26)	(17)
Net change in total OPEB liability	<u>10</u>	<u>(26)</u>	<u>(91)</u>	<u>(8)</u>	<u>26</u>	<u>26</u>
Total OPEB Liability - beginning	<u>896</u>	<u>359</u>	<u>906</u>	<u>333</u>	<u>815</u>	<u>325</u>
Total OPEB Liability - ending	<u>\$ 906</u>	<u>\$ 333</u>	<u>\$ 815</u>	<u>\$ 325</u>	<u>\$ 841</u>	<u>\$ 351</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 319	\$ 333	\$ 285	\$ 325	\$ 300	\$ 351
Employer's proportionate share of the collective total OPEB liability	\$ 587	\$ -	\$ 530	\$ -	\$ 541	\$ -
Covered-employee payroll	\$ 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

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%.

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

CITY OF LEXINGTON, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

	Special Revenue							Debt Service		Capital Projects	Total	
	State Street Aid	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Lexington-Henderson Alliance	General Sinking Fund	School Debt Fund	Post Office Fund	Other Governmental Funds
ASSETS												
Cash and cash equivalents	\$ 121,280	\$ 782,060	\$ 111,792	\$ 71,999	\$ 2,028	\$ 5,147	\$ 160,161	\$ -	\$ 2,037	\$ -	\$ 1,163,537	\$ 2,420,041
Other receivables	-	-	-	-	-	-	-	-	-	-	18,331	18,331
Due from other funds	-	-	-	112,598	-	-	-	-	-	-	-	112,598
Prepaid insurance	-	-	-	3,381	-	-	-	-	-	-	-	3,381
Inventory	-	-	50,945	-	-	-	-	-	-	-	-	50,945
Due from other governments	45,105	288,787	-	-	-	-	-	-	-	-	-	333,892
TOTAL ASSETS	\$ 166,385	\$ 1,070,847	\$ 162,737	\$ 187,978	\$ 2,028	\$ 5,147	\$ 160,161	\$ -	\$ 2,037	\$ -	\$ 1,181,868	\$ 2,939,188
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,321	\$ -	\$ -	\$ -	\$ -	\$ 1,321
Accrued liabilities	-	-	-	6,433	-	-	-	-	-	-	-	6,433
Unearned revenues	-	-	8,295	-	-	-	10,196	-	-	-	-	18,491
Due to other funds	-	429,454	-	488	-	-	-	-	-	-	-	429,942
TOTAL LIABILITIES	-	429,454	8,295	6,921	-	-	11,517	-	-	-	-	456,187
FUND BALANCES												
Nonspendable												
Inventory	-	-	50,945	-	-	-	-	-	-	-	-	50,945
Prepaid expenses	-	-	-	3,381	-	-	-	-	-	-	-	3,381
Restricted												
State street aid	166,385	-	-	-	-	-	-	-	-	-	-	166,385
School food authority	-	-	103,497	-	-	-	-	-	-	-	-	103,497
E-citation fund	-	-	-	-	-	5,147	-	-	-	-	-	5,147
Drug fund	-	-	-	-	-	-	148,644	-	-	-	-	148,644
Lexington-Henderson Co Alliance	-	-	-	-	-	-	-	-	-	-	-	-
Solid waste	-	-	-	177,676	-	-	-	-	-	-	-	177,676
Assigned												
DARE fund	-	-	-	-	2,028	-	-	-	-	-	-	2,028
Debt service	-	641,393	-	-	-	-	-	-	2,037	-	-	643,430
Capital projects	-	-	-	-	-	-	-	-	-	-	1,181,868	1,181,868
TOTAL FUND BALANCES	166,385	641,393	154,442	181,057	2,028	5,147	148,644	-	2,037	-	1,181,868	2,483,001
TOTAL LIABILITIES AND FUND BALANCES	\$ 166,385	\$ 1,070,847	\$ 162,737	\$ 187,978	\$ 2,028	\$ 5,147	\$ 160,161	\$ -	\$ 2,037	\$ -	\$ 1,181,868	\$ 2,939,188

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, 2020

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Lexington- Henderson Alliance	Debt Service General City Sinking Fund	School Debt Fund	Capital Projects Post Office Fund	Total Other Governmental Funds
Revenues:												
Taxes	\$ -	\$ 1,537,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,196	\$ 1,737,470
Intergovernmental	271,941	-	337,888	12,600	-	-	40,987	-	-	-	-	663,416
Charges for services	-	-	81,482	849,734	-	-	-	-	-	-	-	931,216
Fines, forfeitures, and penalties	-	-	-	-	-	5,070	25,506	-	-	-	-	30,576
Other revenue	1,513	15,669	30,816	1,096	-	412	1,901	3,854	31	-	27,335	82,627
Total Revenues	<u>273,454</u>	<u>1,552,943</u>	<u>450,186</u>	<u>863,430</u>	<u>-</u>	<u>5,482</u>	<u>68,394</u>	<u>3,854</u>	<u>31</u>	<u>-</u>	<u>227,531</u>	<u>3,445,305</u>
Expenditures:												
Current:												
Public works	195,754	-	-	912,676	-	-	-	-	-	-	-	1,108,430
Public safety	-	-	-	-	1,098	-	17,433	-	-	-	-	18,531
Health, welfare and recreation	-	7,900	515,576	-	-	-	-	-	-	-	17,979	541,455
Economic and community development	-	-	-	-	-	-	-	57,384	-	-	-	57,384
Capital outlay	84,764	-	-	826,354	-	25,699	59,546	-	-	-	7,869	1,004,232
Debt Service	-	-	-	-	-	-	-	-	-	1,094,280	-	1,094,280
Total Expenditures	<u>280,518</u>	<u>7,900</u>	<u>515,576</u>	<u>1,739,030</u>	<u>1,098</u>	<u>25,699</u>	<u>76,979</u>	<u>57,384</u>	<u>-</u>	<u>1,094,280</u>	<u>25,848</u>	<u>3,824,312</u>
Revenues over Expenditures	<u>(7,064)</u>	<u>1,545,043</u>	<u>(65,390)</u>	<u>(875,600)</u>	<u>(1,098)</u>	<u>(20,217)</u>	<u>(8,585)</u>	<u>(53,530)</u>	<u>31</u>	<u>(1,094,280)</u>	<u>201,683</u>	<u>(379,007)</u>
Other Financing Sources (Uses)												
Proceeds from sale of bonds	-	-	-	755,000	-	-	-	-	-	4,530,000	-	5,285,000
Premiums on bonds sold	-	-	-	21,160	-	-	-	-	-	79,583	-	100,743
Bonds refunded	-	-	-	-	-	-	-	-	-	(4,480,000)	-	(4,480,000)
Sale of capital assets	-	-	-	-	-	-	12,625	-	-	-	-	12,625
Operating transfer in (out)	-	(1,407,697)	-	159,759	-	-	-	674	-	964,697	-	(282,567)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(1,407,697)</u>	<u>-</u>	<u>935,919</u>	<u>-</u>	<u>-</u>	<u>12,625</u>	<u>674</u>	<u>-</u>	<u>1,094,280</u>	<u>-</u>	<u>635,801</u>
Net Change in Fund Balances	<u>(7,064)</u>	<u>137,346</u>	<u>(65,390)</u>	<u>60,319</u>	<u>(1,098)</u>	<u>(20,217)</u>	<u>4,040</u>	<u>(52,856)</u>	<u>31</u>	<u>-</u>	<u>201,683</u>	<u>256,794</u>
Fund Balance at Beginning of Year, as originally stated	<u>173,449</u>	<u>504,047</u>	<u>205,788</u>	<u>120,738</u>	<u>3,126</u>	<u>25,364</u>	<u>144,604</u>	<u>52,856</u>	<u>2,006</u>	<u>-</u>	<u>980,185</u>	<u>2,212,163</u>
Change in reserve for inventory	<u>-</u>	<u>-</u>	<u>14,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,044</u>
Fund Balance at Beginning of Year, as restated	<u>173,449</u>	<u>504,047</u>	<u>219,832</u>	<u>120,738</u>	<u>3,126</u>	<u>25,364</u>	<u>144,604</u>	<u>52,856</u>	<u>2,006</u>	<u>-</u>	<u>980,185</u>	<u>2,226,207</u>
Fund Balance at End of Year	<u>\$ 166,385</u>	<u>\$ 641,393</u>	<u>\$ 154,442</u>	<u>\$ 181,057</u>	<u>\$ 2,028</u>	<u>\$ 5,147</u>	<u>\$ 148,644</u>	<u>\$ -</u>	<u>\$ 2,037</u>	<u>\$ -</u>	<u>\$ 1,181,868</u>	<u>\$ 2,483,001</u>

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

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

STUDENT ACTIVITY FUND	Balance 7/1/2019	Additions	Deductions	Balance 6/30/2020
ASSETS				
Cash	\$ 128,679	\$ 205,771	\$ 176,881	\$ 157,569
Accounts receivable	-	-	-	-
	<u>\$ 128,679</u>	<u>\$ 205,771</u>	<u>\$ 176,881</u>	<u>\$ 157,569</u>
 Liabilities				
Due to student groups	\$ 128,058	\$ 205,771	\$ 177,521	\$ 156,308
Accounts Payable	621	1,261	621	1,261
	<u>\$ 128,679</u>	<u>\$ 207,032</u>	<u>\$ 178,142</u>	<u>\$ 157,569</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
State gas and motor fuel tax	\$ 294,600	\$ 250,600	\$ 139,261	\$ (111,339)
State gas 1989 tax	-	-	22,019	22,019
State 2017 gas tax	-	-	69,862	69,862
State gas three cent tax	-	-	40,799	40,799
Other revenues				
Interest income	-	1,390	1,513	123
Total revenues	<u>294,600</u>	<u>251,990</u>	<u>273,454</u>	<u>21,464</u>
Expenditures:				
Public Works:				
Street lighting	220,500	196,416	195,754	662
Repairs and maintenance	34,100	-	-	-
Capital outlay	40,000	84,764	84,764	-
Total expenditures	<u>294,600</u>	<u>281,180</u>	<u>280,518</u>	<u>662</u>
Revenues over (under) Expenditures	<u>-</u>	<u>(29,190)</u>	<u>(7,064)</u>	<u>22,126</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	-	(29,190)	(7,064)	22,126
Fund Balance at Beginning of Year	<u>173,449</u>	<u>173,449</u>	<u>173,449</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 173,449</u>	<u>\$ 144,259</u>	<u>\$ 166,385</u>	<u>\$ 22,126</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,456,050	\$ 1,498,959	\$ 1,537,274	\$ 38,315
Other revenues:				
Interest income	20,669	18,151	15,669	(2,482)
Total Revenues	<u>1,476,719</u>	<u>1,517,110</u>	<u>1,552,943</u>	<u>35,833</u>
Expenditures:				
Health, Welfare and Recreation:				
Operating costs	4,000	6,967	6,487	480
Paying agent fees	4,500	2,863	1,413	1,450
Capital projects	25,000	25,000	-	25,000
Total Expenditures	<u>33,500</u>	<u>34,830</u>	<u>7,900</u>	<u>26,930</u>
Revenues over (under) Expenditures	<u>1,443,219</u>	<u>1,482,280</u>	<u>1,545,043</u>	<u>62,763</u>
Other financing sources and uses:				
Transfers out	(1,408,129)	(6,017,281)	(1,407,697)	4,609,584
Total Other financing sources and uses	<u>(1,408,129)</u>	<u>(6,017,281)</u>	<u>(1,407,697)</u>	<u>4,609,584</u>
Net Change in Fund Balances	35,090	(4,535,001)	137,346	4,672,347
Fund Balance at Beginning of Year	<u>504,047</u>	<u>504,047</u>	<u>504,047</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 539,137</u>	<u>\$ (4,030,954)</u>	<u>\$ 641,393</u>	<u>\$ 4,672,347</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, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2019	Add: Encumbrances 6/30/2020	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Payment for lunches							
Student	\$ 60,000	\$ 49,141	\$ 49,141	\$ -	\$ -	\$ 49,141	\$ -
Adult	9,500	7,828	7,828	-	-	7,828	-
Payment for breakfast							
Student	27,000	24,513	24,513	-	-	24,513	-
USDA - lunch programs	234,000	192,521	192,521	-	-	192,521	-
USDA - breakfast programs	110,000	89,800	89,800	-	-	89,800	-
USDA - commodities	31,161	31,540	31,540	-	-	31,540	-
USDA - other	15,000	19,643	19,643	-	-	19,643	-
State matching funds	4,500	4,384	4,384	-	-	4,384	-
A La Carte sales	34,000	26,475	26,475	-	-	26,475	-
Revenues from individual schools	2,000	1,862	1,863	-	-	1,863	1
Interest income	500	500	663	-	-	663	163
Other revenues	-	1,813	1,815	-	-	1,815	2
Total Revenues	527,661	450,020	450,186	-	-	450,186	166
Expenditures							
Food supplies	183,961	193,572	193,572	-	-	193,572	-
Personnel expenditures							
Supervisor/director	31,450	33,586	33,586	-	-	33,586	-
Accountants and bookkeepers	22,343	22,343	22,058	-	-	22,058	285
Cafeteria personnel	143,911	139,000	138,992	-	-	138,992	8
Bonus payments	-	6,750	6,750	-	-	6,750	-
Other salaries and wages	4,000	200	-	-	-	-	200
Inservice training	1,650	125	-	-	-	-	125
Social security	12,607	10,707	10,625	-	-	10,625	82
Medical insurance	69,175	67,322	67,014	-	-	67,014	308
Dental insurance	966	1,085	870	-	-	870	215
Unemployment compensation	650	651	520	-	-	520	131
Retirement	9,900	10,032	10,011	-	-	10,011	21
Employer medicare	2,948	2,508	2,485	-	-	2,485	23
Dues and memberships	250	50	-	-	-	-	50
Operations and maintenance							
Maintenance and repair	5,000	1,585	1,576	-	-	1,576	9
Nonfood supplies							
Food preparation supplies	12,000	10,780	10,770	-	-	10,770	10
Office supplies	1,000	495	484	-	-	484	11
Printing, stationery and forms	400	20	-	-	-	-	20
Uniforms	800	754	748	-	-	748	6
Other supplies and materials	4,000	1,900	1,866	-	-	1,866	34
Other							
Postal charges	100	100	-	-	-	-	100
Other contracted services	10,000	6,550	6,540	-	-	6,540	10
Other transportation	3,000	3,605	3,605	-	-	3,605	-
Travel	50	50	-	-	-	-	50
Inservice/staff development	5,000	1,650	1,639	-	-	1,639	11
Other charges	500	20	-	-	-	-	20
Food service equipment - capital outlay	2,000	600	1,865	(1,270)	-	595	5
Total Expenditures	527,661	516,040	515,576	(1,270)	-	514,306	1,734
Excess (deficiency) of revenues over (under) expenditures	-	(66,020)	(65,390)	1,270	-	(64,120)	1,900
Fund balance - beginning of year, as previously reported	205,788	205,788	205,788	-	-	213,967	-
Change in reserve for inventory	-	-	14,044	-	-	14,044	14,044
Fund balance - beginning of year, as restated	205,788	205,788	219,832	-	-	219,832	14,044
Fund balance - end of year	\$ 205,788	\$ 139,768	\$ 154,442	\$ 1,270	\$ -	\$ 155,712	\$ 15,944

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenues:				
State grant	\$ 12,600	\$ 12,600	\$ 12,600	\$ -
Charges for Services:				
Collection charges	675,000	679,351	679,115	(236)
Transfer stations use charge	-	71,708	107,494	35,786
Landfill use fees	160,000	59,357	59,357	-
Recovery of bad debts	4,000	3,368	3,768	400
Other revenues:				
Interest revenue	1,100	856	960	104
Miscellaneous income	20,000	136	136	-
Total revenues	872,700	827,376	863,430	36,054
Expenditures				
Public Works:				
Salaries	325,115	316,465	312,790	3,675
Payroll taxes	24,871	25,317	23,907	1,410
Hospital and health insurance	72,000	68,068	68,069	(1)
Retirement	26,203	23,292	23,056	236
Other benefits	5,990	5,733	5,668	65
Workers compensation insurance	23,850	16,764	17,860	(1,096)
Unemployment insurance	350	165	162	3
Employee education and benefits	1,300	960	960	-
Memberships	-	50	50	-
Utilities	3,675	3,682	3,388	294
Telephone	1,129	1,547	1,325	222
Legal expense	1,200	-	-	-
Consultant's services	10,000	-	-	-
Tires, flats, etc.	7,500	5,802	5,802	-
R&M vehicles	10,000	20,286	21,891	(1,605)
R&M machinery and equipment	10,000	5,830	1,379	4,451
R&M grounds	1,000	616	616	-
R&M buildings	1,000	1,938	2,013	(75)
R&M other	3,000	21,590	14,534	7,056
Travel	2,500	950	950	-
Office supplies	1,000	1,826	1,971	(145)
Operating supplies	1,500	429	521	(92)
Other operating	6,000	1,948	1,948	-
Meals for trustees	-	2,702	861	1,841
Janitorial supplies	200	245	245	-
Clothing and uniforms	2,800	2,014	2,014	-
Fuel supplies	50,000	40,313	45,953	(5,640)
Consumable tools	1,000	255	344	(89)
Small items of equipment	1,500	-	-	-
Safety supplies	1,500	391	616	(225)
Insurance	10,000	11,552	9,617	1,935
Tipping fees	227,700	236,880	268,187	(31,307)
Permit fees	4,000	3,650	3,650	-
Soil testing	4,883	4,932	4,932	-
Medical costs	2,000	120	190	(70)
Lease payment	67,000	40,509	46,296	(5,787)
Bad debt expense	12,000	4,788	7,677	(2,889)
Interest on bonds	9,267	-	-	-
Bond issue costs	20,686	13,234	13,234	-
Capital outlay	638,733	826,354	826,354	-
Total expenditures	1,592,452	1,711,197	1,739,030	(27,833)
Revenues over (under) expenditures	(719,752)	(883,821)	(875,600)	8,221
Other financing sources and uses:				
Sale of bonds	620,686	755,000	755,000	-
Premiums on bond sales	-	176	21,160	20,984
Transfers in (out)	99,066	105,030	159,759	54,729
Total other financing sources and uses	719,752	860,206	935,919	75,713
Net change in fund balances	-	(23,615)	60,319	83,934
Fund Balance at Beginning of Year	120,738	120,738	120,738	-
Fund Balance at End of Year	\$ 120,738	\$ 97,123	\$ 181,057	\$ 83,934

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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Public Safety:				
Public relations	3,500	500	500	-
Education program operating supplies	-	598	598	-
Total expenditures	<u>3,500</u>	<u>1,098</u>	<u>1,098</u>	<u>-</u>
Revenues over (under) expenditures	<u>(3,500)</u>	<u>(1,098)</u>	<u>(1,098)</u>	<u>-</u>
Other financing sources and uses:				
Transfers in	3,500	3,500	-	(3,500)
Net change in fund balances	-	2,402	(1,098)	(3,500)
Fund Balance at Beginning of Year	<u>3,126</u>	<u>3,126</u>	<u>3,126</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,126</u>	<u>\$ 5,528</u>	<u>\$ 2,028</u>	<u>\$ (3,500)</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Police fines and fees	\$ 5,000	\$ 4,840	\$ 5,070	\$ 230
Other revenues:				
Interest income	450	458	412	(46)
Total revenues	<u>5,450</u>	<u>5,298</u>	<u>5,482</u>	<u>184</u>
Expenditures:				
Capital outlay	-	25,883	25,699	184
Total expenditures	<u>-</u>	<u>25,883</u>	<u>25,699</u>	<u>184</u>
Revenues over (under) expenditures	<u>5,450</u>	<u>(20,585)</u>	<u>(20,217)</u>	<u>368</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	5,450	(20,585)	(20,217)	368
Fund Balance at Beginning of Year	<u>25,364</u>	<u>25,364</u>	<u>25,364</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 30,814</u>	<u>\$ 4,779</u>	<u>\$ 5,147</u>	<u>\$ 368</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental				
Federal 1033	\$ -	\$ -	\$ 40,987	\$ 40,987
Fines, forfeitures, and penalties:				
Drug related fines	15,645	6,305	6,846	541
Forfeitures	23,625	4,638	12,460	7,822
Sale of seized property	3,413	6,200	6,200	-
Other revenues:				
Interest income	1,260	1,697	1,901	204
Total revenues	<u>43,943</u>	<u>18,840</u>	<u>68,394</u>	<u>49,554</u>
Expenditures:				
Public Safety:				
Salary - drug investigator	-	-	-	-
Vehicle tow (seized property)	500	135	260	(125)
Public notices	-	57	57	-
Repair and maintenance	1,000	445	1,766	(1,321)
Operating costs	15,500	11,740	11,667	73
Clothing and uniforms	1,000	-	-	-
Educational costs	2,000	2,250	2,250	-
Small items of equipment	2,000	1,433	1,433	-
Capital outlay	18,500	59,546	59,546	-
Total expenditures	<u>40,500</u>	<u>75,606</u>	<u>76,979</u>	<u>(1,373)</u>
Revenues over (under) expenditures	<u>3,443</u>	<u>(56,766)</u>	<u>(8,585)</u>	<u>48,181</u>
Other financing sources and uses:				
Transfer out	(3,500)	(3,500)	-	3,500
Sale of capital assets	100	12,625	12,625	-
Total other financing sources and uses	<u>(3,400)</u>	<u>9,125</u>	<u>12,625</u>	<u>3,500</u>
Net change in fund balances	43	(47,641)	4,040	51,681
Fund Balance at Beginning of Year	<u>144,604</u>	<u>144,604</u>	<u>144,604</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 144,647</u>	<u>\$ 96,963</u>	<u>\$ 148,644</u>	<u>\$ 51,681</u>

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

CITY OF LEXINGTON, TENNESSEE
LEXINGTON-HENDERSON COUNTY ALLIANCE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Contributions	\$ 7,244	\$ 4,278	\$ 3,373	\$ (905)
Interest earned	-	475	481	6
Total Revenues	<u>7,244</u>	<u>4,753</u>	<u>3,854</u>	<u>(899)</u>
Expenditures:				
Economic and community development				
Salaries	50,400	50,400	50,400	-
Payroll taxes	3,856	3,856	3,856	-
Workers compensation	275	250	-	250
Unemployment insurance	70	100	21	79
Registration, fees	1,000	500	-	500
Data processing	-	50	50	-
Travel	3,000	2,881	2,865	16
Office supplies	-	200	192	8
Projects	-	1,000	-	1,000
Total Expenditures	<u>58,601</u>	<u>59,237</u>	<u>57,384</u>	<u>1,853</u>
Revenues over (under) Expenditures	<u>(51,357)</u>	<u>(54,484)</u>	<u>(53,530)</u>	<u>954</u>
Other financing sources and uses:				
Transfers in	<u>2,756</u>	<u>1,628</u>	<u>674</u>	<u>(954)</u>
Net Change in Fund Balances	<u>(48,601)</u>	<u>(52,856)</u>	<u>(52,856)</u>	<u>-</u>
Fund Balance at Beginning of Year	<u>52,856</u>	<u>52,856</u>	<u>52,856</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues:				
Interest income	\$ 25	\$ 35	\$ 31	\$ (4)
Total revenues	<u>25</u>	<u>35</u>	<u>31</u>	<u>(4)</u>
Expenditures:				
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>25</u>	<u>35</u>	<u>31</u>	<u>(4)</u>
Net change in fund balances	25	35	31	(4)
Fund Balance at Beginning of Year	<u>2,006</u>	<u>2,006</u>	<u>2,006</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,031</u>	<u>\$ 2,041</u>	<u>\$ 2,037</u>	<u>\$ (4)</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, 2020

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2019	Add: Encumbrances 6/30/2020	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-
Expenditures							
Debt Service							
Principal	828,000	828,000	827,035	-	-	827,035	965
Interest	140,000	157,207	154,869	-	-	154,869	2,338
Bond issue costs	-	112,376	112,376	-	-	112,376	-
Total Expenditures	968,000	1,097,583	1,094,280	-	-	1,094,280	3,303
Excess (deficiency) of revenues over (under) expenditures	(968,000)	(1,097,583)	(1,094,280)	-	-	(1,094,280)	3,303
Other financing sources and (uses)							
Proceeds from bond refunding	-	4,530,000	4,530,000	-	-	4,530,000	-
Bond refunding premium	-	79,583	79,583	-	-	79,583	-
Bond refunded	-	(4,480,000)	(4,480,000)	-	-	(4,480,000)	-
Transfers in	968,000	968,000	964,697	-	-	964,697	(3,303)
Total other financing sources and (uses)	968,000	1,097,583	1,094,280	-	-	1,094,280	(3,303)
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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Liquor taxes	\$ 160,000	\$ 188,219	\$ 200,196	\$ 11,977
Other revenues:				
Interest income	20,000	21,047	16,085	(4,962)
Fireworks contributions	14,000	1,350	11,250	9,900
Total Revenues	<u>194,000</u>	<u>210,616</u>	<u>227,531</u>	<u>16,915</u>
Expenditures:				
Economic development:				
Industrial development expenses	-	275,000	-	275,000
Health, welfare and recreation:				
Operating costs	-	-	5,083	(5,083)
Museum improvements	-	10,000	-	10,000
Fireworks	14,000	13,000	12,850	150
Miscellaneous	-	-	46	(46)
Capital projects	-	5,129	7,869	(2,740)
Total Expenditures	<u>14,000</u>	<u>303,129</u>	<u>25,848</u>	<u>277,281</u>
Revenues over (under) Expenditures	<u>180,000</u>	<u>(92,513)</u>	<u>201,683</u>	<u>294,196</u>
Other financing sources and uses:				
Transfers in	-	133,500	-	(133,500)
Total other financing sources and uses	<u>-</u>	<u>133,500</u>	<u>-</u>	<u>(133,500)</u>
Net Change in Fund Balances	180,000	40,987	201,683	160,696
Fund Balance at Beginning of Year	<u>980,185</u>	<u>980,185</u>	<u>980,185</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,160,185</u>	<u>\$ 1,021,172</u>	<u>\$ 1,181,868</u>	<u>\$ 160,696</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, 2020**

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2020	\$1.21	\$ 185,854,704	\$ 2,244,245	\$ -	\$ 2,244,245	\$ -	\$ -	\$ 2,244,245
2019	1.21	185,266,004	2,237,121	2,237,121	31,454	(17,420)	2,171,779	79,376
2018	1.21	183,131,696	2,211,386	60,864	-	223	55,734	5,353
2017	1.21	183,444,653	2,212,920	7,402	-	-	6,858	544
2016	1.23	175,652,631	2,160,565	819	-	-	491	328
2015	1.23	174,738,487	2,155,335	157	-	-	71	86
2014	1.23	175,884,882	2,163,382	1,890	-	-	1,749	141
2013	1.23	176,525,774	2,171,302	71	-	(71)	-	-
2012	1.23	176,045,704	2,165,379	1,116	-	71	142	1,045
2011	1.23	172,560,623	2,122,526	188	-	-	71	117
				<u>\$ 2,309,628</u>	<u>\$ 2,275,699</u>	<u>\$ (17,197)</u>	<u>\$ 2,236,895</u>	<u>\$ 2,331,235</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, 2020

Year Ending June 30,	EESI Loan		2004 - QZAB Bonds		School Refunding Series 2020		Public Works Series 2020		Bond Series 2019		Refunding Bond Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 35,232	\$ -	\$ 75,529	\$ -	\$ 400,000	\$ 45,046	\$ 60,000	\$ 90,792	\$ 55,000	\$ 42,698	\$ 21,642	\$ 3,596	\$ 647,403	\$ 182,132
2022	26,436	-	-	-	395,000	49,875	60,000	92,290	60,000	40,499	22,340	3,281	563,776	185,945
2023	-	-	-	-	395,000	45,925	60,000	91,090	60,000	38,299	23,039	2,835	538,039	178,149
2024	-	-	-	-	400,000	41,975	60,000	89,890	65,000	36,099	23,737	2,373	548,737	170,337
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>\$ 61,668</u>	<u>\$ -</u>	<u>\$ 75,529</u>	<u>\$ -</u>	<u>\$ 4,530,000</u>	<u>\$ 351,345</u>	<u>\$ 1,510,000</u>	<u>\$ 1,885,562</u>	<u>\$ 980,000</u>	<u>\$ 360,762</u>	<u>\$ 185,701</u>	<u>\$ 16,622</u>	<u>\$ 7,342,898</u>	<u>\$ 2,614,291</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, 2020

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
2021	\$ 286,874	\$ 47,653	\$ 98,000	\$ 48,600	\$ 78,625	\$ 40,405	\$ 265,000	\$ 124,650	\$ 335,000	\$ 162,036	\$ 1,063,499	\$ 423,344
2022	296,128	43,494	100,000	45,660	80,750	39,328	270,000	119,350	330,000	169,533	1,076,878	417,365
2023	305,382	37,571	101,000	42,660	80,750	38,137	275,000	113,950	335,000	162,932	1,097,132	395,250
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	231,353	4,627	108,000	27,120	89,250	30,118	320,000	73,050	370,000	124,733	1,118,603	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	-	-	117,900	3,540	106,250	12,408	-	-	435,000	61,382	659,150	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	-	-	-	-	116,875	1,899	-	-	460,000	32,672	576,875	34,571
2039	-	-	-	-	-	-	-	-	475,000	22,323	475,000	22,323
2040	-	-	-	-	-	-	-	-	485,000	11,397	485,000	11,397
	<u>\$ 2,461,567</u>	<u>\$ 220,334</u>	<u>\$ 1,619,900</u>	<u>\$ 400,770</u>	<u>\$ 1,700,000</u>	<u>\$ 447,201</u>	<u>\$ 4,425,000</u>	<u>\$ 1,041,200</u>	<u>\$ 7,940,000</u>	<u>\$ 1,969,804</u>	<u>\$ 18,146,467</u>	<u>\$ 4,079,309</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, 2020

Year Ending June 30,	2012 General Obligation Bonds		2017 General Obligation Bonds		2019 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,484	\$ 246	\$ 106,375	\$ 54,665	\$ 80,000	\$ 34,400	\$ 187,859	\$ 89,311
2022	1,532	225	109,250	53,209	75,000	32,800	185,782	86,234
2023	1,579	194	109,250	51,598	80,000	31,300	190,829	83,092
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	-	-	158,125	2,569	-	-	158,125	2,569
	<u>\$ 12,731</u>	<u>\$ 1,139</u>	<u>\$ 2,300,000</u>	<u>\$ 605,037</u>	<u>\$ 1,225,000</u>	<u>\$ 287,200</u>	<u>\$ 3,537,731</u>	<u>\$ 893,376</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, 2020

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
2021	\$ 410,000	\$ 128,631	\$ 270,000	\$ 182,629	\$ 115,000	\$ 93,218	\$ 795,000	\$ 404,478
2022	420,000	120,431	280,000	179,051	120,000	88,618	820,000	388,100
2023	425,000	112,031	290,000	172,173	120,000	85,018	835,000	369,222
2024	435,000	103,531	295,000	162,023	125,000	80,218	855,000	345,772
2025	445,000	94,831	310,000	150,760	130,000	75,218	885,000	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	345,000	103,160	150,000	60,068	970,000	228,684
2029	485,000	53,581	360,000	85,160	150,000	55,568	995,000	194,309
2030	495,000	41,456	375,000	66,160	155,000	51,068	1,025,000	158,684
2031	510,000	28,463	390,000	46,160	160,000	46,418	1,060,000	121,041
2032	525,000	14,438	405,000	27,310	165,000	41,618	1,095,000	83,366
2033	-	-	425,000	9,810	170,000	36,668	595,000	46,478
2034	-	-	445,000	796	175,000	31,143	620,000	31,939
2035	-	-	465,000	569	180,000	25,455	645,000	26,024
2036	-	-	485,000	341	190,000	19,605	675,000	19,946
2037	-	-	505,000	114	195,000	13,430	700,000	13,544
2038	-	-	-	-	200,000	6,800	200,000	6,800
	<u>\$ 5,535,000</u>	<u>\$ 924,586</u>	<u>\$ 6,300,000</u>	<u>\$ 1,443,161</u>	<u>\$ 2,785,000</u>	<u>\$ 944,567</u>	<u>\$ 14,620,000</u>	<u>\$ 3,312,314</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, 2020

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Ousting 7/1/2019	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2020
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	\$ 93,110	\$ -	\$ 9,437	\$ -	\$ 83,673
Public Works Refund Bonds, Series 2019 General Portion	\$ 830,000	2.00 to 3.00%	2/7/2019	3/1/2034	830,000	-	45,000	-	785,000
2020 Public Works Improvement Bonds General Portion	\$ 1,510,000	2.00 to 2.36%	4/30/2020	4/1/2040	-	1,510,000	-	-	1,510,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Fund					<u>923,110</u>	<u>1,510,000</u>	<u>54,437</u>	<u>-</u>	<u>2,378,673</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	205,000	-	10,000	-	195,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>205,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>195,000</u>
BONDS PAYABLE									
Payable through City of Lexington School Tax Fund									
2004 Qualified Zone Academy Bonds	\$ 1,208,462	0.00%	11/24/2005	11/24/2020	151,057	-	75,528	-	75,529
2010 General Obligation Refund Bonds	\$ 3,125,000	2.50%	1/1/2011	3/1/2020	420,000	-	420,000	-	-
2012 School Refunding Bonds	\$ 6,900,000	1.00 - 3.125%	12/1/2012	6/1/2032	4,800,000	-	-	4,800,000	-
2012 General Obligation Public Improvement Bonds	\$ 171,835	1.00 - 2.00%	10/18/2012	4/1/2028	113,535	-	11,507	-	102,028
2020 General Obligation School Refunding Bonds	\$ 4,530,000	1.00 - 2.00%	6/30/2020	5/1/2031	-	4,530,000	-	-	4,530,000
TOTAL BONDS PAYABLE - Payable through City of Lexington School Tax Fund					<u>5,484,592</u>	<u>4,530,000</u>	<u>507,035</u>	<u>4,800,000</u>	<u>4,707,557</u>
TOTAL BONDS PAYABLE					<u>\$ 6,612,702</u>	<u>\$ 6,040,000</u>	<u>\$ 571,472</u>	<u>\$ 4,800,000</u>	<u>\$ 7,281,230</u>
OTHER LOANS PAYABLE									
Payable through City of Lexington General Purpose School Fund									
Energy Efficient Schools Initiative Loan	\$ 352,332	0.00%	4/4/2011	4/4/2021	\$ 96,900	\$ -	\$ 35,232	\$ -	\$ 61,668
TOTAL OTHER LOANS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>\$ 96,900</u>	<u>\$ -</u>	<u>\$ 35,232</u>	<u>\$ -</u>	<u>\$ 61,668</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	5,935,000	-	400,000	-	5,535,000
Electric Revenue Bonds - Series 2011	\$ 8,250,000	2.00 to 4.00%	9/8/2011	9/1/2036	6,565,000	-	-	6,565,000	-
Revenue Refunding Bond - Series 2019	\$ 63,000,000	.05% - 5.00%	7/25/2019	9/1/2036	-	6,300,000	-	-	6,300,000
Electric Revenue Bonds - Series 2018	\$ 3,000,000	3.00 to 4.00%	5/22/2018	5/22/2018	2,895,000	-	110,000	-	2,785,000
TOTAL BONDS PAYABLE - Payable through Lexington Electric System					<u>\$ 15,395,000</u>	<u>\$ 6,300,000</u>	<u>\$ 510,000</u>	<u>\$ 6,565,000</u>	<u>\$ 14,620,000</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	14,167	-	1,436	-	12,731
General Obligation Public Works Bonds, Series 2017 Gas Portion	\$ 2,300,000	1.30 to 3.25%	7/20/2017	7/15/2037	2,300,000	-	-	-	2,300,000
Public Works Refund Bonds, Series 2019 Gas Portion	\$ 1,300,000	2.00 to 3.00%	2/7/2019	3/1/2034	1,300,000	-	75,000	-	1,225,000
TOTAL BONDS PAYABLE - Payable through Lexington Gas System Fund					<u>\$ 3,614,167</u>	<u>\$ -</u>	<u>\$ 76,436</u>	<u>\$ -</u>	<u>\$ 3,537,731</u>
BONDS PAYABLE									
Payable through Lexington Water System Fund									
2011 Water Refunding Bonds	\$ 2,960,000	2.00 to 3.00%	3/1/2011	3/1/2020	165,000	-	165,000	-	-
G. O. Public Improvement Bonds, Series 2012 Water Portion	\$ 4,145,797	1.00 to 2.00%	10/18/2012	4/1/2028	2,739,187	-	277,620	-	2,461,567
General Obligation Public Works Bonds, Series 2017 Water Portion	\$ 1,700,000	1.30 to 3.25%	7/20/2017	7/15/2037	1,700,000	-	-	-	1,700,000
Public Works Refund Bond, Series 2019 Water Portion	\$ 4,675,000	2.00 to 3.00%	2/7/2019	3/1/2034	4,675,000	-	250,000	-	4,425,000
Public Works Improvement Bonds, Series 2020 Water Portion	\$ 7,940,000	2.00 to 3.00%	4/30/2020	4/30/1930	-	7,940,000	-	-	7,940,000
TOTAL BONDS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 9,279,187</u>	<u>\$ 7,940,000</u>	<u>\$ 692,620</u>	<u>\$ -</u>	<u>\$ 16,526,567</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	\$ 1,716,900	\$ -	\$ 97,000	\$ -	\$ 1,619,900
TOTAL OTHER LOANS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 1,716,900</u>	<u>\$ -</u>	<u>\$ 97,000</u>	<u>\$ -</u>	<u>\$ 1,619,900</u>

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT
JUNE 30, 2020

<u>Tax Year</u>	<u>Outstanding Balance</u>
2018	\$ 5,353
2017	544
2016	328
2015	86
2014	141
2012	1,045
2011	117
Total	<u>\$ 7,614</u>

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

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2020**

GAS FUND					
Residential Rate	<u>Minimum</u>	<u>Base Rate</u>	+	<u>PGA Rate</u>	
First 500 cubic feet (minimum)	\$ 6.70				
Over 500 cubic feet: Inside city (per MCF)		\$ 1.95		+ current PGA	= Rate I MCF
Outside city (per MCF)		\$ 2.80		+ current PGA	= Rate Per MCF
Small Commercial Rate					
First 500 cubic feet (minimum)	\$ 7.50				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.91		+ current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.89		+ 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)		\$ 3.15		+ current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.13		+ 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)		\$ 3.28		+ current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.26		+ current PGA	= Rate Per MCF
Transport (Customer buys from 3rd party)		\$ 2.85			
Number of customers at year end:	<u>9,160</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

	<u>Meter Charge</u>	<u>Maint Fee</u>	<u>2,000 gallons @ cons. Rate</u>	<u>Customer Charge</u>
5/8"	\$17.61 +	\$1.00 +	\$3.71 =	\$22.32
1"	\$21.69 +	\$1.00 +	\$3.71 =	\$26.40
1.5"	\$24.96 +	\$1.00 +	\$3.71 =	\$29.67
2"	\$35.07 +	\$1.00 +	\$3.71 =	\$39.78
3"	\$109.51 +	\$1.00 +	\$3.71 =	\$114.22
4"	\$137.08 +	\$1.00 +	\$3.71 =	\$141.79
6"	\$201.41 +	\$1.00 +	\$3.71 =	\$206.12

Consumption Rate Over 2,000 gallons = \$3.71 Per 1,000 gallons

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

	<u>Meter Charge</u>	<u>Maint Fee</u>	<u>2,000 gallons @ cons. Rate</u>	<u>Customer Charge</u>
5/8"	\$25.52 +	\$1.60 +	\$3.71 =	\$30.83
1"	\$32.12 +	\$1.60 +	\$3.71 =	\$37.43
1.5"	\$38.72 +	\$1.60 +	\$3.71 =	\$44.03
2"	\$56.87 +	\$1.60 +	\$3.71 =	\$62.18
3"	\$190.52 +	\$1.60 +	\$3.71 =	\$195.83
4"	\$240.02 +	\$1.60 +	\$3.71 =	\$245.33
6"	\$355.52 +	\$1.60 +	\$3.71 =	\$360.83

Consumption Rate Over 2,000 gallons = \$3.71 Per 1,000 gallons

BULK WATER - Consumption Rate = \$3.71 Per 1,000 gallons

NUMBER OF CUSTOMERS AT YEAR END: 10,090

SEWER RATES

LEXINGTON		PARKERS CROSSROADS	
Customer Charge 0-2,000 gallons		Customer Charge 0-2,000 gallons	
5/8"	\$18.72	5/8"	\$39.28
1"	\$18.72	1"	\$39.28
1.5"	\$46.13	1.5"	113.91
2"	\$46.13	2"	113.91
3"	\$77.28	3"	162.29
4"	\$77.28	4"	162.29
6"	\$77.28	6"	162.29

Usage Rate Over 2,000 gallons = \$5.62 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: 3,768

GARBAGE RATES

Residential and housing project	\$ 12.75	Class 1	\$ 78.50
Commercial	\$ 23.50	Class 2	\$137.50
		Class 3	\$196.50
		Class 4	\$255.25
NUMBER OF CUSTOMERS AT YEAR END:	<u>3,677</u>		

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED
JUNE 30, 2020

Electric Department

Residential Rate Schedule	
Customer Charge - per delivery point per month	\$ 15.50
Energy Charges - cents per kWh	0.09443
General Power Rate Schedule	
GSA1	
Customer Charge - per delivery point per month	\$ 17.96
Energy Charges - per kWh	0.10796
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	0.10796
- Additional kWh per month	0.06148
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	0.06322
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	0.08169
OffPeak:	0.07842
All kW - per kW per month	\$ 10.87
Energy charge - first 200 HUD	0.05351
Next 200 HUD	0.01893
Additional HUD	0.01552
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	0.07842
OffPeak:	
All kW - per kW per month	\$ 4.70
Energy charge - first 200 HUD	0.05351
Next 200 HUD	0.01893
Additional HUD	0.01552
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	0.07842
OffPeak:	
All kW - per kW per month	\$ 4.59
Energy charge - first 200 HUD	0.05351
Next 200 HUD	0.01779
Additional HUD	0.01552
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	0.74500
OffPeak:	0.07
All kW - per kW per month	\$ 2.26
Energy charge - first 200 HUD	0.04516
Next 200 HUD	0.01547
Additional HUD	0.01292
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	0.06904
OffPeak:	
All kW - per kW per month	\$ 1.75
Energy charge - first 200 HUD	0.04403
Next 200 HUD	0.01688
Additional HUD	0.01688
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	0.09519
OffPeak:	
All kW - per kW per month	\$ 1.64
Energy charge - first 200 HUD	0.04176
Next 200 HUD	0.01519
Additional HUD	0.01460
OL	
Energy charge	0.06351

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, 2020

<u>Federal Grantor/Pass- Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
United States Department of Agriculture			
Rural Business Development Grant (RBDG)	10.351	n/a	\$ 14,919
Suppression of Wildfires per DGA 62150	10.664	19-DG-11083147-001	3,000
Community Facility Loan and Grant	10.766	n/a	<u>7,540</u>
Total Department of Agriculture			<u>25,459</u>
Department of Defense			
State Department of General Services			
Law Enforcement Support Office - Program 1033			
Non-cash Assistance	12.005	n/a	<u>49,048</u>
Total Department of Defense			<u>49,048</u>
Department of Housing and Urban Development			
Community Development Block Grant Program - Water System Improvement	14.228	n/a	318,490
2017 Home Program	14.239	HM17-13	<u>307,544</u>
Total Department of Housing and Urban Development			<u>626,034</u>
Department of Justice			
STOP, Domestic Violence and Sexual Assault Law Enforcement Investigators	16.588	n/a	46,939
Bulletproof Vest Partnership Program	16.607	n/a	<u>275</u>
Total Department of Justice			<u>47,214</u>
Department of Homeland Security			
Assistance to Firefighters Grant (AFG)	97.044	2019-F8-GB01-P431-XXXX-4101-D	<u>154,004</u>
Total Department of Homeland Security			<u>154,004</u>
Department of Transportation - General Government			
Governor's Highway Safety Office - Network Coordinator	20.600	Z19THS161	5,861
Governor's Highway Safety Office - Network Coordinator	20.600	Z20THS140	<u>10,345</u>
Total for CFDA #	20.600		<u>16,206</u>
Governor's Highway Safety Office - Enforcement of TN DUI Laws	20.607	Z19THS162	18,519
Governor's Highway Safety Office - Enforcement of TN DUI Laws	20.607	Z20THS139	<u>19,312</u>
Total for CFDA #	20.607		<u>37,831</u>
Total Department of Transportation			<u>54,037</u>
TOTAL FEDERAL AWARDS			<u>955,796</u>
STATE FINANCIAL ASSISTANCE			
Tennessee Department of Transportation			
SR -20 Community Access Transportation Plan Phase UU	N/A	39LPLM-S3-030	2,907
Tennessee Department of Environment and Conservation			
Recycling Equipment Grants	N/A	N/A	12,600
Volunteer Firefighter Equipment and Training Grant Program	N/A	N/A	12,672
FastTrack Infrastructure Development Program	N/A	N/A	149,900
Site Development Grant	N/A	N/A	36,900
LPRF grant for 2018 LPRF City of Lexington Guy B Amis Playground Improvement Project	N/A	N/A	12,398
Construction of the Henderson County /Lexington Farmers market	N/A	N/A	17,936
Downtown WIFI	N/A	N/A	36,719
Tennessee Downtowns Program	N/A	N/A	15,000
State 2019 Police Salary Supplements	N/A	N/A	23,200
State 2019 Fire Fighting Supplements	N/A	N/A	<u>11,200</u>
TOTAL STATE AWARDS			<u>331,432</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 1,287,228</u>

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, 2020. 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 minimis indirect cost rate allowed under the Uniform Guidance.

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

**AWWA Free Water Audit Software:
Reporting Worksheet**

WAS v5.0
American Water Works Association.
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? Click to access definition
+ Click to add a comment

Water Audit Report for: **Lexington Utilities (0000402)**
Reporting Year: **2020** / 7/2019 - 6/2020

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

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

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

WATER SUPPLIED

Volume from own sources: + ? 10 1,119.860 MG/Yr
Water imported: + ? 10 14.696 MG/Yr
Water exported: + ? 7 3.118 MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr
-1.00% 0.00%
0.00% 0.00%
4 4

WATER SUPPLIED: 1,142.750 MG/Yr

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

AUTHORIZED CONSUMPTION

Billed metered: + ? 10 714.253 MG/Yr
Billed unmetered: + ? 8 0.178 MG/Yr
Unbilled metered: + ? 9 32.179 MG/Yr
Unbilled unmetered: + ? 10 31.153 MG/Yr
Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: 777.763 MG/Yr

Click here: ? for help using option buttons below
Pcnt: Value: MG/Yr
1.25% 31.153

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

364.987 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 2.857 MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed
Customer metering inaccuracies: + ? 7 7.540 MG/Yr
Systematic data handling errors: + ? 1.786 MG/Yr
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed
Apparent Losses: ? 12.182 MG/Yr

Pcnt: Value: MG/Yr
0.25%
1.00%
0.25%

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 352.804 MG/Yr

WATER LOSSES: 364.987 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: ? 428.319 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 7 680.0 miles
Number of active AND inactive service connections: + ? 7 11,395
Service connection density: ? 17 conn./mile main

Are customer meters typically located at the curbside or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line: + ? Average length of customer service line has been set to zero and a data grading score of 10 has been applied
Average operating pressure: + ? 7 65.0 psi

COST DATA

Total annual cost of operating water system: + ? 10 \$4,484,571 \$/Year
Customer retail unit cost (applied to Apparent Losses): + ? 8 \$9.43 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): + ? 8 \$290.61 \$/Million gallons Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

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

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

PRIORITY AREAS FOR ATTENTION:

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

- 1: Unauthorized consumption
- 2: Systematic data handling errors
- 3: Customer metering inaccuracies

JUNE 30, 2020



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

WAS v5.0
American Water Works Association.
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Water Audit Report for:
Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 87 out of 100 ***

System Attributes:

Apparent Losses:	<input type="text" value="12.182"/>	MG/Yr
+ Real Losses:	<input type="text" value="352.804"/>	MG/Yr
= Water Losses:	<input type="text" value="364.987"/>	MG/Yr

? Unavoidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied:
Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
Real Losses per service connection per day: gallons/connection/day
Real Losses per length of main per day*: gallons/mile/day
Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

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

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

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



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

To the Mayor and City Aldermen
Lexington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements and have issued our report thereon dated May 24, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the schedule of findings and questioned costs as SAF 2020-001, COL 2020-001, and COL 2020-002 to be a material weaknesses.

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 schedule of findings and questioned costs as COL 2020-003 and COL 2020-004.

City of Lexington, Tennessee's Response to Findings

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

Purpose of this Report

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



May 24, 2021



**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
Lexington, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Lexington, Tennessee's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Andwin Associates, PLLC

May 24, 2021

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
SAF 2019-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated/SAF 2020-001

Federal Award Findings and Questioned Costs

There were no prior findings reported.

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

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 14.228 – CDBG – Water System Improvement
 - CFDA 14.239 – Home Investment Partnerships Program
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

COL 2020-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS – GENERAL, DRUG, SALES TAX, SOLID WASTE, WATER, AND GAS

Condition: The financial statements were materially misstated before audit adjustments due to grants, pension and OPEB adjustments not being posted.

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 2020-002 RECONCILIATIONS OF ACCOUNTS

Condition: The City had several cash accounts which are not being reconciled to the general ledger on a monthly basis. In order to prepare meaningful financial statements, all bank accounts should be reconciled to the general ledger monthly.

Criteria: Generally accepted accounting principles require the City to have adequate internal controls over the maintenance of accounting records and employ an individual who has necessary skills, knowledge and experience to oversee the accounting records.

Cause: Oversight.

Effect: Weakness in internal controls and material audit adjustments were required.

Management's Response: The CMFO will monitor financial statements. In addition, the general ledger will be reconciled to bank statements on a monthly basis.

COL 2020-003 UNTIMELY CLOSING OF BOOKS/GENERAL LEDGER

Condition: The City failed to close their books within sixty days of year end.

Criteria: Section 9-2-102, *Tennessee Code Annotated*, was amended to require all local governments to close their official accounting records and to have those records available for audit no later than two (2) months after the close of their fiscal year end.

Cause: Oversight.

Effect: The City of Lexington is in violation of TCA 9-2-102.

Recommendation: Account transactions and balances should be recorded timely, all closing entries posted, and the records be made available for audit no later than two (2) months after the close of the fiscal year.

Management's Response: We concur and will correct these deficiencies.

COL 2020-004 EXPENDITURES EXCEEDED APPROPRIATIONS – SOLID WASTE FUND AND DRUG FUND

Condition: The City had expenditures that exceeded budgeted appropriations in the Solid Waste Fund and Drug 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.

GENERAL PURPOSE SCHOOL FUND

NONE

SCHOOL FOOD AUTHORITY

NONE

INTERNAL SCHOOLS FUND

SAF 2020-001 INADEQUATE SEGREGATION OF DUTIES

Schools Still Deficient from the Prior Audit Finding 2019-01: 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.

SECTION III – Federal Award Findings and Questioned Costs

NONE

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
JUNE 30, 2020**

INTERNAL SCHOOL FUNDS

SAF FINDING 2020 – 001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned

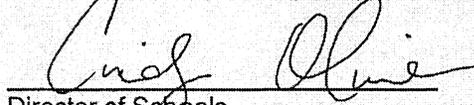
The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties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

Anticipated completion date

Immediately

Responsible party

Each individual school's principal



Director of Schools

CITY OF LEXINGTON FUNDS

**COL 2020-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE ADJUSTMENTS –
GENERAL, DRUG, SALES TAX, SOLID WASTE, WATER, AND GAS**

Corrective action planned

The City Recorder will properly post transactions throughout the year and will review at year end for material compliance.

Anticipated completion date

Immediately

Responsible party

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

COL 2020-002 RECONCILIATIONS OF ACCOUNTS

Corrective action planned

The CMFO will monitor financial statements. In addition, the general ledger will be reconciled to bank statements on a monthly basis.

Anticipated completion date

Immediately

Responsible party

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

COL 2020-003 UNTIMELY CLOSING OF BOOKS/GENERAL LEDGER

Corrective action planned

The CMFO will record account transactions and balances timely including all closing entries and will ensure that the records will be made available for audit no later than two (2) months after the close of the fiscal year.

Anticipated completion date

Immediately

Responsible party

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

COL 2020-004 EXPENDITURES EXCEEDED APPROPRIATIONS – SOLID WASTE FUND AND DRUG FUND

Corrective action planned

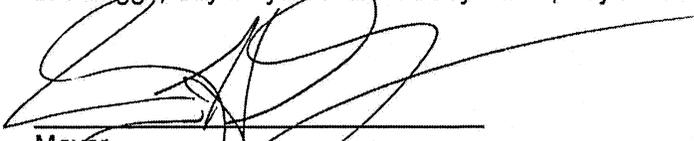
The CMFO will monitor expenditures throughout the year and amend the budget as needed.

Anticipated completion date

Immediately

Responsible party

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



Mayor



City Recorder