

**CITY OF LEXINGTON,
TENNESSEE**

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

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CITY OF LEXINGTON, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

JUNE 30, 2022

PUBLICLY ELECTED OFFICIALS

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

MANAGEMENT OFFICIALS

Cody Wood	CMFOA Designee City Recorder
Michael Harper	Utility General Manager



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee, (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Lexington Electric System, which is both a major fund and 53%, 54%, and 76% respectively, of the assets, net position, and revenues of the business-type activities.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 4.1, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which has an effective date of June 30, 2022. GASB 87 establishes a single approach to accounting for and reporting leases by state and local governments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and the schedule of funding progress on pages 99 through 100 and other required supplementary information on pages 101 through 110 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, schedules, other supplemental information, and schedule of expenditures of federal awards, as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements, schedules, other supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

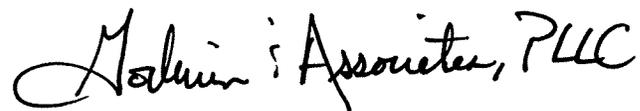
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2023, 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 26, 2023

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

Our analysis of the City's major funds begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds (not the City as a whole). Some funds are required to be established by State law. However, the City Board establishes other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

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

The City as Trustee – The City maintains a fiduciary fund for which it is the trustee or fiduciary. The pension trust fund accounts for pension contributions, benefits, and distributions. This fund is reported in a separate Statement of Fiduciary Net Position page 33, and the Statement of Changes in the Fiduciary Net Position for the Pension Trust fund is on page 34. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 - 98.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 99 - 110 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 111 - 122 of this report.

THE CITY AS A WHOLE

Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Lexington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$95,072,589 at June 30, 2022.

CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 20,867,055	\$ 14,545,287	\$ 31,657,687	\$ 29,482,336	\$ 52,524,742	\$ 44,027,623
Capital Assets	27,139,855	25,971,915	86,313,671	85,370,156	113,453,526	111,342,071
Total Assets	<u>48,006,910</u>	<u>40,517,202</u>	<u>117,971,358</u>	<u>114,852,492</u>	<u>165,978,268</u>	<u>155,369,694</u>
Deferred outflows of resources	<u>2,361,762</u>	<u>1,699,597</u>	<u>2,255,203</u>	<u>2,460,639</u>	<u>4,616,965</u>	<u>4,160,236</u>
Long term liabilities	9,993,881	11,994,850	42,162,519	47,357,061	52,156,400	59,351,911
Other liabilities	1,622,178	707,571	7,654,274	5,797,769	9,276,452	6,505,340
Total liabilities	<u>11,616,059</u>	<u>12,702,421</u>	<u>49,816,793</u>	<u>53,154,830</u>	<u>61,432,852</u>	<u>65,857,251</u>
Deferred inflows of resources	<u>8,336,843</u>	<u>3,934,696</u>	<u>5,692,949</u>	<u>1,793,029</u>	<u>14,029,792</u>	<u>5,727,725</u>
Net Position:						
Net investment in capital assets	20,595,690	19,141,864	53,802,505	50,757,848	74,398,195	69,899,712
Restricted	5,196,578	1,350,491	5,586,111	8,503,985	10,782,689	9,854,476
Unrestricted	4,623,502	5,087,327	5,268,203	3,103,439	9,891,705	8,190,766
Total Net Position	<u>\$ 30,415,770</u>	<u>\$ 25,579,682</u>	<u>\$ 64,656,819</u>	<u>\$ 62,365,272</u>	<u>\$ 95,072,589</u>	<u>\$ 87,944,954</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 \$67,960 compared to an increase in the prior year of \$1,077,269. This decrease in net position from the prior year to the current year is primarily due to an increase in natural gas purchases expense.
- The City's Water Systems Fund had an increase of net position of \$1,098,467 compared to an increase in the prior year of \$600,221. This increase in net position is from the prior year to the current year is primarily due to an increase in
- The City's Electric Department had an increase in net position of \$2,410,449 compared to an increase in the prior year of \$995,845. This increase in net position from the prior year to the current year is primarily due to an increase in charges for services.

The following table provides a summary of the City's operations for the year ended June 30, 2022, with comparative totals for the year ended June 30, 2021.

CITY OF LEXINGTON'S CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		TOTAL	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,769,881	\$ 1,791,794	\$ 64,315,398	\$ 60,330,282	\$ 66,085,279	\$ 62,122,076
Operating grants and contributions	12,668,316	9,024,186	-	-	12,668,316	9,024,186
Capital grants and contributions	33,220	300,893	-	-	33,220	300,893
General revenues:						
Property taxes	2,260,898	2,271,574	-	-	2,260,898	2,271,574
In-lieu of property taxes	104,282	109,144	-	-	104,282	109,144
Public service taxes	125,102	128,021	-	-	125,102	128,021
Sales taxes	5,974,868	6,391,085	-	-	5,974,868	6,391,085
Investment earnings	86,018	67,051	213,524	114,767	299,542	181,818
Insurance recovery	51,443	8,304	15,628	13,921	67,071	22,225
Gain(loss) on sale of capital assets	(22,912)	(1,206,695)	28,374	1,288	5,462	(1,205,407)
Lease revenue	-	-	127,258	-	127,258	-
Miscellaneous	95,490	154,506	210,880	205,764	306,370	360,270
Total revenues	23,146,606	19,039,863	64,911,062	60,666,022	88,057,668	79,705,885
Expenses:						
General government and administration						
Public safety	1,434,268	1,450,273	-	-	1,434,268	1,450,273
Public works	4,139,924	3,903,506	-	-	4,139,924	3,903,506
Health, Welfare and Recreation	3,198,762	2,821,653	-	-	3,198,762	2,821,653
Economic development	10,534,035	10,086,564	-	-	10,534,035	10,086,564
Interest on long-term debt	96,201	483,851	-	-	96,201	483,851
Paying agent fees	143,178	124,421	-	-	143,178	124,421
Water Systems	-	-	6,848,709	6,709,932	6,848,709	6,709,932
Natural Gas	-	-	7,833,275	5,764,170	7,833,275	5,764,170
Electric Department	-	-	45,978,132	44,318,941	45,978,132	44,318,941
Total expenses	19,546,368	18,870,268	60,660,116	56,793,043	80,206,484	75,663,311
Increase (decrease) in net position before transfers and contributions	3,600,238	169,595	4,250,946	3,872,979	7,851,184	4,042,574
Transfers	1,228,084	1,199,644	(1,228,084)	(1,199,644)	-	-
Capital contributions	-	-	554,014	-	554,014	-
Increase (decrease) in net position	4,828,322	1,369,239	3,576,876	2,673,335	8,405,198	4,042,574
Net position at beginning of year, as originally stated	25,579,682	24,230,129	61,079,943	59,691,938	86,659,625	83,922,067
Restatement - OPEB	-	-	-	(1,285,330)	-	(1,285,330)
Inventory adjustment	7,766	(19,686)	-	-	7,766	(19,686)
Net position at beginning of year, as restated	25,587,448	24,210,443	61,079,943	58,406,608	86,667,391	82,617,051
Net position at end of year	\$ 30,415,770	\$ 25,579,682	\$ 64,656,819	\$ 61,079,943	\$ 95,072,589	\$ 86,659,625

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$12,706,611, which is 19% above last year's total of \$10,657,299.

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, 2022, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2022	Percent of Total	June 30, 2021
Taxes	\$ 7,194,174	31.73%	\$ 7,118,897
Intergovernmental	13,527,924	59.66%	11,064,164
Licenses and permits	21,989	0.10%	17,697
Charges for services	1,352,282	5.96%	1,138,259
Fines and forfeitures	260,714	1.15%	262,245
Other revenues	316,824	1.40%	638,308
Total Revenues	\$ 22,673,907	100.00%	\$ 20,239,570

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

Expenditures	June 30, 2022	Percent of Total	June 30, 2021
General government	\$ 1,252,739	5.52%	\$ 1,161,101
Public Safety	3,630,459	15.99%	3,534,510
Public Works	2,817,637	12.41%	2,595,546
Health, welfare, and recreation	10,818,867	47.66%	9,683,302
Economic development	96,201	0.42%	483,851
Capital outlay	3,011,411	13.27%	2,043,406
Debt Service	1,072,256	4.72%	754,140
Total Expenditures	\$ 22,699,570	100.00%	\$ 20,255,856

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

COMPONENT UNIT

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

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

	THE IDB OF THE CITY OF LEXINGTON	
	2022	2021
Fees, Fines and Charges for Services	\$ 1,800	\$ 3,550
Operating Grants and Contributions	1,251,142	1,460,052
Capital Grants and Contributions	252,602	41,077
Investment earnings	12,718	6,514
Gain on disposal of assets	-	501
Lease revenues	124,082	130,286
Total Revenues	1,642,344	1,641,980
Program expenses	1,276,085	1,225,333
Change in net position	366,259	416,647
Net Position At Beginning of Year	1,061,730	754,796
Prior Period Adjustmnet	-	(109,713)
Net Position at Beginning of Year, Restated	1,061,730	645,083
Net Position at End of Year	\$ 1,427,989	\$ 1,061,730

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

General Fund Budgetary Highlights

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2022, the City had \$113,453,526 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 \$2,111,455, or 1.9% over the prior year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$39,482,926 in outstanding long-term debt compared to \$41,828,343 last year. Of the total outstanding debt 17% belongs to the Governmental funds, 8% to the Gas Fund, 42% to the Water Systems Fund, and 33% to the Electric Department.

See Note 3.G for additional information.

ECONOMIC FACTORS

The City expects higher revenues and operating costs in 2022-2023 as compared to 2021-2022.

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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Board
ASSETS				
Cash and cash equivalents	\$ 12,144,699	\$ 17,402,181	\$ 29,546,880	\$ 47,085
Cash and cash equivalents - restricted	-	5,587,930	5,587,930	-
Investments	-	100,000	100,000	-
Receivables:				
Property taxes	2,397,033	-	2,397,033	-
Accounts receivable, net of allowance	30,628	3,935,021	3,965,649	-
Grant receivables	509,207	229,732	738,939	-
Lease receivable, current portion	-	123,704	123,704	90,185
Other receivables	43,824	585,813	629,637	-
Internal balances	(102,720)	102,720	-	-
Due from other governments	1,345,487	-	1,345,487	-
Inventory	39,024	1,342,549	1,381,573	-
Hybrid retirement stabilization funds	59,138	-	59,138	-
Natural gas storage	-	664,444	664,444	-
Prepaid expenses	78,195	144,119	220,314	-
Net pension asset	4,324,540	-	4,324,540	-
Other assets	-	794,944	794,944	-
Lease receivable, net of current portion	-	644,530	644,530	366,907
Capital assets:				
Land and construction in progress	4,079,517	8,437,897	12,517,414	803,070
Other capital assets, net of depreciation	23,060,338	77,875,774	100,936,112	1,270,291
TOTAL ASSETS	48,006,910	117,971,358	165,978,268	2,577,538
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on bond refunding	-	29,059	29,059	-
Deferred outflows - employee benefits	1,942,221	1,137,167	3,079,388	-
Deferred outflows - OPEB	419,541	1,088,977	1,508,518	-
	<u>2,361,762</u>	<u>2,255,203</u>	<u>4,616,965</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	982,724	5,305,746	6,288,470	15,275
Grants payable	-	225,567	225,567	-
Customer deposits	-	1,568,408	1,568,408	-
Unearned revenue	37,886	-	37,886	57,787
Compensated absences	-	205,970	205,970	-
Long-term liabilities:				
Advances from Home Installation Program	-	338,804	338,804	-
Net OPEB liability	1,749,596	5,041,503	6,791,099	-
Net Pension liability	542,315	2,270,806	2,813,121	-
Compensated absences	1,505,353	2,175,248	3,680,601	-
Landfill closure costs	254,020	-	254,020	-
Due within one year	601,568	2,122,961	2,724,529	29,412
Due in more than one year, net of unamortized premiums	5,942,597	30,561,780	36,504,377	589,983
TOTAL LIABILITIES	11,616,059	49,816,793	61,432,852	692,457
DEFERRED INFLOWS OF REVENUES				
Unavailable revenue - property taxes	2,237,995	-	2,237,995	-
Deferred inflows - employee benefits	5,628,800	3,136,353	8,765,153	-
Deferred inflows - OPEB	470,048	1,788,362	2,258,410	-
Deferred inflows - lease receivable	-	768,234	768,234	457,092
TOTAL DEFERRED INFLOWS OF REVENUES	8,336,843	5,692,949	14,029,792	\$ 457,092
NET POSITION				
Net investment in capital assets	20,595,690	53,802,505	74,398,195	1,453,966
Restricted for:				
Capital projects	-	3,320,155	3,320,155	-
Tank/hydrant maintenance	-	663,979	663,979	-
Sex offender	7,718	-	7,718	-
State Street Aid Fund	282,081	-	282,081	-
E-citation	13,267	-	13,267	-
School Food Service	249,015	-	249,015	-
Hybrid retirement stabilization funds	59,138	-	59,138	-
Solid Waste Collection	108,844	-	108,844	-
Police Drug Fund	151,975	-	151,975	-
Pensions	4,324,540	-	4,324,540	-
Debt service	-	1,601,977	1,601,977	-
Unrestricted	4,623,502	6,553,532	11,177,034	(25,977)
TOTAL NET POSITION	\$ 30,415,770	\$ 65,942,148	\$ 96,357,918	\$ 1,427,989

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, 2022

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			Component Unit Industrial Development Board
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General Government	\$ 1,434,268	\$ 138,251	\$ 1,170,386	\$ -	\$ (125,631)	\$ -	\$ (125,631)	-
Public Safety	4,139,924	277,342	220,495	960	(3,641,127)	-	(3,641,127)	-
Public Works	3,198,762	1,205,420	380,511	-	(1,612,831)	-	(1,612,831)	-
Health, Welfare and Recreation	10,534,035	148,868	10,896,924	32,260	544,017	-	544,017	-
Economic Development	96,201	-	-	-	(96,201)	-	(96,201)	-
Interest on long-term debt	143,178	-	-	-	(143,178)	-	(143,178)	-
Business-type activities:								
Gas Fund	7,833,275	7,892,600	-	-	-	59,325	59,325	-
Water Systems Fund	6,848,709	7,283,975	-	554,014	-	989,280	989,280	-
Electric Department	45,978,132	49,138,823	-	-	-	3,160,691	3,160,691	-
Total business-type activities	60,660,116	64,315,398	-	554,014	-	4,209,296	4,209,296	-
Total primary government	\$ 80,206,484	\$ 66,085,279	\$ 12,668,316	\$ 587,234	(5,074,951)	4,209,296	(865,655)	\$ -
Component unit:								
Industrial Development Corporation	1,276,085	1,800	1,251,142	252,602	-	-	-	229,459
General revenues:								
Taxes:								
Property								
					2,260,898	-	2,260,898	-
					104,282	-	104,282	-
					125,102	-	125,102	-
Sales								
					5,974,868	-	5,974,868	-
Investment earnings								
					86,018	213,524	299,542	12,718
Insurance recovery								
					51,443	15,628	67,071	-
Gain (loss) on sale/retirement of capital assets								
					(22,912)	28,374	5,462	-
Lease revenue								
					-	127,258	127,258	124,082
Miscellaneous								
					95,490	210,880	306,370	-
Transfer in - in lieu of taxes								
					1,228,084	(1,228,084)	-	-
Total general revenues and transfers					9,903,273	(632,420)	9,270,853	136,800
Change in net position					4,828,322	3,576,876	8,405,198	366,259
Net position - beginning, as originally stated					25,579,682	62,365,272	87,944,954	1,061,730
Inventory adjustment - school food service fund					7,766	-	7,766	-
Net position - beginning, as restated					25,587,448	62,365,272	87,952,720	1,061,730
Net position - ending					\$ 30,415,770	\$ 65,942,148	\$ 96,357,918	\$ 1,427,989

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

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 5,357,480	\$ 2,225,055	\$ 4,562,164	\$ 12,144,699
Taxes receivable	2,397,033	-	-	2,397,033
Accounts receivable	30,628	-	-	30,628
Grant receivable	509,207	-	-	509,207
Other receivables	19,069	-	24,755	43,824
Inventory	-	-	39,024	39,024
Hybrid retirement stabilization funds	-	59,138	-	59,138
Due from other governments	702,142	260,760	382,585	1,345,487
Due from other funds	219,834	-	73,615	293,449
Prepaid expenses	71,335	-	4,860	76,195
TOTAL ASSETS	<u>\$ 9,306,728</u>	<u>\$ 2,544,953</u>	<u>\$ 5,087,003</u>	<u>\$ 16,938,684</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 398,403	\$ -	\$ 53,244	\$ 451,647
Accrued expenses	383,113	110,107	13,388	506,608
Unearned revenue - other	-	-	37,886	37,886
Due to other funds	252,431	-	143,738	396,169
TOTAL LIABILITIES	<u>1,033,947</u>	<u>110,107</u>	<u>248,256</u>	<u>1,392,310</u>
DEFERRED INFLOWS OF REVENUES				
Deferred income	442,731	-	-	442,731
Unavailable revenue - property taxes	2,397,032	-	-	2,397,032
TOTAL DEFERRED INFLOWS OF REVENUES	<u>2,839,763</u>	<u>-</u>	<u>-</u>	<u>2,839,763</u>
FUND BALANCE				
Nonspendable:				
Inventory	-	-	39,024	39,024
Prepaid expenses	71,335	-	4,860	76,195
Restricted for:				
Sex offender	7,718	-	-	7,718
State street aid	-	-	282,081	282,081
E-citation	-	-	13,267	13,267
School food authority	-	-	209,991	209,991
Hybrid retirement stabilization funds	-	59,138	-	59,138
Drug fund	-	-	151,975	151,975
Solid Waste Collection	-	-	103,984	103,984
Committed:				
Rainy Day fund	2,749,485	-	-	2,749,485
Shop with Cops	24,544	-	-	24,544
Assigned:				
Special revenue funds	-	-	2,254,517	2,254,517
Capital projects	-	-	1,779,048	1,779,048
Unassigned:				
General fund	2,579,936	-	-	2,579,936
Education	-	-	-	-
General purpose school fund	-	2,375,708	-	2,375,708
TOTAL FUND BALANCES	<u>5,433,018</u>	<u>2,434,846</u>	<u>4,838,747</u>	<u>12,706,611</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES	<u>\$ 9,306,728</u>	<u>\$ 2,544,953</u>	<u>\$ 5,087,003</u>	<u>\$ 16,938,684</u>

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

CITY OF LEXINGTON, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balance - total governmental funds	\$ 12,706,611
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.	27,139,855
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	159,038
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	4,324,540
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	(542,315)
Net OPEB liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	(1,749,596)
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.	(3,686,579)
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.	(50,507)
Unearned revenues are not available to be recognized as current revenues and are deferred on the governmental balance sheet.	442,731
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(24,470)
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>(8,303,538)</u>
Net position of governmental activities	<u><u>\$ 30,415,770</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, 2022

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 2,174,883	\$ -	\$ -	\$ 2,174,883
Penalty and interest	10,852	-	-	10,852
In lieu of taxes	21,478	-	-	21,478
Sales	2,159,396	-	1,799,497	3,958,893
Beer tax	335,895	-	-	335,895
Business	295,944	-	-	295,944
Liquor tax	-	-	217,211	217,211
Franchise	125,102	-	-	125,102
Hotel/motel tax	51,133	-	-	51,133
Privilege	2,783	-	-	2,783
Intergovernmental revenues	1,538,216	9,812,555	2,177,153	13,527,924
Licenses and permits	21,989	-	-	21,989
Charges for services	179,379	-	1,172,903	1,352,282
Fines, forfeits, and penalties	224,367	-	36,347	260,714
Other revenues	207,026	83,678	26,120	316,824
Total revenues	<u>7,348,443</u>	<u>9,896,233</u>	<u>5,429,231</u>	<u>22,673,907</u>
Expenditures				
Current:				
General government	1,252,739	-	-	1,252,739
Public safety	3,604,829	-	25,630	3,630,459
Public works	1,544,846	-	1,272,791	2,817,637
Health, welfare, and recreation	478,380	9,592,301	748,186	10,818,867
Economic development	46,201	-	50,000	96,201
Capital outlay	1,273,823	724,218	1,013,370	3,011,411
Debt service:				
Principal payments	90,066	26,436	837,046	953,548
Interest payments	38,823	-	79,885	118,708
Total expenditures	<u>8,329,707</u>	<u>10,342,955</u>	<u>4,026,908</u>	<u>22,699,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(981,264)</u>	<u>(446,722)</u>	<u>1,402,323</u>	<u>(25,663)</u>
Other financing sources (uses)				
Transfers in	1,228,084	1,063,000	598,440	2,889,524
Transfers out	(623,941)	-	(1,037,499)	(1,661,440)
Insurance recoveries	51,443	-	-	51,443
Note proceeds	-	-	486,969	486,969
Proceeds from sale of general capital assets	63,966	-	236,748	300,714
Total other financing sources (uses)	<u>719,552</u>	<u>1,063,000</u>	<u>284,658</u>	<u>2,067,210</u>
Net Change in Fund Balances	<u>(261,712)</u>	<u>616,278</u>	<u>1,686,981</u>	<u>2,041,547</u>
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	5,694,730	1,818,568	3,144,000	10,657,298
Inventory adjustment	-	-	7,766	7,766
FUND BALANCE AT BEGINNING OF YEAR, as restated	<u>5,694,730</u>	<u>1,818,568</u>	<u>3,151,766</u>	<u>10,665,064</u>
FUND BALANCE AT END OF YEAR	<u>\$ 5,433,018</u>	<u>\$ 2,434,846</u>	<u>\$ 4,838,747</u>	<u>\$ 12,706,611</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, 2022

Net change in fund balances - total governmental funds	\$	2,041,547
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.		
		3,011,411
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.		
		(1,711,749)
Net effect of asset disposal.		
		(131,722)
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.		
		1,074,136
The net proceeds from bond sales over repayments increases the current financial resources of governmental funds. However, it has no effect on net position.		
		274,675
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.		
		(185,416)
Some revenues reported in the statement of activities were deferred in the current year on the governmental funds.		
		369,425
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.		
		86,015
Change in net position of governmental activities	\$	4,828,322

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, 2022

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Property taxes - current	\$ 2,263,235	\$ 2,128,328	\$ 2,129,564	\$ 1,236
Property taxes - delinquent	79,000	45,319	45,319	-
Penalties and interest	15,000	10,852	10,852	-
In lieu of taxes:				
Lexington Housing Authority	42,945	21,478	21,478	-
Local sales tax	1,765,890	2,127,426	2,159,396	31,970
Local beer tax	350,478	367,331	335,895	(31,436)
Business tax	286,422	308,101	295,944	(12,157)
Franchise tax	138,267	125,102	125,102	-
Hotel/motel tax	39,645	58,170	51,133	(7,037)
Privilege tax	2,675	2,783	2,783	-
Total taxes	4,983,557	5,194,890	5,177,466	(17,424)
Intergovernmental				
TVA payments in lieu of taxes	90,290	82,804	82,804	-
Police - vest grant	500	-	-	-
Police grant - network coordinator	20,000	16,297	16,297	-
Police grant - DUI traffic	56,960	46,287	34,791	(11,496)
Police grant - OCJPDV investigator/STOP	56,219	24,652	53,628	28,976
Fire THSO	-	720	2,637	1,917
Volunteer fire grant	-	68,050	68,050	-
Downtown sidewalk	863,440	7,300	-	(7,300)
TDOT Main Street	-	21,900	32,260	10,360
State of Tennessee				
- Sales tax allocation	716,084	897,589	905,061	7,472
- Telecommunication tax	-	-	6,889	6,889
- Telecommunication privilege tax	-	-	198	198
- Income tax allocation	-	11,990	3,170	(8,820)
- Beer tax allocation	3,640	3,620	3,634	14
- Mixed drink tax	4,450	18,883	18,311	(572)
- Petroleum special	15,440	14,737	14,635	(102)
- Street maintenance	86,500	88,104	88,105	1
- Excise tax	28,000	31,610	31,612	2
- Online sportsbetting tax	2,500	7,651	8,001	350
- Occupancy tax - additional	-	-	8,699	8,699
- ECD 2020 Sit	450,000	-	-	-
- State fire education	7,800	10,400	10,400	-
- State law enforcement grant	23,200	21,600	21,600	-
- Multimodal grant phase II	770,795	4,015	21,968	17,953
- Governor's Local Support Grant	100,140	101,312	101,312	-
- Guy B Amis	-	11,610	-	(11,610)
- Arts Grant	-	-	4,154	4,154
Grants from Local Governments				
- Crimestoppers	1,200	-	-	-
- Other miscellaneous grants	50,000	2,500	-	(2,500)
Total intergovernmental revenues	3,347,158	1,493,631	1,538,216	44,585
Licenses and permits				
Beer licenses	750	750	750	-
Building permits	20,250	20,589	20,589	-
Other permits	1,000	650	650	-
Total licenses and permits	22,000	21,989	21,989	-

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, 2022**

	<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	29,071	33,874	32,662	(1,212)
Accident report filing fees	2,500	2,485	2,485	-
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	1,000	1,800	1,800	-
Community policing	2,500	4,691	4,691	-
Mowing and lot cleanup	1,000	-	-	-
Street repair charges	60,000	38,155	38,155	-
Parks and recreation charges	13,000	14,586	14,586	-
Total charges for services	194,071	180,591	179,379	(1,212)
City court fines and costs	221,644	224,367	224,367	-
Other revenues				
Interest income	54,000	16,057	17,746	1,689
Dividend	-	-	52,201	52,201
Donations	1,000	200	2,700	2,500
Shop with a cop donations	10,000	11,443	11,443	-
Community center revenue	-	1,690	1,690	-
Rent income	74,400	69,600	74,400	4,800
Sales of cemetery lots	15,000	25,900	25,900	-
Sales of other materials	4,500	9,563	9,563	-
Miscellaneous income	2,000	62,686	11,383	(51,303)
Total other revenue	160,900	197,139	207,026	9,887
Total revenues	8,929,330	7,312,607	7,348,443	35,836
Expenditures				
General government				
General				
Salaries	84,030	92,558	93,207	(649)
Employee benefits	304,359	317,846	295,820	22,026
Memberships	3,600	150	125	25
Election payroll	-	8,205	7,767	438
Legal services	2,000	1,140	1,043	97
Operating expenses	23,500	25,735	25,711	24
Other operating expenses	19,800	11,197	13,244	(2,047)
Insurance	165,110	407,150	165,435	241,715
Capital outlay	20,000	3,296	-	3,296
Total general	622,399	867,277	602,352	264,925
Judicial				
Salaries	12,000	12,000	12,000	-
Total judicial	12,000	12,000	12,000	-

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

CITY OF LEXINGTON, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	299,622	306,104	302,711	3,393
Employee benefits	41,642	42,672	42,672	-
Insurance	140	198	198	-
Office expense	21,560	13,121	14,209	(1,088)
Professional fees	71,103	62,498	104,714	(42,216)
Membership and dues	450	900	558	342
Repair and maintenance	6,850	2,520	2,380	140
Other operating expenses	156,150	86,430	152,814	(66,384)
ADA project	-	4,248	4,248	-
Total city recorder	597,517	518,691	624,504	(105,813)
City Hall				
Utilities	15,204	20,700	18,131	2,569
Total general government	1,247,120	1,418,668	1,256,987	161,681
Public safety				
Police department				
Salary	1,821,486	1,720,699	1,674,648	46,051
Employee benefits	293,237	311,568	274,082	37,486
Utilities	38,325	51,490	47,344	4,146
Repair and maintenance	29,500	32,990	29,037	3,953
Memberships and dues	2,800	2,506	2,030	476
Supplies	61,175	7,560	12,280	(4,720)
Travel	8,500	3,430	2,850	580
Uniforms and clothing	13,322	8,420	18,745	(10,325)
Gas, oil, and diesel	61,085	69,260	73,070	(3,810)
Insurance	1,000	1,075	-	1,075
Equipment rental	7,000	5,600	5,657	(57)
Office expense	87,851	166,638	150,677	15,961
Community - shop with a cop	12,000	7,848	7,848	-
STOP	-	46,123	68,597	(22,474)
Other grant expenses	38,500	4,635	8,812	(4,177)
Capital outlay - 1033 equipment	7,000	4,600	1,150	3,450
Capital outlay	423,450	476,443	438,356	38,087
Total police department	2,906,231	2,920,885	2,815,183	105,702
Fire department				
Salaries	859,467	911,846	833,316	78,530
Employee benefits	115,880	130,570	118,825	11,745
Volunteer firemen benefits	10,000	900	4,274	(3,374)
Utilities	51,000	52,788	49,200	3,588
Memberships	600	60	50	10
Public relations	1,000	550	990	(440)
Data processing	1,980	54,030	48,964	5,066
Repair and maintenance	33,000	24,202	27,416	(3,214)
Supplies	14,850	21,611	21,279	332
Clothing and uniforms	9,000	7,780	6,482	1,298
Gas, oil, diesel	15,950	22,510	25,221	(2,711)
Insurance	500	880	745	135
Travel	4,000	2,230	1,856	374
Small equipment	40,000	680	2,649	(1,969)
Equipment rent	3,024	2,490	2,697	(207)
Capital outlay	193,000	147,006	164,095	(17,089)
Total fire department	1,353,251	1,380,133	1,308,059	72,074
Building inspector				
Salaries	64,761	69,344	64,935	4,409
Employee benefits	10,400	9,390	9,132	258
Insurance	30	80	67	13
Other operating expenses	16,205	15,439	11,054	4,385
Total building inspector	91,396	94,253	85,188	9,065
Total public safety	4,350,878	4,395,271	4,208,430	186,841

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, 2022

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	633,208	469,527	423,339	46,188
Employee benefits	94,192	113,260	102,963	10,297
Utilities	12,810	15,810	14,403	1,407
Street lighting	38,325	41,000	36,906	4,094
Repair and maintenance	357,100	400,220	617,566	(217,346)
Repair and maintenance - equipment	10,000	26,740	25,484	1,256
Clothing and uniforms	4,150	5,550	4,978	572
Gas, oil, diesel	32,500	39,350	44,718	(5,368)
Small equipment	1,000	290	235	55
Operating supplies	15,150	30,730	28,725	2,005
Insurance	450	730	639	91
Travel	-	910	754	156
Capital outlay	129,900	303,242	298,103	5,139
Total highways and streets	1,328,785	1,447,359	1,598,813	(151,454)
Garage				
Salaries	150,117	167,497	148,370	19,127
Employee benefits	45,036	46,380	41,557	4,823
Repair and maintenance	6,400	4,300	3,875	425
Supplies	17,610	21,960	20,876	1,084
Utilities	4,830	8,810	7,744	1,066
Fuel	-	-	822	(822)
Capital outlay	20,500	49,576	47,935	1,641
Total garage	244,493	298,523	271,179	27,344
Animal control				
Contract labor	38,500	6,417	6,417	-
Total animal control	38,500	6,417	6,417	-
Sanitation				
Landfill costs	6,500	64,063	14,475	49,588
Total public works	1,618,278	1,816,362	1,890,884	(74,522)
Health, welfare, and recreation				
Appropriations				
Library	31,900	63,800	-	63,800
Library utilities	10,414	10,111	11,457	(1,346)
Senior Citizens	12,000	12,000	12,000	-
Senior Citizens - Utilities	15,273	5,456	5,211	245
Senior Citizens - Maint Bldg	4,048	439	339	100
Senior Citizens - Janitorial	1,677	471	399	72
Rescue Squad	2,500	2,500	2,500	-
Easter Seals	1,500	1,500	-	1,500
Community Beautification Committee (Cemetery)	-	20	20	-
Christmas parade	500	-	-	-
Carl Perkins Center	1,725	1,725	1,725	-
Hend Co JECD Board	1,378	180	360	(180)
Lexington Industrial Development Board	42,800	42,800	42,800	-
Lexington scholarship	500	500	500	-
Hope utilities	7,950	8,026	7,979	47
Project Graduation	1,200	1,200	1,200	-
West TN Basin	2,000	2,000	2,000	-
Animal Shelter	5,000	5,000	5,000	-
BRWDA	10,000	10,000	10,000	-
Regional airport	52,939	46,965	46,965	-
General	3,500	-	-	-
Total appropriations	208,804	214,693	150,455	64,238

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, 2022

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health, welfare, and recreation (continued)				
Museum				
Salaries	18,969	18,758	18,975	(217)
Employee benefits	1,518	1,501	1,452	49
Unemployment insurance	30	60	50	10
Public relations	1,000	120	96	24
Utilities	5,775	5,420	4,905	515
Repair and maintenance	6,000	180	245	(65)
Telephone	1,397	1,560	1,560	-
Security system	550	526	602	(76)
Operating costs	600	4,118	4,488	(370)
Janitorial costs	250	80	66	14
Total museum	36,089	32,323	32,439	(116)
Civic center				
Repair and maintenance	-	-	-	-
Total civic center	-	-	-	-
Parks				
Salaries	226,917	173,874	168,985	4,889
Employee benefits	31,908	25,618	35,762	(10,144)
Repair and maintenance	45,100	17,984	23,342	(5,358)
Utilities	50,411	42,941	39,045	3,896
Insurance	400	340	309	31
Other operating expenses	28,400	27,753	28,043	(290)
Capital outlay	156,000	116,300	110,888	5,412
Total parks	539,136	404,810	406,374	(1,564)
Total health, welfare, and recreation	784,029	651,826	589,268	62,558
Economic development				
State plan service	15,000	14,107	14,107	-
Professional fees	11,000	6,950	6,344	606
Architectural engineering and land	4,000	5,548	4,883	665
Legal	1,500	-	-	-
Tourism advertising	1,000	310	-	310
Industrial development	500,000	100,000	-	100,000
Miscellaneous	30,000	24,557	18,998	5,559
Small assets	960	1,456	1,869	(413)
Capital outlay	1,892,663	49,154	209,048	(159,894)
Total economic development	2,456,123	202,082	255,249	(53,167)
Debt service				
Principal payments	90,066	84,752	90,066	(5,314)
Interest payments	38,823	39,116	38,823	293
Paying agent fees	1,000	500	-	500
Total debt service	129,889	124,368	128,889	(4,521)
Total expenditures	10,586,317	8,608,577	8,329,707	278,870

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, 2022

	<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	<u>(1,656,987)</u>	<u>(1,295,970)</u>	<u>(981,264)</u>	<u>314,706</u>
Other financing sources (uses)				
Transfers in	1,111,971	1,198,840	1,228,084	29,244
Transfers out	(720,000)	(720,000)	(623,941)	96,059
Insurance recoveries	20,000	51,443	51,443	-
Sale of general fixed assets	10,000	63,966	63,966	-
Total other financing sources (uses)	<u>421,971</u>	<u>594,249</u>	<u>719,552</u>	<u>125,303</u>
Net change in fund balance	<u>(1,235,016)</u>	<u>(701,721)</u>	<u>(261,712)</u>	<u>440,009</u>
Fund Balance at Beginning of Year	<u>5,694,730</u>	<u>5,694,730</u>	<u>5,694,730</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,459,714</u>	<u>\$ 4,993,009</u>	<u>\$ 5,433,018</u>	<u>\$ 440,009</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, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2021	Add: Encumbrances 6/30/2022	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Current year tax levy	\$ 435,000	\$ 435,000	\$ 436,331	\$ -	\$ -	\$ 436,331	\$ 1,331
Prior year tax receipts	15,500	15,500	19,290	-	-	19,290	3,790
Mixed drink tax	100	100	128	-	-	128	28
Local sales tax	725,000	725,000	981,500	-	-	981,500	256,500
Bank excise tax	4,000	4,000	5,575	-	-	5,575	1,575
Marriage licenses	300	300	296	-	-	296	(4)
Interstate telecommunication taxes	350	350	-	-	-	-	(350)
Payments in lieu of taxes	7,800	7,800	8,416	-	-	8,416	616
State funds							
Basic education program	5,188,000	5,188,000	5,193,000	-	-	5,193,000	5,000
Basic education program salary equity	-	76,985	76,983	-	-	76,983	(2)
Early childhood education	202,114	205,554	205,554	-	-	205,554	-
Student management	-	-	1,275	-	-	1,275	1,275
Safe schools & SRO	-	89,530	89,530	-	-	89,530	-
Camps - Bridge, Summer, Mini	-	137,154	102,483	-	-	102,483	(34,671)
Coordinated School Health	92,000	92,000	92,000	-	-	92,000	-
Career ladder	19,000	19,000	15,333	-	-	15,333	(3,667)
Federal funds							
Title I grants	306,817	332,565	265,218	-	-	265,218	(67,347)
Title IIA grants	-	-	39,574	-	-	39,574	39,574
Title 4A grants	-	-	20,258	-	-	20,258	20,258
Title VI grants	19,900	20,634	19,773	-	-	19,773	(861)
English language acquisition grant	1,251	1,296	1,296	-	-	1,296	-
IDEA basic grant	268,404	251,457	239,057	-	-	239,057	(12,400)
IDEA preschool	5,336	5,478	5,370	-	-	5,370	(108)
IDEA preschool - ARP	-	2,953	2,704	-	-	2,704	(249)
ESSER - ARP	-	1,920,852	885,236	-	-	885,236	(1,035,616)
Homeless - ARP	-	9,033	-	-	-	-	(9,033)
TN All Corps - ESSER	-	28,000	17,699	-	-	17,699	(10,301)
Literacy training - ESSER	-	22,000	22,000	-	-	22,000	-
Best of All Districts - ESSER	-	175,000	175,000	-	-	175,000	-
Covid-19 ESSER	-	101,924	101,924	-	-	101,924	-
Covid-19 ESSER B	-	808,637	630,008	-	-	630,008	(178,629)
Covid Testing - Epidemiology Grant	226,209	226,209	159,742	-	-	159,742	(66,467)
Total Intergovernmental revenues	<u>7,517,081</u>	<u>10,902,311</u>	<u>9,812,553</u>	<u>-</u>	<u>-</u>	<u>9,812,553</u>	<u>(1,089,758)</u>
Other revenues							
Interest income	4,700	4,700	6,284	-	-	6,284	1,584
Receipts from individual schools	1,000	11,330	10,715	-	-	10,715	(615)
On-behalf payments	-	50,000	60,567	-	-	60,567	10,567
Miscellaneous revenues	2,500	2,500	6,114	-	-	6,114	3,614
Total other revenues	<u>8,200</u>	<u>68,530</u>	<u>83,680</u>	<u>-</u>	<u>-</u>	<u>83,680</u>	<u>15,150</u>
Total Revenues	<u>7,525,281</u>	<u>10,970,841</u>	<u>9,896,233</u>	<u>-</u>	<u>-</u>	<u>9,896,233</u>	<u>(1,074,608)</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, 2022

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2021	Add: Encumbrances 6/30/2022	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Instruction							
Regular instruction program							
Teachers	2,464,181	2,343,601	2,286,606	-	-	2,286,606	58,995
Teachers - Esser - CRRSA	-	80,000	52,810	-	-	52,810	27,190
Teachers - Esser - ARP	-	122,497	46,842	-	-	46,842	75,655
Career ladder program	8,000	9,000	8,000	-	-	8,000	1,000
Educational assistants	197,685	214,851	221,285	-	-	221,285	(6,434)
Educational assistants - Esser - Cares Act	-	39,496	39,496	-	-	39,496	-
Educational assistants - Esser - ARP	-	221,978	19,475	-	-	19,475	202,503
Bonus payments	50,000	177,375	165,575	-	-	165,575	11,800
Other salaries and wages	-	1,150	1,150	-	-	1,150	-
Other salaries and wages - Esser - ARP	-	170,000	101,045	-	-	101,045	68,955
Other salaries and wages - TN All Corps	-	23,739	15,313	-	-	15,313	8,426
Other salaries and wages - Literacy Training Stipend Grant	-	22,000	22,000	-	-	22,000	-
Certified substitute teachers	24,000	24,000	23,279	-	-	23,279	721
Non-certified substitute teachers	30,000	37,994	37,994	-	-	37,994	-
Social security	169,282	174,158	165,783	-	-	165,783	8,375
Social security - Esser - Cares Act	-	2,125	2,125	-	-	2,125	-
Social security - Esser - CRRSA	-	4,960	3,209	-	-	3,209	1,751
Social security - Esser - ARP	-	30,813	9,453	-	-	9,453	21,360
Social security - TN All Corps	-	1,472	854	-	-	854	618
Administrative fees	2,750	2,750	-	-	-	-	2,750
State retirement	242,793	244,683	222,924	-	-	222,924	21,759
State retirement - Esser - CRRSA	-	8,240	5,438	-	-	5,438	2,802
State retirement - Esser - ARP	-	26,625	14,196	-	-	14,196	12,429
State retirement - TN All Corps	-	2,445	1,332	-	-	1,332	1,113
Life insurance	6,120	6,120	5,311	-	-	5,311	809
Medical insurance	405,808	413,183	406,734	-	-	406,734	6,449
Medical insurance - Esser - Cares Act	-	13,766	13,766	-	-	13,766	-
Medical insurance - Esser - CRRSA	-	11,800	6,579	-	-	6,579	5,021
Medical insurance - Esser - ARP	-	64,600	7,896	-	-	7,896	58,704
Dental insurance	6,624	6,762	5,789	-	-	5,789	973
Dental insurance - Esser - Cares Act	-	138	138	-	-	138	-
Dental insurance - Esser - CRRSA	-	276	138	-	-	138	138
Dental insurance - Esser - ARP	-	1,378	126	-	-	126	1,252
Unemployment compensation	4,200	4,200	(996)	-	-	(996)	5,196
Unemployment compensation - Esser - Cares Act	-	83	83	-	-	83	-
Unemployment compensation - Esser - CRRSA	-	100	36	-	-	36	64
Unemployment compensation - Esser - ARP	-	600	102	-	-	102	498
Local retirement	10,661	11,707	8,689	-	-	8,689	3,018
Local retirement - Esser - Cares Act	-	1,106	1,106	-	-	1,106	-
Local retirement - Esser - ARP	-	12,972	-	-	-	-	12,972
Employer medicare	38,525	39,964	37,161	-	-	37,161	2,503
Employer medicare - Esser - Cares Act	-	497	497	-	-	497	-
Employer medicare - Esser - CRRSA	-	1,160	751	-	-	751	409
Employer medicare - Esser - ARP	-	7,399	2,211	-	-	2,211	5,188
Employer medicare - TN All Corps	-	344	200	-	-	200	144
On-behalf payments	-	50,000	60,567	-	-	60,567	(10,567)
Maintenance and repair services - equipment	1,000	1,000	-	-	-	-	1,000
Other contracted services	4,000	5,052	5,052	-	-	5,052	-
Instructional supplies	35,834	78,614	47,819	-	-	47,819	30,795
Instructional supplies - Esser - Cares Act	1,251	1,296	1,296	-	-	1,296	-
Textbooks	30,000	20,000	17,802	-	-	17,802	2,198
Textbooks - Esser - ARP	-	255,000	-	-	-	-	255,000
Software	75,750	34,956	22,324	-	-	22,324	12,632
Software - Esser - Cares Act	-	44,714	44,714	-	-	44,714	-
Software - Esser - ARP	-	56,000	27,436	-	-	27,436	28,564
Other supplies and materials	9,000	17,462	17,462	-	-	17,462	-
Other charges	3,000	11,900	3,841	-	-	3,841	8,059
Regular instruction equipment	139,052	153,832	153,832	-	-	153,832	-
Regular instruction equipment - Esser - ARP	-	160,000	151,963	-	-	151,963	8,037
Regular instruction equipment - Best of All District	-	175,000	175,000	-	-	175,000	-
Indirect cost	-	-	-	-	-	-	-
Total regular instruction program	3,960,516	5,648,433	4,691,609	-	-	4,691,609	956,824
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	338,267	324,209	324,209	-	-	324,209	-
Career ladder program	1,000	-	-	-	-	-	-
Educational assistants	94,087	109,481	91,176	-	-	91,176	18,305
Speech pathology	51,000	51,400	51,400	-	-	51,400	-
Certified substitute teachers	2,000	45	45	-	-	45	-
Non-certified substitute teachers	4,500	12,038	12,038	-	-	12,038	-
Social security	28,518	29,091	27,469	-	-	27,469	1,622
State retirement	40,182	37,638	36,875	-	-	36,875	963
Medical insurance	62,159	61,210	61,210	-	-	61,210	-
Dental insurance	1,242	1,011	1,011	-	-	1,011	-
Unemployment compensation	720	658	621	-	-	621	37
Local retirement	5,315	6,409	5,142	-	-	5,142	1,267
Employer medicare	6,769	6,802	6,424	-	-	6,424	378
Equipment	-	23,232	22,895	-	-	22,895	337
Other contracted services	8,000	4,259	-	-	-	-	4,259
Instructional supplies	1,794	4,294	515	-	-	515	3,779
Other supplies and materials	750	458	458	-	-	458	-
Total special education	646,303	672,235	641,288	-	-	641,288	30,947

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, 2022

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2021	Add: Encumbrances 6/30/2022	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Student body education							
Other salaries and wages	87,200	87,700	87,700	-	-	87,700	-
Social security	5,406	5,406	5,096	-	-	5,096	310
State retirement	8,981	8,981	7,451	-	-	7,451	1,530
Medical insurance	17,458	16,956	15,139	-	-	15,139	1,817
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	100	84	-	-	84	16
Employer medicare	1,264	1,264	1,192	-	-	1,192	72
Travel	500	500	-	-	-	-	500
Other contracted services	12,000	12,000	10,500	-	-	10,500	1,500
Other charges	6,000	6,000	5,000	-	-	5,000	1,000
Total student body education	139,183	139,183	132,438	-	-	132,438	6,745
Total instruction	4,772,002	6,485,851	5,491,335	-	-	5,491,335	994,516
Support services							
Attendance							
Postal charges	300	300	-	-	-	-	300
Other contracted services	3,500	5,111	5,111	-	-	5,111	-
Other supplies and materials	500	25	-	-	-	-	25
Inservice/staff development	2,000	2,339	2,339	-	-	2,339	-
Other charges	500	25	-	-	-	-	25
Total attendance	6,800	7,800	7,450	-	-	7,450	350
Health instruction program							
Supervisor/directors	60,404	60,405	60,405	-	-	60,405	-
Medical personnel	153,259	156,859	74,929	-	-	74,929	81,930
Other salaries	8,099	8,645	8,645	-	-	8,645	-
Social security	13,749	13,861	7,913	-	-	7,913	5,948
State retirement	6,221	6,220	6,220	-	-	6,220	-
Medical insurance	42,379	41,802	21,794	-	-	21,794	20,008
Dental insurance	414	418	280	-	-	280	138
Unemployment insurance	350	328	208	-	-	208	120
Local retirement	9,195	9,411	1,688	-	-	1,688	7,725
Employer medicare	3,215	3,152	1,850	-	-	1,850	1,302
Postal charges	100	67	67	-	-	67	-
Drugs and medical supplies	61,327	55,315	28,989	-	-	28,989	26,326
Other supplies and materials	1,800	1,511	1,511	-	-	1,511	-
Other equipment	-	6,000	5,979	-	-	5,979	21
Inservice/staff development	658	1,266	1,266	-	-	1,266	-
Total health instruction program	361,170	365,260	221,742	-	-	221,742	143,518
Other student support							
Guidance personnel	75,100	16,000	-	-	-	-	16,000
Guidance personnel - Esser - CRRSA	-	100,000	50,700	-	-	50,700	49,300
Social workers	-	45,100	45,100	-	-	45,100	-
Assessment personnel	40,000	43,265	43,265	-	-	43,265	-
Social security	4,656	4,656	2,796	-	-	2,796	1,860
Social security - Esser - CRRSA	-	6,200	2,876	-	-	2,876	3,324
State retirement	7,735	7,735	2,963	-	-	2,963	4,772
State retirement - Esser - CRRSA	-	10,300	5,221	-	-	5,221	5,079
Medical insurance	11,372	11,372	-	-	-	-	11,372
Medical insurance - Esser - CRRSA	-	11,600	8,600	-	-	8,600	3,000
Dental insurance	207	207	-	-	-	-	207
Dental insurance - Esser - CRRSA	-	276	-	-	-	-	276
Unemployment compensation	200	200	82	-	-	82	118
Unemployment - Esser - CRRSA	-	100	42	-	-	42	58
Employer medicare	1,668	1,668	1,281	-	-	1,281	387
Employer medicare - Esser - CRRSA	-	1,450	673	-	-	673	777
Contracts with government agencies	-	84,236	77,729	-	-	77,729	6,507
Evaluation and testing	2,000	2,000	85	-	-	85	1,915
Inservice/staff development	-	4,400	-	-	-	-	4,400
Other charges	-	2,900	-	-	-	-	2,900
Other contracted services	-	18,000	17,162	-	-	17,162	838
Other supplies and materials	-	133	133	-	-	133	-
Other equipment	1,000	7,648	6,648	-	-	6,648	1,000
Total other student support	143,938	379,446	265,356	-	-	265,356	114,090

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

CITY OF LEXINGTON, TENNESSEE
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2021	Add: Encumbrances 8/30/2022	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services(continued)							
Regular instruction program							
Supervisor/Director	77,961	73,961	73,142	-	-	73,142	819
Supervisor/Director - Esser - ARP	-	1,919	1,919	-	-	1,919	-
Career ladder program	4,000	4,000	4,000	-	-	4,000	-
Libraries	101,000	106,130	106,130	-	-	106,130	-
Other salaries	217,361	219,961	217,327	-	-	217,327	2,634
Other salaries - Esser - ARP	-	1,778	1,778	-	-	1,778	-
Social security	24,819	23,628	22,593	-	-	22,593	1,335
Social security - Esser - ARP	-	216	216	-	-	216	-
State retirement	41,232	41,883	41,823	-	-	41,823	60
Medical insurance	52,907	58,369	58,369	-	-	58,369	-
Dental insurance	828	630	776	-	-	776	54
Unemployment compensation	301	301	271	-	-	271	30
Employer medicare	5,827	5,827	5,284	-	-	5,284	543
Employer medicare - Esser - ARP	-	50	50	-	-	50	-
Consultants	3,000	500	-	-	-	-	500
Dues and memberships	1,000	1,000	100	-	-	100	900
Travel	500	500	-	-	-	-	500
Other contracted services	39,000	31,000	30,808	-	-	30,808	192
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	11,000	9,100	9,015	-	-	9,015	85
Inservice/staff development	16,014	19,083	16,708	-	-	16,708	2,375
Other charges	300	-	-	-	-	-	-
Total regular instruction program	606,050	609,334	599,307	-	-	599,307	10,027
Special Education							
Supervisor/directors	31,405	29,367	29,305	-	-	29,305	62
Psychological personnel	24,400	-	-	-	-	-	-
Social security	3,459	1,648	1,648	-	-	1,648	-
State retirement	5,335	2,821	2,821	-	-	2,821	-
Medical insurance	6,722	2,538	2,538	-	-	2,538	-
Dental insurance	138	53	53	-	-	53	-
Unemployment compensation	50	16	16	-	-	16	-
Employer medicare	751	385	385	-	-	385	-
Other contracted services	8,000	76,975	76,975	-	-	76,975	-
Inservice/staff development	500	3,163	1,419	-	-	1,419	1,744
Total special education	80,780	118,966	115,160	-	-	115,160	1,808
Technology							
Supervisor/directors	54,620	54,896	54,896	-	-	54,896	-
Data processing personnel	36,991	37,336	37,336	-	-	37,336	-
Data processing personnel - Esser - CRRSA	-	60,000	30,000	-	-	30,000	30,000
Social security	5,650	5,650	5,041	-	-	5,041	609
Social security - Esser - CRRSA	-	3,720	1,641	-	-	1,641	2,079
Medical insurance	15,389	16,525	16,525	-	-	16,525	-
Medical insurance - Esser - CRRSA	-	11,600	7,831	-	-	7,831	3,769
Dental insurance	276	276	276	-	-	276	-
Dental insurance - Esser - CRRSA	-	276	126	-	-	126	150
Unemployment compensation	100	100	84	-	-	84	16
Unemployment - Esser - CRRSA	-	100	42	-	-	42	58
Local retirement	5,497	5,497	5,491	-	-	5,491	6
Local retirement - Esser - CRRSA	-	3,500	1,800	-	-	1,800	1,800
Employer medicare	1,328	1,328	1,179	-	-	1,179	149
Employer medicare - Esser - CRRSA	-	870	384	-	-	384	486
Dues and memberships	200	200	90	-	-	90	110
Repair and maintenance - equipment	7,000	500	500	-	-	500	500
Internet connectivity	-	27,524	27,524	-	-	27,524	-
Travel	1,000	1,000	21	-	-	21	979
Other contracted services	52,350	29,422	28,511	-	-	28,511	2,911
Software	27,650	28,321	28,321	-	-	28,321	-
Other supplies and materials	17,000	17,000	16,069	-	-	16,069	931
Inservice/staff development	3,000	500	-	-	-	-	500
Other charges	1,000	200	194	-	-	194	6
Other equipment	8,000	21,106	21,106	-	-	21,106	-
Other equipment - Esser - CRRSA	-	200,000	192,816	-	-	192,816	7,184
Total technology	237,051	527,547	475,304	-	-	475,304	52,243
Total support services	1,435,769	2,006,353	1,684,319	-	-	1,684,319	322,034
General administration							
Board of education							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,823	1,823	1,730	-	-	1,730	93
Medical insurance	37,897	39,897	39,535	-	-	39,535	362
Dental insurance	-	563	563	-	-	563	-
Unemployment compensation	-	176	176	-	-	176	-
Employer medicare	426	426	405	-	-	405	21
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	9,345	7,199	7,199	-	-	7,199	-
Legal services	6,000	4,200	4,200	-	-	4,200	-
Printing, stationery, etc...	100	1,595	1,595	-	-	1,595	-
Travel	1,000	25	-	-	-	-	25
Other contracted services	5,000	13,107	13,106	-	-	13,106	1
Other supplies and materials	100	100	-	-	-	-	100
Liability insurance	13,500	14,328	14,328	-	-	14,328	-
Surety bonds	650	650	581	-	-	581	69
Trustee's commission	18,500	18,859	18,859	-	-	18,859	-
Workmans compensation	17,679	18,049	18,049	-	-	18,049	-
Inservice/staff development	3,000	922	543	-	-	543	379
Refunds to applicants	500	2,601	2,601	-	-	2,601	-
Other charges	8,000	15,000	14,632	-	-	14,632	368
Total board of education	175,920	193,920	192,502	-	-	192,502	1,418

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, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2021	Add: Encumbrances 6/30/2022	Actual Revenues/ Expenditures/ (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of education							
County officials	98,700	98,700	98,700	-	-	98,700	-
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Bonus payments	-	5,000	5,000	-	-	5,000	-
Social security	6,119	6,390	6,390	-	-	6,390	-
State retirement	10,166	10,778	10,778	-	-	10,778	-
Medical insurance	6,347	6,580	6,580	-	-	6,580	-
Dental insurance	138	138	138	-	-	138	-
Unemployment compensation	60	60	42	-	-	42	18
Employer medicare	1,431	1,495	1,495	-	-	1,495	-
Communication	16,000	6,920	4,185	-	-	4,185	2,735
Dues and memberships	1,750	1,750	100	-	-	100	1,650
Postage	1,500	1,500	-	-	-	-	1,500
Travel	2,000	2,000	-	-	-	-	2,000
Other contracted services	1,000	1,000	-	-	-	-	1,000
Office supplies	3,000	3,000	714	-	-	714	2,286
Inservice/staff development	2,000	2,000	1,797	-	-	1,797	203
Other charges	2,500	5,400	5,400	-	-	5,400	-
Administrative equipment	1,000	1,000	-	-	-	-	1,000
Total office of education	154,711	154,711	142,319	-	-	142,319	12,392
Office of principal							
Principals	126,000	125,528	125,528	-	-	125,528	-
Career ladder program	2,000	-	-	-	-	-	-
Accountants and bookkeepers	46,244	50,244	50,244	-	-	50,244	-
Assistant principal	121,367	120,333	120,333	-	-	120,333	-
Assistant principal - Esser - ARP	-	3,084	3,084	-	-	3,084	-
Clerical personnel	45,010	45,398	45,398	-	-	45,398	-
Other salaries and wages	-	2,000	2,000	-	-	2,000	-
Social security	21,118	19,735	19,735	-	-	19,735	-
Social security - Esser - ARP	-	187	187	-	-	187	-
State retirement	25,684	25,692	25,692	-	-	25,692	-
Medical insurance	53,707	56,637	56,637	-	-	56,637	-
Dental insurance	828	976	976	-	-	976	-
Unemployment compensation	500	500	335	-	-	335	165
Local retirement	5,475	5,082	5,082	-	-	5,082	-
Employer medicare	4,939	4,615	4,615	-	-	4,615	-
Employer medicare - Esser - ARP	-	44	44	-	-	44	-
Dues and memberships	2,000	1,500	1,500	-	-	1,500	-
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	25	-	-	-	-	25
Other contracted services	1,200	2,276	2,276	-	-	2,276	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	2,208	2,208	-	-	2,208	-
Other charges	1,325	1,234	1,234	-	-	1,234	-
Administrative equipment	1,000	913	742	-	-	742	171
Total office of principal	463,397	471,211	470,850	-	-	470,850	361
Fiscal services							
Accountants and bookkeepers	98,714	98,714	98,273	-	-	98,273	441
Accountants and bookkeepers - Esser - ARP	-	442	442	-	-	442	-
Purchasing personnel	48,142	48,143	48,143	-	-	48,143	-
Clerical personnel	26,568	27,488	27,488	-	-	27,488	-
Other salaries and wages	1,000	-	-	-	-	-	-
Social security	10,814	9,814	9,694	-	-	9,694	120
Social security - Esser - ARP	-	21	21	-	-	21	-
Medical insurance	30,800	32,958	32,958	-	-	32,958	-
Dental insurance	414	551	551	-	-	551	-
Unemployment compensation	300	300	168	-	-	168	132
Local retirement	6,903	6,959	6,959	-	-	6,959	-
Employer medicare	2,529	2,529	2,267	-	-	2,267	262
Employer medicare - Esser - ARP	-	5	5	-	-	5	-
Dues and memberships	300	300	-	-	-	-	300
Other contracted services	11,000	11,798	11,798	-	-	11,798	-
Data processing supplies	1,000	1,000	265	-	-	265	735
Office supplies	2,300	2,300	549	-	-	549	1,751
Inservice/staff development	3,000	340	105	-	-	105	235
Administrative equipment	-	589	589	-	-	589	-
Total fiscal services	243,784	244,251	240,275	-	-	240,275	3,976

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, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2021	Add: Encumbrances 6/30/2022	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Plant operations							
Janitorial services	318,500	327,500	327,255	-	-	327,255	245
Disposal fees	4,000	7,330	7,330	-	-	7,330	-
Permits	500	585	585	-	-	585	-
Other contracted services	25,000	20,319	20,319	-	-	20,319	-
Electricity	360,000	357,200	357,183	-	-	357,183	17
Natural gas	33,000	35,089	35,089	-	-	35,089	-
Water	30,000	29,624	29,049	-	-	29,049	575
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	1,400	1,691	1,691	-	-	1,691	-
Building and contents insurance	33,200	34,849	34,849	-	-	34,849	-
Vehicle and equipment	8,300	8,712	8,712	-	-	8,712	-
Total plant operations	814,000	822,999	822,062	-	-	822,062	937
Plant maintenance							
Part time personnel	6,000	6,000	-	-	-	-	6,000
Social security	434	434	-	-	-	-	434
Unemployment compensation	25	25	-	-	-	-	25
Employer medicare	102	102	-	-	-	-	102
Contracts with government agencies	90,000	85,000	85,000	-	-	85,000	-
Maintenance and repair - buildings	22,000	42,161	27,020	-	15,141	42,161	-
Maintenance and repair - equipment	5,000	1,500	1,000	-	-	1,000	500
Maintenance and repair - vehicle	500	500	-	-	-	-	500
Heating and Air Conditioning - Esser - CRRSA	-	434,773	434,773	(8,750)	8,750	434,773	-
Building improvements	55,000	55,000	37,168	-	-	37,168	17,832
Building improvements - Esser - ARP	-	526,117	289,446	-	81,617	371,063	155,054
Other contracted services	77,000	84,873	84,873	-	-	84,873	-
Gasoline	3,000	2,500	2,313	-	-	2,313	167
Vehicle parts	1,000	1,000	722	-	-	722	278
Other supplies and materials	30,000	47,877	47,877	-	-	47,877	-
Inservice/staff development	800	380	-	-	-	-	380
Other charges	500	500	-	-	-	-	500
Administrative equipment	-	19,029	19,029	-	-	19,029	-
Indirect cost - Esser - ARP	-	42,130	-	-	-	-	42,130
Contracts with other schools	-	1,200	1,200	-	-	1,200	-
Other contracted services	-	1,299	1,299	-	-	1,299	-
Total plant maintenance	291,361	1,352,400	1,031,720	(8,750)	105,508	1,128,478	223,922
Total general administration	2,143,173	3,239,492	2,899,728	(8,750)	105,508	2,996,486	243,006
Food Service							
Cafeteria Personnel - Esser - CRRSA	-	40,000	14,621	-	-	14,621	25,379
Social security - Esser - CRRSA	-	2,480	894	-	-	894	1,586
Medical insurance - Esser - CRRSA	-	11,600	-	-	-	-	11,600
Dental insurance - Esser - CRRSA	-	276	138	-	-	138	138
Unemployment compensation - Esser - CRRSA	-	100	39	-	-	39	61
Local retirement - Esser - CRRSA	-	2,400	439	-	-	439	1,961
Employer medicare - Esser - CRRSA	-	580	209	-	-	209	371
Food Service Equipment - Esser - ARP	-	15,000	14,486	-	-	14,486	514
Total food service	-	72,436	30,826	-	-	30,826	41,610
Early childhood education							
Teachers	102,000	103,862	103,862	-	-	103,862	-
Educational assistants	53,000	49,235	49,235	-	-	49,235	-
Certified substitute teachers	-	1,400	1,400	-	-	1,400	-
Non-certified substitute teachers	-	2,830	2,830	-	-	2,830	-
Social security	9,610	9,173	9,173	-	-	9,173	-
State retirement	10,506	10,695	10,695	-	-	10,695	-
Medical insurance	19,645	25,122	25,081	-	-	25,081	41
Dental insurance	276	345	345	-	-	345	-
Unemployment compensation	300	241	241	-	-	241	-
Local retirement	3,180	2,588	2,588	-	-	2,588	-
Employer medicare	2,247	2,145	2,145	-	-	2,145	-
Travel	100	-	-	-	-	-	-
Instructional supplies	500	366	366	-	-	366	-
Other supplies and materials	250	498	497	-	-	497	1
Inservice/staff development	250	-	-	-	-	-	-
Other charges	250	993	993	-	-	993	-
Regular instruction equipment	-	860	860	-	-	860	-
Total early childhood education	202,114	210,353	210,311	-	-	210,311	42

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, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2021	Add: Encumbrances 6/30/2022	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Debt service							
Principal payments	23,488	26,436	26,436	-	-	26,436	-
Interest payments	16,135	13,187	-	-	-	-	13,187
Total debt service	39,623	39,623	26,436	-	-	26,436	13,187
Capital outlay							
Building improvements	-	-	-	-	-	-	-
Total capital outlay	-	-	-	-	-	-	-
Total Expenditures	8,592,681	12,054,108	10,342,955	(8,750)	105,508	10,439,713	1,614,395
Excess (deficiency) of revenues over (under) expenditures	(1,067,400)	(1,083,267)	(446,722)	8,750	(105,508)	(543,480)	539,787
Other financing sources and (uses)							
Transfers in	1,067,400	1,063,000	1,063,000	-	-	1,063,000	-
Total other financing sources and (uses)	1,067,400	1,063,000	1,063,000	-	-	1,063,000	-
Net change in fund balance	-	(20,267)	616,278	8,750	(105,508)	519,520	539,787
Fund balance - beginning of year	1,818,568	1,818,568	1,818,568	-	-	1,818,568	-
Fund balance - end of year	<u>\$ 1,818,568</u>	<u>\$ 1,798,301</u>	<u>\$ 2,434,846</u>	<u>\$ 8,750</u>	<u>\$ (105,508)</u>	<u>\$ 2,338,088</u>	<u>\$ 539,787</u>

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

ASSETS	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,231,659	\$ 723,392	\$ 11,447,130	\$ 17,402,181
Cash and cash equivalents - restricted	-	3,984,134	1,603,796	5,587,930
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	1,013,388	-	2,921,633	3,935,021
Grant receivables	535	229,197	-	229,732
Other receivables	-	10,449	515,364	525,813
Lease receivable, current portion	-	123,704	-	123,704
Due from other funds	117,372	814,117	-	931,489
Inventory	361,811	261,262	719,476	1,342,549
Natural gas storage	664,444	-	-	664,444
Prepaid expenses	35,437	45,715	62,967	144,119
TOTAL CURRENT ASSETS	7,424,646	6,191,970	17,370,366	30,986,982
PROPERTY, PLANT AND EQUIPMENT				
Land	512,402	204,705	-	717,107
Buildings	3,912,086	1,716,497	-	5,628,583
Equipment	2,774,917	2,535,958	-	5,310,875
General plant	-	-	6,600,218	6,600,218
Distribution plant	16,455,557	44,887,658	71,689,584	133,032,799
Construction in progress	507,240	5,912,935	1,300,615	7,720,790
TOTAL PROPERTY, PLANT AND EQUIPMENT	24,162,202	55,257,753	79,590,417	159,010,372
Less accumulated depreciation	(12,444,058)	(25,476,908)	(34,775,735)	(72,696,701)
NET PROPERTY, PLANT AND EQUIPMENT	11,718,144	29,780,845	44,814,682	86,313,671
OTHER ASSETS				
Note receivable - TVA Home Insulation Program	-	-	338,804	338,804
Deposits	-	65	-	65
Lease receivable	-	644,530	-	644,530
Other deferred costs	-	-	173,442	173,442
Bond issue costs, net of accumulated amortization	-	-	282,633	282,633
TOTAL OTHER ASSETS	-	644,595	794,879	1,439,474
TOTAL ASSETS	19,142,790	36,617,410	62,979,927	118,740,127
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on bond refunding	-	-	29,059	29,059
Deferred outflows related to pensions	130,478	176,890	829,799	1,137,167
Deferred outflows related to OPEB	50,933	36,667	1,001,377	1,088,977
TOTAL DEFERRED OUTFLOWS OF RESOURCES	181,411	213,557	1,860,235	2,255,203
CURRENT LIABILITIES				
Accounts payable	540,462	326,285	3,811,626	4,678,373
Grants payable	-	225,567	-	225,567
Accrued expenses	151,000	217,470	34,164	402,634
Accrued interest	34,384	88,536	101,819	224,739
Compensated absences	-	-	205,970	205,970
Customer deposits	440,156	139,507	988,745	1,568,408
Due to other funds	788,121	40,648	-	828,769
Current portion of long-term debt	190,829	1,097,132	835,000	2,122,961
TOTAL CURRENT LIABILITIES	2,144,952	2,135,145	5,977,324	10,257,421
LONG-TERM LIABILITIES				
Compensated absences	366,624	401,548	1,407,076	2,175,248
Bonds and notes payable (net of unamortized bond premiums)	2,998,566	15,214,639	12,348,575	30,561,780
Net pension liability	171,257	237,858	1,861,691	2,270,806
Net OPEB Liability	280,232	255,217	4,506,054	5,041,503
Advances from Home Installation Program	-	-	338,804	338,804
TOTAL LONG-TERM LIABILITIES	3,816,679	16,109,262	20,462,200	40,388,141
TOTAL LIABILITIES	5,961,631	18,244,407	26,439,524	50,645,562
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pensions	571,110	793,209	1,772,034	3,136,353
Deferred inflows - OPEB	42,657	114,648	1,631,057	1,788,362
Deferred inflows - lease receivable	-	768,234	-	768,234
TOTAL DEFERRED OUTFLOWS OF RESOURCES	613,767	1,676,091	3,403,091	5,692,949
NET POSITION				
Net investment in capital assets	8,528,749	13,469,074	31,804,682	53,802,505
Restricted for capital projects	-	3,320,155	-	3,320,155
Restricted for tank/hydrant maintenance	-	663,979	-	663,979
Restricted for debt service	-	-	1,601,977	1,601,977
Unrestricted net position	4,220,054	(542,739)	1,590,888	5,268,203
TOTAL NET POSITION	\$ 12,748,803	\$ 16,910,469	\$ 34,997,547	\$ 64,656,819

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
OPERATING REVENUES				
Charges for services	\$ 7,873,486	\$ 7,281,316	\$ 47,792,042	\$ 62,946,844
Miscellaneous	19,114	2,659	1,346,781	1,368,554
TOTAL OPERATING REVENUES	<u>7,892,600</u>	<u>7,283,975</u>	<u>49,138,823</u>	<u>64,315,398</u>
OPERATING EXPENSES				
Natural gas purchases	4,527,771	-	-	4,527,771
Water purchases	-	134,703	-	134,703
Purchased for resale	-	-	35,277,594	35,277,594
Personnel expenses	1,673,114	2,382,566	-	4,055,680
Economic development	30,500	-	-	30,500
Supplies	-	443,488	-	443,488
Utilities	52,440	479,813	-	532,253
Repairs and maintenance	434,540	1,016,543	2,326,448	3,777,531
Professional fees	27,334	70,165	-	97,499
Operating expenses	82,227	58,376	4,929,973	5,070,576
Rent	40,000	110,100	-	150,100
Office expense	184,191	127,634	-	311,825
Transportation expense	60,399	104,439	-	164,838
Insurance	25,631	124,255	-	149,886
Taxes and tax equivalents	-	-	303,859	303,859
Memberships and subscriptions	-	13,567	-	13,567
Miscellaneous	-	3,050	-	3,050
Depreciation and amortization	609,567	1,390,296	2,684,471	4,684,334
TOTAL OPERATING EXPENSES	<u>7,747,714</u>	<u>6,458,995</u>	<u>45,522,345</u>	<u>59,729,054</u>
OPERATING INCOME (LOSS)	<u>144,886</u>	<u>824,980</u>	<u>3,616,478</u>	<u>4,586,344</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	11,264	34,351	167,909	213,524
Sale of materials	-	9,835	-	9,835
Rent revenue	74,900	-	-	74,900
Amortization of debt expense	-	-	(13,279)	(13,279)
Accretion of debt premiums	-	21,459	-	21,459
Miscellaneous expense	-	-	(59,802)	(59,802)
TEAC settlement	102,564	-	-	102,564
Insurance recoveries	13,478	2,150	-	15,628
Gain (loss) on sale of asset	1,288	27,086	-	28,374
Bond issue cost/premium	2,122	-	-	2,122
Lease revenue	-	127,258	-	127,258
Interest expense	(85,561)	(389,714)	(382,706)	(857,981)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>120,055</u>	<u>(167,575)</u>	<u>(287,878)</u>	<u>(335,398)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	264,941	657,405	3,328,600	4,250,946
Transfers to other funds	(196,981)	(112,952)	(918,151)	(1,228,084)
Capital contributions	-	554,014	-	554,014
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>(196,981)</u>	<u>441,062</u>	<u>(918,151)</u>	<u>(674,070)</u>
CHANGE IN NET POSITION	67,960	1,098,467	2,410,449	3,576,876
NET POSITION - BEGINNING OF YEAR	<u>12,680,843</u>	<u>15,812,002</u>	<u>32,587,098</u>	<u>61,079,943</u>
NET POSITION - END OF YEAR	<u>\$ 12,748,803</u>	<u>\$ 16,910,469</u>	<u>\$ 34,997,547</u>	<u>\$ 64,656,819</u>

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

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 7,726,396	\$ 7,279,729	\$ 49,138,823	\$ 64,144,948
Cash received from other funds for services	44,931	(128,542)	-	(83,611)
Cash received from rent	74,900	-	-	74,900
Other operating cash receipts	19,114	2,659	-	21,773
Cash payments to city - tax equivalents	-	-	(918,151)	(918,151)
Cash payments to suppliers for goods and services	(5,762,776)	(2,334,218)	(41,969,071)	(50,066,065)
Cash payments to employees for services	(1,635,417)	(2,429,268)	(1,492,633)	(5,557,318)
Other operating cash payments	-	-	(59,802)	(59,802)
Customer deposits received	-	-	277,235	277,235
Customer deposits refunded	-	-	(134,965)	(134,965)
Cash payments to other funds for services	-	(64,569)	-	(64,569)
NET CASH PROVIDED BY OPERATING ACTIVITIES	467,148	2,325,791	4,841,436	7,634,375
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	102,564	-	-	102,564
Amounts paid to other funds	(196,981)	(112,952)	-	(309,933)
Sale of materials	-	9,835	-	9,835
Advances from Home Insulation Program	-	-	(93,565)	(93,565)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(94,417)	(103,117)	(93,565)	(291,099)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(739,215)	(4,643,750)	(241,001)	(5,623,966)
Plant removal cost	-	-	(97,126)	(97,126)
Materials salvaged from retirements	-	-	70,533	70,533
Gain on sale of capital assets	1,288	49,796	-	51,084
Insurance recoveries	13,478	2,150	-	15,628
Debt issue costs	-	-	10,036	10,036
Loss on refunding of bonds	-	-	3,006	3,006
Premium on issuance of bonds	-	-	(13,043)	(13,043)
Principal payments on long-term debt	(186,532)	(1,076,028)	(815,000)	(2,077,560)
Capital contributions	-	361,604	-	361,604
Lease revenue	-	127,258	-	127,258
Interest paid on long-term debt	(86,768)	(392,472)	101,253	(377,987)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(997,749)	(5,571,442)	(981,342)	(7,550,533)
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	-	-	93,555	93,555
Interest paid	-	-	(388,099)	(388,099)
Interest on cash and investments	11,264	34,351	167,909	213,524
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	11,264	34,351	(126,635)	(81,020)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(613,754)	(3,314,417)	3,639,894	(288,277)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,845,413	8,021,943	9,411,032	23,278,388
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,231,659	\$ 4,707,526	\$ 13,050,926	\$ 22,990,111
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 144,886	\$ 824,980	\$ 3,616,478	\$ 4,586,344
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	609,567	1,390,296	2,684,471	4,684,334
Amounts paid to City - tax equivalents	-	-	(918,151)	(918,151)
Miscellaneous expense	-	-	(59,802)	(59,802)
Change in pension	(108,478)	(142,801)	1,264,850	1,013,571
Change in OPEB	81,032	96,099	1,160,962	1,338,093
Rent revenue	74,900	-	-	74,900
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(149,822)	-	(520,692)	(670,514)
(Increase) decrease in other receivables	-	649	-	649
(Increase) decrease in inventory	(89,746)	(40,542)	(345,048)	(475,336)
(Increase) decrease in prepaid assets	(10,461)	13,300	(22,020)	(19,181)
(Increase) decrease in due from other funds	(29,610)	(128,542)	-	(158,152)
(Increase) decrease in natural gas storage	(355,867)	-	-	(355,867)
Increase (decrease) in accounts payable	158,331	95,114	792,261	1,045,706
Increase (decrease) in grants payable	-	225,567	-	225,567
Increase (decrease) in due to other funds	74,541	(64,569)	-	9,972
Increase (decrease) in net pension liability	-	-	(1,642,707)	(1,642,707)
Increase (decrease) in net OPEB liability	-	-	(1,242,757)	(1,242,757)
Increase (decrease) in customer deposits	2,732	(2,236)	142,270	142,766
Increase (decrease) in compensated absences	-	-	(68,679)	(68,679)
Increase (decrease) in accrued liabilities	65,143	58,476	-	123,619
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 467,148	\$ 2,325,791	\$ 4,841,436	\$ 7,634,375
NONCASH TRANSACTIONS				
Capital Contributions per Statement of Revenues, Expenses, and Changes in Net Position	-	554,014	-	554,014
Add: Prior year grants receivable	-	36,787	-	36,787
Less: Current year grants receivable	-	(229,197)	-	(229,197)
Less: Noncash capital contributions due to passthrough grant	-	-	-	-
Capital Contributions per Statement of Cash Flows	-	361,604	-	361,604

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	<u>Pension Trust Funds</u>	
	<u>Municipal Employees</u>	<u>Electric Employees</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ -
Investments:		
Mutual funds (market value)	13,304,532	8,803,735
Annuities (market value)	-	-
TOTAL ASSETS	<u>13,304,532</u>	<u>8,803,735</u>
 LIABILITIES		
Accrued liabilities	<u>-</u>	<u>-</u>
 NET POSITION		
Held in trust for pension benefits	<u>13,304,532</u>	<u>8,803,735</u>
TOTAL NET POSITION	<u><u>\$ 13,304,532</u></u>	<u><u>\$ 8,803,735</u></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, 2022**

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
Additions			
Contributions and other additions	\$ 452,545	\$ 460,670	\$ 913,215
Investment income	1,123	-	1,123
Net investment gain/(loss)	(2,322,139)	(1,538,989)	(3,861,128)
Total Additions	<u>(1,868,471)</u>	<u>(1,078,319)</u>	<u>(2,946,790)</u>
Deductions			
Fees (refunds)	70,260	(2,243)	68,017
Dividends and interest paid	162,765	-	162,765
Benefits	337,928	1,342,354	1,680,282
Total Deductions	<u>570,953</u>	<u>1,340,111</u>	<u>1,911,064</u>
Net increase (decrease) in net position	(2,439,424)	(2,418,430)	(4,857,854)
NET POSITION - BEGINNING OF YEAR	<u>15,743,956</u>	<u>11,222,165</u>	<u>26,966,121</u>
NET POSITION - END OF YEAR	<u><u>\$ 13,304,532</u></u>	<u><u>\$ 8,803,735</u></u>	<u><u>\$ 22,108,267</u></u>

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Lexington
Blended Component Units:	None

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

Blended Component Units

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

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The Industrial Development Board of the City of Lexington, Tennessee (LIDB) is a nonprofit organization located in Lexington, Tennessee. Its purpose is to increase employment opportunities by promoting industry, trade, commerce, tourism and recreation in Henderson County, Tennessee. LIDB is a component unit of the City of Lexington since (1) board members are appointed by the City Commission and (2) it receives a significant portion of its funding from the City of Lexington. This financial data is incorporated into the City's financial statements as of June 30, 2022.

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

1. B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are 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.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Capital Project Fund

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

Debt Service

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

Proprietary Fund

Enterprise Fund

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

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

Pension Trust Funds

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

Major and Nonmajor Funds

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

Fund	Brief Description
<i>Major:</i> 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.

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

CITY OF LEXINGTON, TENNESSEE
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capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

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

The City does not allocate indirect costs.

1.D. BUDGETARY INFORMATION

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

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

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

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

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSTION/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.

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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.

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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

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Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the government-wide Statement of Net Position and the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. The second deferred inflows of resources are related leases receivable and the third to the government's pension requirements under GASB Statement No. 68.

Long-term Debt

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

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

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

Compensated Absences

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

Electric System

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

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All sick leave has been accrued and is reflected as both a current and non-current liability on the financial statements.

School System

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

Net Position Flow Assumption

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

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Balance Policies

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

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

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

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

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

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

Pensions – School System

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

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

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

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

Sales Tax

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

Property Tax

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

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date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

Operating Revenues and Expenses

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

Expenditures/ Expenses

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

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

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

Proprietary Fund – By Operating and Nonoperating

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

Interfund Transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. FUND ACCOUNTING REQUIREMENTS

Fund	Required By
E-citation Fund	State Law
Police Drug Fund	State Law

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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

Pension Plan Investments

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

2.C. REVENUE RESTRICTIONS

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

Revenue Source	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, 2022.

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 Collection Fund and the Drug Fund – with expenditures exceeding appropriations for the year ended June 30, 2022.

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.

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The City's policies regarding deposits of cash are discussed in Note 2B.

General Government

As of June 30, 2022, 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, 2022, 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, 2022, 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, 2022, the System's bank deposits were fully collateralized or insured.

School System

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

Investment-Fiduciary Fund

The following is the asset allocation as of June 30, 2022:

	<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	\$ 3,233,165	24.30%	\$ 3,307,017	37.56%	\$ 6,540,182
Equities	10,071,367	75.70%	5,496,718	62.44%	15,568,085
	<u>\$ 13,304,532</u>	<u>100.00%</u>	<u>\$ 8,803,735</u>	<u>100.00%</u>	<u>\$ 22,108,267</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, 2022.

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	<u>City of Lexington</u>	<u>Lexington Electric</u>
Fidelity Total Market Index Fund	\$ -	\$ 508,826
Contra Fund	-	470,150
American Funds Investment Fund of America	-	574,392
American Funds Fundamental Investors	679,595	
500 Index Fund	1,173,506	-
Wells ACBF	-	530,656
Van TBMIF	745,289	494,636
BR TRF	-	508,482
Van SEF	-	461,502
Columbia Dividend Income Fund	786,725	-
Columbia Diversified Fixed Income	-	586,449
Vanguard 500 Index	-	958,676
MFS Growth Fund	-	584,959
Euro Pacific Growth Fund	-	641,940
DC INTL ST	813,446	659,157
BlackRock EAFE Equity Index	-	679,659

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (14.89) 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, 2022.

	<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	\$ 6,540,182	\$ 3,233,165	\$ 3,307,017	\$ -
Equity securities				
Pooled and separate accounts	15,568,085	10,071,367	5,496,718	-
Total	<u>\$ 22,108,267</u>	<u>\$ 13,304,532</u>	<u>\$ 8,803,735</u>	<u>-</u>

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

3.B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of amounts due from the various local sources. Receivables detail at June 30, 2022, is as follows:

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	Governmental Activities	Business-type Activities	Total
Accounts receivable	\$ 36,829	\$ 4,046,927	\$ 4,083,756
Allowance for doubtful accounts	(6,201)	(111,906)	(118,107)
Net accounts receivable	<u>\$ 30,628</u>	<u>\$ 3,935,021</u>	<u>\$ 3,965,649</u>

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance 7/1/21	Additions/ Adjustments	Retirements/ Adjustments	Balance 6/30/22
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,344,028	\$ 201,426	\$ -	\$ 1,545,454
Construction in Progress	1,783,525	1,188,159	437,621	2,534,063
Total Capital assets not being depreciated	<u>3,127,553</u>	<u>1,389,585</u>	<u>437,621</u>	<u>4,079,517</u>
Capital assets being depreciated				
Buildings	25,167,906	13,736	-	25,181,642
Equipment	11,058,653	1,475,785	284,792	12,249,646
Infrastructure	16,501,979	11,828	-	16,513,807
Improvements	7,542,727	558,099	-	8,100,826
Total Capital assets being depreciated	<u>60,271,265</u>	<u>2,059,448</u>	<u>284,792</u>	<u>62,045,921</u>
Less accumulated depreciation for:				
Buildings	12,749,379	495,131	-	13,244,510
Equipment	7,547,505	815,731	153,069	8,210,167
Infrastructure	11,989,492	71,112	-	12,060,604
Improvements	5,140,527	329,775	-	5,470,302
Total accumulated depreciation	<u>37,426,903</u>	<u>1,711,749</u>	<u>153,069</u>	<u>38,985,583</u>
Total capital assets, being depreciated, net	<u>22,844,362</u>			<u>23,060,338</u>
Governmental activities capital assets, net	<u>\$ 25,971,915</u>			<u>\$ 27,139,855</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 603,572	\$ 113,535	\$ -	\$ 717,107
Construction in Progress	6,653,918	4,107,548	3,040,676	7,720,790
Total Capital assets not being depreciated	<u>7,257,490</u>	<u>4,221,083</u>	<u>3,040,676</u>	<u>8,437,897</u>
Capital assets being depreciated				
Buildings	5,623,382	5,201	-	5,628,583
Equipment	5,005,756	504,865	199,746	5,310,875
Plant	136,527,151	4,240,126	1,134,260	139,633,017
Total Capital assets being depreciated	<u>147,156,289</u>	<u>4,750,192</u>	<u>1,334,006</u>	<u>150,572,475</u>
Less accumulated depreciation for:				
Buildings	1,197,257	117,065	171,562	1,142,760
Equipment	7,003,915	426,420	5,475	7,424,860
Plant	60,842,451	4,422,348	1,135,718	64,129,081
Total accumulated depreciation	<u>69,043,623</u>	<u>4,965,833</u>	<u>1,312,755</u>	<u>72,696,701</u>
Total capital assets, being depreciated, net	<u>78,112,666</u>			<u>77,875,774</u>
Business-type activities capital assets, net	<u>\$ 85,370,156</u>			<u>\$ 86,313,671</u>

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Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 127,948
Public safety	509,465
Public works	326,471
Health, recreation and welfare	747,865
Total depreciation expense	<u>\$1,711,749</u>

3.D. ACCOUNTS PAYABLE

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

3.E. SERVICE CONTRACTS

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

3.F. PREPAID MEALS

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

3.G. LONG-TERM LIABILITIES

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

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority of the government. General obligation bonds were issued for original terms of up to 19 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2022, 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, 2022, 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, 2022**

Governmental Activities

As of June 30, 2022, the governmental long-term liabilities of the financial reporting entity consisted of the following:

Governmental Activities

General Obligation Bonds

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	\$	141,719
2019 Public Works Refund Bonds, dated February 7, 2019, due March 1, 2034 interest 2% to 3%.		865,000
2020 General Obligation School Refunding Bonds, dated June 30, 2020, due November 1, 2020 through May 1, 2031, interest 1% to 2%.		3,735,000
2020 Public Works Improvements Bonds, dated April 30, 2020, due April 30, 2021 through April 1, 2040, interest 2% to 2.35%.		1,390,000

Direct Borrowing and Direct Placements

2023 Cadence Equipment Finance, due in monthly payments of \$2,936 thru 3/11/2022 with final payment \$188,000 on 3/11/2024, interest 2.29%		289,101
		<hr/> 6,420,820

Other Liabilities

Compensated absences	1,505,353
Unamortized debt premiums	123,345
Net pension liability	542,315
Net OPEB liability	1,749,596
Landfill closure costs	254,020
	<hr/> 2,574,629

Total Government Activity	\$	10,595,449
		<hr/> <hr/>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Business-type Activities

Revenue Bonds

2019 Water Refunding Bonds,
dated September 1, 2019, through March 1, 2034, interest 2.00% to 3.00%. \$ 3,890,000

Electric Plant Revenue Refunding Bonds, Series 2017,
interest of 2.00% to 2.75% due serially through 2032. 4,705,000

Electric Plant Revenue Bonds, Series 2018,
interest at 3.00% to 4.00%% due serially through 2038 2,550,000

Electric Plant Revenue Refunding Bonds, Series 2019,
interest of .05% to 5.00% due serially through 2037. 5,755,000

2019 Gas Refunding Bonds, dated February 7, 2019,
due March 1, 2020 through March 1, 2034, interest 2.00% to 3.00% 1,070,000

Direct Borrowing and Direct Placements

Local Government Loan Program Bond, Series 2015, variable interest 1,422,000

General Obligation Bonds

2012 General Obligation Bonds, dated October 18, 2012,
due April 1, 2013 through April 1, 2028, interest 1% to 2%. 1,888,279

2017 General Obligation Bonds, dated July 20, 2017,
due July 15, 2018 through July 15, 2037, interest 1.30% to 3.25%. 3,625,000

2020 Public Works Improvements General
dated April 30, 2020, through April 1, 2040 interest 2.00% to 3.00% 7,275,000

Other liabilities

Compensated absences 2,175,248

Advances from Home Installation Program 338,804

Net pension liability 2,270,806

Net OPEB liability 5,041,503

Unamortized debt premiums 504,462

Total Business-type Activites \$ 42,511,102

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	<u>Balance 7/1/2021</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2022</u>	<u>Due within one year</u>
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$ 6,669,059	\$ -	\$ 537,340	\$ 6,131,719	\$ 538,039
Direct Borrowing and Direct Placements	26,436	486,969	224,304	289,101	63,529
Landfill Closure Costs	199,366	133,468	78,814	254,020	-
Unamortized debt premiums	134,556	-	11,211	123,345	-
Total governmental type activities	<u>7,029,417</u>	<u>620,437</u>	<u>851,669</u>	<u>6,798,185</u>	<u>601,568</u>
<u>Business Type Activities</u>					
Revenue Bonds	19,130,000	-	1,160,000	17,970,000	1,190,000
Direct Borrowing and Direct Placements	1,521,900	-	99,900	1,422,000	101,000
General Obligation Bonds	13,605,939	-	817,660	12,788,279	831,961
Unamortized debt premiums	541,087	-	36,625	504,462	-
Total business type activities	<u>34,798,926</u>	<u>-</u>	<u>2,114,185</u>	<u>32,684,741</u>	<u>2,122,961</u>
Total government	<u>\$ 41,828,343</u>	<u>\$ 620,437</u>	<u>\$ 2,965,854</u>	<u>\$ 39,482,926</u>	<u>\$ 2,724,529</u>

Other Long-term liabilities

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2022 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	
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	575,831	163,842	894,169	240,815	1,874,657
2027	581,878	155,275	923,122	222,778	1,883,053
2028-2032	2,482,450	643,681	3,282,548	827,784	7,236,463
2033-2037	570,000	480,157	3,440,000	447,614	4,937,771
2038-2040	270,000	282,510	1,695,000	70,860	2,318,370
Total	\$ 6,131,719	\$ 2,246,214	\$ 12,788,279	\$ 2,632,721	\$ 23,798,933

Year Ending June 30,	<i>Direct Placement and Direct Borrowings</i>			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 63,529	\$ 6,077	\$ 101,000	\$ 42,660
2024	225,572	5,940	102,000	39,630
2025	-	-	104,000	36,570
2026	-	-	105,000	33,450
2027	-	-	106,000	30,300
2028-2032	-	-	554,000	102,810
2033-2035	-	-	350,000	21,090
	\$ 289,101	\$ 12,017	\$ 1,422,000	\$ 306,510

Year Ending June 30,	<i>Revenue Bonds</i>	
	Business-type Activities	
	Principal	Interest
2023	\$ 1,190,000	\$ 514,472
2024	1,210,000	483,922
2025	1,255,000	448,309
2026	1,290,000	409,009
2027	1,330,000	365,509
2028-2032	7,295,000	1,127,484
2033-2037	4,200,000	181,431
2038-2040	200,000	6,800
	\$ 17,970,000	\$ 3,536,936

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	TRANSFER FROM						Totals
	General	Capital Projects	School Tax Fund	Lexington Electric	Water	Gas	
TRANSFER TO							
General	\$ -	\$ -	\$ -	\$ 918,151	\$ 112,952	\$ 196,981	\$ 1,228,084
Solid Waste Fund	3,941	-	-	-	-	-	3,941
Waste Collection	-	120,197	-	-	-	-	120,197
School Debt	-	-	474,302	-	-	-	474,302
General Purpose School	620,000	-	443,000	-	-	-	1,063,000
GRAND TOTALS	\$ 623,941	\$ 120,197	\$ 917,302	\$ 918,151	\$ 112,952	\$ 196,981	\$ 2,889,524

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 FROM:

General	\$ -	\$ -	\$ 143,673	\$ 108,757	\$ 252,430
Sales Tax	6,696	-	-	-	6,696
Solid Waste	137,042	-	-	-	137,042
Gas	44,063	73,615	670,444	-	788,122
Water Systems	32,033	-	-	8,615	40,648
	<u>\$ 219,834</u>	<u>\$ 73,615</u>	<u>\$ 814,117</u>	<u>\$ 117,372</u>	<u>\$ 1,224,938</u>

Transactions arising from Water, Sewer, and Garbage Fund billing of utility services are recorded in these accounts between the Gas, Water System, and Solid Waste Funds. The amounts due to the General Fund from the 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, 2022 were \$43,188 and \$17,379, 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, 2022**

NOTE 4. OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan Obligations

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

Plan Description

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

Actuarial Cost Method

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

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

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

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

Attribution Parameters

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

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Accrued and Vested Benefits

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

Participant Data

Inactive Plan Participants as of January 1, 2021:

Retirees and beneficiaries currently receiving benefits	17
Terminated employees entitled to deferred benefits	27
Disabled employees entitled to deferred benefits	<u>0</u>
Total	44

Active Plan Participants as of January 1, 2021:

Vested	62
Partially-vested	5
Non-vested	<u>0</u>
Total	67

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/21

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

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

Normal Retirement Benefit Formula:

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

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

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

Average Monthly Compensation: The greater of (i) average of monthly compensation for the 5 years of highest compensation whether consecutive or not, and (ii) monthly compensation during the year immediately preceding the participant's 60th birthday.

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

Normal Form of Benefits: Single: Single Life Annuity with 120 months certain.
Married: Equivalent 50% Joint and Survivor Annuity

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Maximum Annual Benefit: \$230,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

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

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

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

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

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

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

Vested Termination Benefit: A member who terminates employment with less than 5 years of credited service may elect to receive, at any time prior to retirement, either: 1) a return of member contributions with interest to the date of payment, or 2) income payments at retirement provided by his own contributions with interest.

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

The percentage is determined as follows:

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

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

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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

Investments

Investment information has been provided by John Hancock.

Investment Policy: The following was the City's adopted asset allocation policy as of June 30, 2021:

Asset Class	Target Allocation
US Equity - Large Cap	39%
US Equity - Small/Mid Cap	16%
Non-US Equity - Developed	17%
Non-US Equity - Emerging	3%
US Corporate Bonds - Core	18%
US Corporate Bonds - Long Duration	2%
US Corporate Bonds - High Yield	3%
Non-US Debt - Developed	2%
Total	100%

Rate of Return: For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 31.58%. 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, 2021 is \$951,430. 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, 2021

Valuation Date

January 1, 2021

Mortality

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

Discount Rate

7.25% per annum

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Inflation

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

Salary Projection

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

Retirement Age

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

Cost of Living Increase

2.05% per annum of the participant's original benefit

Disability Rates

See disability rates below.

Withdrawal rates

See withdrawal rates below.

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

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

Liabilities were valued as of January 1, 2021 using data as of January 1, 2021 and provisions and assumptions as of June 30, 2021. This liability was then increased by service cost and interest cost (for the period January 1, 2021 – June 30, 2021) and reduced by actual benefit payments for the period plus interest.

Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined by the investment advisor, John Hancock. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized below.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
US Equity - Large Cap	39%	5.59%	2.18%
US Equity - Small/Mid Cap	16%	6.62%	1.06%
Non-US Equity - Developed	17%	6.41%	1.09%
Non-US Equity - Emerging	3%	8.36%	0.25%
US Corporate Bonds - Core	18%	1.12%	0.20%
US Corporate Bonds - Long Duration	2%	1.69%	0.03%
US Corporate Bonds - High Yield	3%	3.15%	0.09%
Non-US Debt - Developed	2%	0.28%	0.01%
Total	100%		4.91%
Long-Term Inflation Assumption			2.24%
Long-Term Expected Nominal Rate of Return			7.26%

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

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

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Plan's net pension liability	\$ 2,848,826	\$ 951,430	\$ (668,737)

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Change in City's Net Pension Liability

Changes in the City's net pension liability for the year ended June 30, 2021 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/20	\$ 15,680,255	\$ 12,147,392	\$ 3,532,863
Changes for the year:			
Service cost	384,474	-	384,474
Interest	1,142,297	-	1,142,297
Differences between expected and actual experience	51,287	-	51,287
Changes in assumptions	-	-	-
Contributions - employer	-	294,810	(294,810)
Contributions - employee	-	184,257	(184,257)
Net investment income	-	3,804,873	(3,804,873)
Benefit payments	(740,450)	(740,450)	-
Administrative expense	-	(124,449)	124,449
Net changes	<u>837,608</u>	<u>3,419,041</u>	<u>(2,581,433)</u>
Balances at 6/30/21	<u>\$ 16,517,863</u>	<u>\$ 15,566,433</u>	<u>\$ 951,430</u>

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

For the year ended June 30, 2022, the City recognized negative pension expense of (\$308,407). At June 30, 2022, 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	\$ 430,418	\$ 148,647
Changes of assumptions	-	1,235,228
Net difference between projected and actual earnings on pension plan investments	-	1,788,960
Contributions subsequent to the measurement date of June 30, 2021	<u>278,489</u>	<u>-</u>
Total	<u>\$ 708,907</u>	<u>\$ 3,172,835</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:	
2022	(760,487)
2023	(701,699)
2024	(686,255)
2025	(616,215)
2026	22,239
Thereafter	-

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Payable to the Pension Plan

At June 30, 2022, the City reported \$ 0 payable for outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

Defined Contribution Plan

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

General Government	\$115,016
Water System	\$ 51,496
Gas System	\$ 32,119
School System	\$ 50,354

Electric System

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

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

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

Normal retirement benefit: Effective March 1, 2000, the monthly annuity is equal to the sum of 2.25% of the members Average Monthly Earnings multiplied by years of Credited Service for the member's first 30 years of Credited Service and 1.85% of the member's Average Monthly Earnings, multiplied by years of Credited Service in excess of 30 years. For contributing members as of April 1, 1986, minimum monthly annuity will equal to 3.333% of member's Average Monthly Earnings multiplied by years of Credited Service subject to a maximum of 15 years. A member of the prior plan will receive a benefit of no less than 40% of the average of monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater. Average Monthly Earnings means the greater of (1) the average of monthly compensation for the 5 consecutive years of highest compensation, and (2) monthly compensation during the year immediately preceding the participant's 60th birthday. Maximum annual 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, 2021 and 2020 membership consisted of:

	<u>2021</u>	<u>2020</u>
Retirees and beneficiaries currently receiving benefits	10	9
Terminated employees entitled to benefits	0	3
Active employees:		
Fully or partially vested	32	30
Total	<u>42</u>	<u>42</u>

Funded status and funding progress: As of June 30, 2022, the actuarial accrued liability for benefits was \$12,836,523 and the net pension liability was \$4,032,788. Total covered payroll was \$1,716,000 and the ratio of net pension liability to covered payroll was 235.01%. As of June 30, 2021, the actuarial accrued liability for benefits was \$13,083,856 and the net pension liability was \$1,861,691. Total covered payroll was \$1,637,000

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and the ratio of net pension liability to covered payroll was 113.73%. As of June 30, 2020, the actuarial accrued liability for benefits was \$11,771,922 and the net pension liability was \$3,504,398. Total covered payroll was \$2,014,329 and the ratio of net pension liability to covered payroll was 173.97%.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/21	\$ 13,083,856	\$ 11,222,165	\$ 1,861,691
Changes for the year:			
Service cost	191,155	-	191,155
Interest	865,906	-	865,906
Changes of benefit items	233,002	-	233,002
Differences between expected and actual experience	(200,265)	-	(200,265)
Change of assumptions	6,547	-	6,547
Contributions - employer	-	359,326	(359,326)
Contributions - employee	-	101,344	(101,344)
Net investment income	-	(1,538,989)	1,538,989
Benefit payments	(1,343,678)	(1,342,354)	(1,324)
Administrative expense	-	(4,510)	4,510
Other	-	6,753	(6,753)
Net changes	(247,333)	(2,418,430)	2,171,097
Balances at 6/30/22	\$ 12,836,523	\$ 8,803,735	\$ 4,032,788

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

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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:

	2022		
	Current		
	1% Decrease	Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Net pension liability	\$ 5,144,671	\$ 4,032,788	\$ 3,078,976
	2021		
Net pension liability	\$ 2,894,650	\$ 1,861,691	\$ 973,810

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

Actuarial Cost Method	Individual Entry Age Normal, level percentage of pay
Amortization Method	Level dollar, closed
Remaining Amortization period	30 years as of 7/1/20
Asset valuation method	Market value of plan assets adjusted to phase in gains and losses over a five-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value.
Salary increases	3.00% per annum
Cost of living increases	2.05%
Investment rate of return	7.25% per annum
Retirement age assumption	100% at age 60
Mortality	RP-2006 Blue Collar Mortality Generational with Improvement Scale MP-2020
Disability mortality	RP-2006 Disabled Retiree Mortality Generational with Improvement Scale MP-2020

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

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

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

For the measurement periods ended June 30, 2021 and 2020, the System recognized pension expense (negative pension expense) of (\$18,367) and \$348,148. At June 30, 2021 and 2020, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 426,986	\$ 420,123
Change of assumptions	43,323	216,714
Net difference between projected and actual earnings on pension plan investments	-	1,135,197
Contributions subsequent to the measurement date of June 30, 2021	359,490	-
Total	\$ 829,799	\$ 1,772,034
Differences between expected and actual experience	\$ 213,072	\$ 575,642
Change of assumptions	75,758	277,971
Net difference between projected and actual earnings on pension plan investments	528,108	-
Contributions subsequent to the measurement date of June 30, 2020	359,290	-
Total	\$ 1,176,228	\$ 853,613

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:

2022	\$	(335,597)
2023		(350,212)
2024		(309,909)
2025		(344,069)
2026		38,062
Thereafter		-

Electric System

The System began offering a 403(b) defined contribution plan, titled the Lexington Electric System 403(b) plan, to their eligible employees hired after April 1, 2012. The System matches their employee's contributions, which can be up to 6% of the employee's annual compensation as determined by the Retirement Committee. The employer's contributions are not vested until after five annual periods in the plan. If an employee leaves the System before the five year vesting period, the amount of unvested contributions reduce the System's cash outlay in the following period. The System made contributions of \$73,082 to the plan in the current year and \$67,630 in 2021. The Retirement Committee of the Lexington Electric System serves as administrator. John Hancock, in conjunction with Edward Jones, serves as the investment firm of the plan.

School Department

General Information about the Pension Plan

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

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the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <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, 2022 to the Teacher Legacy Pension Plan were \$341,343 which is 10.30 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, 2022, the Lexington City Schools reported a liability (asset) of (\$4,276,269) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, 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, 2021 Lexington City Schools' proportion was 0.099143 percent. The proportion measured as of June 30, 2020 was 0.097489 percent.

Pension expense (negative pension expense). For the year ended June 30, 2022, Lexington City Schools recognized pension expense (negative pension expense) of (\$686,303).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2021, Lexington City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,371	\$ 356,655
Changes in assumptions	1,142,547	-
Net difference between projected and actual earnings on pension plan investments	-	3,410,229
Changes in proportion of Net Pension Liability (Asset)	-	16,404
LEA's contribution subsequent to the measurement date of June 30, 2021	<u>341,343</u>	<u>n/a</u>
Total	<u>\$ 1,498,261</u>	<u>\$ 3,783,288</u>

Lexington City Schools employer contribution of \$341,343, reported as pension related deferred outflows or resources, subsequent to the measurement date, will be recognized as an reduction (increase) to the net pension liability (asset) in the year ended June 30, 2023. 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:

2023	\$ (628,800)
2024	(592,636)
2025	(484,612)
2026	(920,322)
2027	-
Thereafter	-

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

Actuarial assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

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	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ (761,032)	\$ (4,276,269)	\$ (7,201,647)

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, 2022, 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, 2022.

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.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2022 to the Teacher Retirement Plan were \$15,854, which is 1.925 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 (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2022, Lexington City Schools reported an liability (asset) of (\$48,271) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Lexington City Schools' proportion of the net pension liability (asset) was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2021 Lexington City Schools' proportion was 0.044563 percent. The proportion measured at June 30, 2020 was 0.047882 percent.

Pension expense (negative pension expense). For the year ended June 30, 2022, Lexington City Schools recognized pension expense (negative pension expense) of \$6,721.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 840	\$ 8,833
Net difference between projected and actual earnings on pension plan investments	-	27,786
Changes in assumptions	17,411	-
Changes in proportion of Net Pension Liability (Asset)	8,316	377
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2021	<u>15,854</u>	<u>(not applicable)</u>
Total	<u>\$ 42,421</u>	<u>\$ 36,996</u>

Lexington City Schools employer contributions of \$15,854 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction (increase) in net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources or deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	\$ (5,245)
2024	(5,093)
2025	(5,049)
2026	(5,748)
2027	1,663
Thereafter	9,043

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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 16,594	\$ (48,271)	\$ (96,111)

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, 2022, 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, 2022.

TCRS Stabilization Trust

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

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

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

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

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- 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.

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, 2022, the System had the following investments held by the trust on its behalf. These funds are recognized as restricted assets in the General Purpose School Fund.

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Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 18,332
Developed Market International Equity	N/A	N/A	8,279
Emerging Market International Equity	N/A	N/A	2,366
U. S. Fixed Income	N/A	N/A	11,828
Real Estate	N/A	N/A	5,914
Short-term Securities	N/A	N/A	591
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>11,828</u>
Total			<u>\$ 59,138</u>

Investments by Fair Value Level	Fair Value 6/30/2022	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	\$ 18,332	\$ 18,332	\$ -	\$ -	\$ -
Developed Market International Equity	8,279	8,279	-	-	-
Emerging Market International Equity	2,366	2,366	-	-	-
U. S. Fixed Income	11,828	-	11,828	-	-
Real Estate	5,914	-	-	5,914	-
Short-term Securities	591	-	591	-	-
Private Equity and Strategic Lending	11,828	-	-	-	11,828
Total	<u>\$ 59,138</u>	<u>\$ 28,977</u>	<u>\$ 12,419</u>	<u>\$ 5,914</u>	<u>\$ 11,828</u>

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.

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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.

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

4.B. POST EMPLOYMENT HEALTHCARE PLAN

CITY GOVERNMENT FUNDS

Plan Description – The City sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, as the rest of the operations of the City. The City's total OPEB liability was measured as of July 1, 2021 and was determined by an actuarial valuation as of that date.

Plan Provisions

Plan Type: Fully Insured

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

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

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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, 2021 through June 30, 2022: Individual \$8,144.40

Employees Covered By Benefit Terms

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

Inactive Employees or Beneficiaries

 Currently Receiving Benefits -

Inactive Employees Entitled to But

 Not Yet Receiving Benefits -

Active Employees 77

Total 77

Changes in Total OPEB Liability

	City	Water	Gas	Total
Balance at 6/30/21	\$ 875,728	\$ 200,971	\$ 224,958	\$ 1,301,657
Changes for the year:				
Service Cost	234,078	94,125	73,346	401,549
Interest	21,574	6,693	7,015	35,282
Differences between expected and actual experience	(137,090)	7,311	17,896	(111,883)
Changes in assumptions and other inputs	(148,671)	(53,883)	(42,983)	(245,537)
Benefit payments	-	-	-	-
Net changes	(30,109)	54,246	55,274	79,411
Balance at 6/30/22	\$ 845,619	\$ 255,217	\$ 280,232	\$ 1,381,068

Assumption changes – The discount rate was 2.16% as of June 30, 2021 and 3.54% as of June 30, 2022. The healthcare cost trend rates and demographic assumptions were updated.

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

1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
\$ 1,584,650	\$ 1,381,068	\$ 1,201,619

Healthcare Cost Trend Rates		
1% Decrease (5.50% decreasing to 4.00%)	(6.50% decreasing to 5.00%)	1% Increase (7.50% decreasing to 6.00%)
\$ 1,100,020	\$ 1,381,068	\$ 1,743,321

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$420,486. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 34,032	\$ 233,327
Changes of assumptions/inputs	158,458	246,642
Contributions subsequent to the measurement date	-	(not applicable)
Total	\$ 192,490	\$ 479,969

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:

2023	(16,345)
2024	(16,345)
2025	(16,345)
2026	(16,345)
2027	(16,345)
Thereafter	(205,754)

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.

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

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

Discount Rate: A discount rate of .54% was used in estimating the GASB 75 financial information for fiscal year ending June 30, 2022.

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

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

Disability Rates: None assumed

Termination Rates: Based on age and service:

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

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

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

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

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Actuarial Value of Assets: N/A

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

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

Administrative expenses: Included in premiums used.

Participant Salary Increase: 3.50% annually

Payroll Growth Rate: 2.50% annually

ELECTRIC SYSTEM

1. Lexington Electric System OPEB Plan

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

Annual OPEB Cost and Net OPEB Obligation – Changes in the System’s net OPEB liability measured at June 30, 2022 and 2021 are detailed in the following tables. The table below shows the net OPEB liability as of June 30, 2022, 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, 2021	\$ 4,445,436
Service Cost	187,514
Interest	82,676
Difference between expected and actual experience	(734,990)
Changes of assumptions	(314,926)
Benefit payments	<u>(268,277)</u>
Net changes	<u>(1,048,003)</u>
Total OPEB Liability June 30, 2022	<u><u>\$ 3,397,433</u></u>

Total OPEB Liability June 30, 2020	\$ 3,914,884
Service Cost	188,791
Interest	140,015
Difference between expected and actual experience	-
Changes of assumptions	409,991
Benefit payments	<u>(208,245)</u>
Net changes	<u>530,552</u>
Total OPEB Liability June 30, 2021	<u><u>\$ 4,445,436</u></u>

Actuarial Methods and Assumptions

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

Plan Membership -2021

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

Benefits Provided

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

Actuarial Assumptions

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

Discount rate	3.54% based on S & P Municipal Bond 20 Year High Grade Index for June 2022
Health trend rate	Health Trend rate 7.0% starting in 2021 reduced each year by 0.5% until 4.5% is reached

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period ending July 1, 2021. The salary increases are assumed to be 3.50% annually with an annual payroll growth rate of 2.50%.

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

The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the assumed trend rate for the measurement periods of June 30, 2022 and 2021, respectively:

1% Decrease (5.50% decreasing .5% until 3.5% is reached)	Current (6.5% decreasing .5% until 4.5% is reached)	1% Increase (7.5% decreasing .5% until 5.5% is reached)
\$ 3,061,537	\$ 3,397,433	\$ 3,793,119
1% Decrease (6% decreasing 1% until 3.5% is reached)	Current (7% decreasing 1% until 4.5% is reached)	1% Increase (8% decreasing 1% until 5.5% is reached)
\$ 3,975,491	\$ 4,445,436	\$ 5,000,470

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, 2022 and 2021, respectively:

1% Decrease 2.54%	Current 3.54%	1% Increase 4.54%
\$ 3,667,039	\$ 3,397,433	\$ 3,150,475
1% Decrease 1.16%	Current 2.16%	1% Increase 3.16%
\$ 4,779,898	\$ 4,445,436	\$ 4,345,919

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, 2022 no benefits were payable and not paid. Qualified Plan administrative expenses are paid by the Plan. During the years ended June 30, 2022 and 2021, administrative expenses paid were \$0.

For the measurement periods ended June 30, 2022 and 2021, the System recognized OPEB expense of \$220,155 and \$396,080. At June 30, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the follow sources:

2022

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

2021

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 143,730	\$ 129
Changes of assumptions	<u>435,346</u>	<u>65,710</u>
Total	<u>\$ 579,076</u>	<u>\$ 65,839</u>

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

Year ended June 30:

2023	\$	(50,035)
2024		(50,035)
2025		(50,035)
2026		(50,035)
2027		(50,035)
Thereafter		(236,469)

2. Lexington Electric System – State LGOP OPEB Plan

Plan Description

Employees of the Lexington Electric System are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan

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will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Benefits provided

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

Employees covered by benefit terms – At July 1, 2021 and 2020, the following employees of the System were covered by the benefit terms of the plan:

	2021	2020
Inactive employees currently receiving benefit payments	13	11
Inactive employees entitled to but not receiving benefit payments	0	0
Active employees	50	52
	63	63

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

Total OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from PUB-2010

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Headcount-Weighted Employee mortality table for General Employees for non-disables pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Health Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate

The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt obligations municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

Changes in the Total OPEB Liability

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

Balance June 30, 2022	<u>\$ 1,108,621</u>
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Balance July 1, 2020	\$ 1,457,681
Changes for the year:	
Service cost	41,240
Interest	50,997
Differences between expected and actual experience	(264,756)
Changes in assumptions and other inputs	111,023
Benefit Payments	(92,810)
Net changes	<u>(154,306)</u>

Balance June 30, 2021	<u>\$ 1,303,375</u>
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Changes of Assumptions

The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

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

2022

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

2021

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB Liability	\$ 1,403,220	\$ 1,303,375	\$ 1,209,932

Sensitivity of total OPEB liability to changes in the healthcare trend rate - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate for the years ended June 30, 2022 and 2021, respectively:

2022

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

2021

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,179,912	\$ 1,303,375	\$ 1,447,595

OPEB expense – For the fiscal years ended June 30, 2022 and 2021, the System recognized OPEB expense of \$51,224 and \$91,866, respectively.

Deferred outflows of resources and deferred inflows of resources – For the fiscal years ended June 30, 2022 and 2021, the System reported the following deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the plan:

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2022	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 325,115	\$ 193,296
Changes of assumptions/inputs	92,094	451,846
Contributions subsequent to the measurement date	<u>84,897</u>	(not applicable)
Total	<u>\$ 502,106</u>	<u>\$ 645,142</u>
2021	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 206,283	\$ 229,026
Changes of assumptions/inputs	109,656	111,932
Contributions subsequent to the measurement date	<u>43,064</u>	(not applicable)
Total	<u>\$ 359,003</u>	<u>\$ 340,958</u>

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

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

Year Ending June 30		
<u>2023</u>	\$	(32,587)
2024		(32,587)
2025		(32,587)
2026		(32,587)
2027		(46,846)
Thereafter		(50,709)

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

SCHOOL SYSTEM

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

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer

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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, 2021, 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>87</u>
	<u>90</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 \$15,926 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	7.36% for pre-65 in 2021, decreasing annually over a 7 year period to an ultimate rate of 4.5%. 7.32% for post-65 in 2021, decreasing over a 4 year period to an ultimate rate of 4.50%.

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Retiree's share of benefit-related costs

Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate – The discount rate used to measure the total OPEB liability was 2.16%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

Changes in Collective Total OPEB Liability

	Total OPEB Liability (a)
TGOP - (expressed in thousands)	
Total OPEB liability - beginning balance	\$ 1,073
Changes for the year:	
Service costs	72
Interest	25
Changes in benefit terms	-
Differences between expected and actual experience	(24)
Changes in assumptions	271
Benefit payments	(25)
Net changes	319
Total OPEB liability - ending balance	\$ 1,392
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 488
Employer's proportionate share of the collective total OPEB liability	\$ 904
Employer's proportion of the collective total OPEB liability	64.92%

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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 -1.49% from the prior measurement date. The System recognized \$43,188 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGOP for the System retirees.

Changes in assumptions – The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. 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 (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Proportionate share of collective total OPEB liability	\$ 982	\$ 904	\$ 830

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 (6.36%/6.32% decreasing to 3.50%)	Healthcare Cost Trend Rates 7.36%/7.32% decreasing to 4.50%)	1% Increase (8.36%/8.32% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 779	\$ 904	\$ 1,054

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

OPEB expense – For the fiscal year ended June 30, 2022, the System recognized OPEB expense of \$122,411.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

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TGOP - (expressed in thousands)	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 42	\$ 83
Changes in assumptions	234	45
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.	17	19
Employer payments subsequent to the measurement date	23	-
	<u>\$ 315</u>	<u>\$ 147</u>

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

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

TGOP - (expressed in thousands)

For the year ended June 30:

2023	\$	16.3
2024		16.3
2025		16.3
2026		16.3
2027		16.3
Thereafter		63.3

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

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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, 2021, the following employees of the System were covered by the benefit terms of the TNP:

Inactive employees receiving benefit payments	33
Inactive employees entitled to but not yet receiving benefit payments	8
Active employees	<u>63</u>
	<u>104</u>

In accordance with TCA 8-27-209, the State insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. 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, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

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

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Discount rate – The discount rate used to measure the total OPEB liability was 2.16%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

Changes in Collective Total OPEB Liability

	Total OPEB Liability (a)
TNP - (expressed in thousands)	
Total OPEB liability - beginning balance	\$ 424
Changes for the year:	
Service costs	7
Interest	9
Changes of benefit terms	-
Differences between expected and actual experience	(4)
Changes in assumptions	(54)
Benefit payments	(19)
Net changes	(61)
Total OPEB liability - ending balance	\$ 364
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 364
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 \$17,389 in revenue for support provided by non-employer contributing entities for benefits paid by the TNP for the System's retired employees.

Changes in assumptions – The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. 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, 2022, the System recognized OPEB expense of \$17,389.

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4.C. SELF-INSURANCE CLAIMS PAYABLE

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

	<u>Balance at 7/1/2021</u>	<u>Incurred Claims</u>	<u>Claims Payments</u>	<u>Balance at 6/30/2022</u>
Gas	\$ 2,450	\$ 36,174	\$ 31,683	\$ 6,941
Water	4,941	40,720	33,104	12,557
City	28,281	124,046	125,390	26,937
Total	<u>\$ 35,672</u>	<u>\$ 200,940</u>	<u>\$ 190,177</u>	<u>\$ 46,435</u>

4.D. RISK MANAGEMENT

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

School System

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

Electric System

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2021 and 2020, the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

4.E. LANDFILL POSTCLOSURE COSTS

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. In addition, an additional City operated landfill has also closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$254,020 (\$133,468 City-only landfill and \$120,552 City and County jointed operated landfill) as a long-term liability in the statement of net position. These amounts are based on what it would currently cost

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

4.F. COMMITMENTS AND CONTINGENCIES

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

Electric System

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

4.G. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Lexington Gas System

The System has several construction projects in process at June 30, 2022. Commitments for these projects are described below.

The system plans to construct an aggregate storage facility to store gravel, sand, and other aggregates. As of June 30, 2022, the System has incurred engineering costs of \$7,201 for this project. The project is expected to be bid in Spring 2024 with an anticipated cost of \$300,000.

The system has several mainline extension projects including Rue Hammer, Scott Rd, and Pine Knob Rd. As of June 30, 2022 these projects have either been completed or are under construction.

The System plans to install a SCADA system to continuously monitor system conditions. As of June 30, 2022, project is currently under construction with an anticipated cost of \$1,000,000. Estimated completion date is Spring 2024.

The System plans to reopen the Scotts Hill Gate Station to provide a redundant gas supply to the system. The System has incurred \$28,000 with an expected cost of \$50,000 to complete the project by Fall of 2023.

The system plans to install new gas meters throughout the entire distribution system to replace the current aging metering system. The project will be a multiphase process and has an estimated cost of \$2,000,000 between FY 2024-2027.

Lexington Water System

The System has several construction projects in process at June 30, 2022. Commitments for these projects are described below.

The System has incurred \$54,660 in engineering costs for a filter plant project that involves a sludge pumping station. This project is currently under construction with an anticipated cost of \$1,250,000. There is approximately \$600,000 remaining from a previous bond issue to complete the project.

As of June 30, 2022, the System incurred \$38,392 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 2024.

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JUNE 30, 2022

The System has incurred \$56,888 in project design costs to upgrade the Piney Water Booster Pump Station. An additional \$20,000 has been incurred to initiate project construction and setup. As of June 30, 2022, the System had incurred \$233,276 in project design, planning, and construction costs for various waste water pump stations. The lift stations include L.S. #6, 8, 9, 21, 25, and 33. L.S. #8, 9, 25, 33 have been completed. L.S. #6, 21 plan to be bid in FY 2024. These projects have remaining estimated costs of \$2,452,364. As of June, 30, 2022, there is approximately \$1,500,000 remaining from a previous bond issue to complete the projects.

The System has incurred \$1,351,586 project design, planning, and construction costs to replace several main waste water lines. The main trunk lines include the Town Branch Gravity and the Dixon Street/West Lift Station Interceptor Line. Town Branch Gravity has been completed and Dixon Street/West Interceptor Line is still in the design phase with expected remaining costs of \$1,614,925. As of June 30, 2022, there is approximately \$1,600,000 remaining from a previous bond issue to complete these projects.

The System has incurred \$50,151.78 in design costs for a new elevated storage tank at the Timberlake Industrial Park. This project is expected to bid in FY 2024 with an estimated construction cost of \$1,500,000.

The system plans to install new water meters throughout the entire distribution system to replace the current aging metering system. The project will be a multiphase process and has an estimated cost of \$1,600,000 between FY 2024-2028.

The system failed to obtain proper documentation from a grant recipient regarding job creation that will mostly likely require the system to repay the grant of \$225,567. This is booked as a grant payable on the financial statements.

City of Lexington

The City has received a TDOT Multimodal grant in the amount of \$897,750 for Phase II of a sidewalk/multimodal project. As of June 30, 2022 the City has incurred \$211,350 in engineering and construction costs. This project is currently under construction with an anticipated remaining cost of \$662,000.

The City received a TDOT Transportation Alternatives grant in the amount of \$802,640 for a sidewalk/ADA accessibility project. As of June 30, 2022 the City has incurred \$66,128 in engineering and construction costs. This project is expected to bid in FY 2023 with an estimated construction costs of \$1,080,000.

As of June 30, 2022, \$196,785 in project design, planning, and construction has been incurred for a new city park along South Main Street. Phase I of the new park, named Depot Park, is expected to be completed Fall 2022 with estimated remaining construction costs of \$72,000.

4.H. CORRECTION OF AN ERROR

Lexington Electric System

A restatement of the deferred outflows, deferred inflows, and the OPEB liability as made as of and for the year ended June 30, 2021 due to the LGOP OPEB plan not being recorded on the System's financial statement during the year ended. The error resulting in the System understating deferred outflows of resources by \$359,003, deferred inflows of resources by \$340,958, and OPEB liability by \$1,303,375. The net effect of this restatement resulted in a decrease in the June 30, 2021 ending net position in the amount of \$1,285,330.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

4.I. ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No, 87, *Leases* became effective for the year ended June 30, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2022

General Government/Water System/Gas System

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

Notes:

Note 1: Plan changes - None

Note 2: Assumption changes - The discount rate was 2.16% as of June 30, 2021 and 3.54% as of June 30, 2022.

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, 2022

LES Plan

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

LGOP Plan

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

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

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2022

	City 2014	City 2015	City 2016	City 2017	City 2018	City 2019	City 2020	City 2021
Total pension liability								
Service Cost	\$ 406,855	\$ 423,129	\$ 434,972	\$ 390,808	\$ 379,860	\$ 424,604	\$ 408,865	\$ 384,474
Interest	793,037	872,786	971,567	923,073	923,056	1,139,237	1,046,380	1,142,297
Changes in benefit terms	-	-	-	-	2,305,226	-	-	-
Differences between actual and expected experience	-	237,578	(98,825)	(368,339)	(85,512)	(1,823)	533,701	51,287
Change of assumptions	-	-	(503,521)	-	-	(2,144,482)	-	-
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(513,384)	(790,604)	(631,370)	(740,450)
Net change in total pension liability	1,003,053	1,426,250	450,478	(456,890)	3,009,246	(1,373,068)	1,367,576	837,608
Total pension liability - beginning	10,263,610	11,286,663	12,692,913	13,143,391	12,686,501	15,695,747	14,322,679	15,680,255
Total pension liability - ending (a)	\$ 11,266,663	\$ 12,692,913	\$ 13,143,391	\$ 12,686,501	\$ 15,695,747	\$ 14,322,679	\$ 15,680,255	\$ 16,517,863
Plan fiduciary net position								
Contributions - employer	\$ 509,921	\$ 510,282	\$ 501,481	\$ 380,037	\$ 338,238	\$ 330,342	\$ 312,986	\$ 294,810
Contributions - employee	288,022	263,830	252,445	229,686	211,399	206,464	195,617	184,257
Net investment income	1,272,111	193,153	(555)	1,454,142	943,442	521,328	123,215	3,804,873
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(513,384)	(790,604)	(631,370)	(740,450)
Administrative expense	(1,250)	(33,279)	(86,278)	(67,140)	(85,980)	(37,578)	(89,921)	(124,449)
Other	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	1,851,965	826,743	313,378	594,293	893,715	229,952	(69,473)	3,419,041
Plan fiduciary net position - beginning	7,506,819	9,358,784	10,185,527	10,498,905	11,093,198	11,989,913	12,216,865	12,147,392
Plan fiduciary net position - ending (b)	\$ 9,358,784	\$ 10,185,527	\$ 10,498,905	\$ 11,093,198	\$ 11,986,913	\$ 12,216,865	\$ 12,147,392	\$ 15,566,433
Net pension liability (asset) - ending (a) - (b)	\$ 1,907,879	\$ 2,507,386	\$ 2,644,486	\$ 1,593,303	\$ 3,708,834	\$ 2,105,814	\$ 3,532,863	\$ 951,430
Plan fiduciary net position as a percentage of total pension liability	83.07%	80.25%	79.88%	87.44%	76.37%	85.30%	77.47%	94.24%
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$ 3,441,910	\$ 3,288,122	\$ 3,272,780
Net pension liability (asset) as a percentage of covered-employee payroll	46.81%	58.97%	67.08%	44.49%	108.34%	61.18%	107.44%	29.07%
	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019	LES 2020	LES 2021
Total pension liability								
Service Cost	\$ 207,035	\$ 215,316	\$ 212,645	\$ 230,698	\$ 224,008	\$ 207,244	\$ 189,353	\$ 192,049
Interest	700,229	706,762	771,286	781,193	822,895	825,492	832,035	862,569
Changes in benefit terms	-	-	-	-	780,756	-	-	-
Differences between actual and expected experience	-	819,077	32,345	(335,078)	(325,344)	(373,305)	69,222	418,622
Change of assumptions	-	159,411	-	-	(481,164)	68,445	(12,173)	(14,810)
Benefit payments, including refunds of employee contributions	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)	(856,610)	(146,696)
Net change in total pension liability	(494,924)	1,667,027	(131,980)	319,830	930,967	(558,582)	221,827	1,311,934
Total pension liability - beginning	9,817,757	9,322,833	10,989,860	10,857,880	11,177,710	12,108,677	11,550,095	11,771,922
Total pension liability - ending (a)	\$ 9,322,833	\$ 10,989,860	\$ 10,857,880	\$ 11,177,710	\$ 12,108,677	\$ 11,550,095	\$ 11,771,922	\$ 13,083,856
Plan fiduciary net position								
Contributions - employer	\$ 663,487	\$ 663,487	\$ 663,487	\$ 305,704	\$ 225,475	\$ 204,174	\$ 202,081	\$ 359,290
Contributions - employee	148,508	138,780	137,893	133,538	131,456	124,285	121,016	114,708
Net investment income	1,088,227	135,350	15,848	1,037,995	717,418	497,713	(107,583)	2,625,513
Benefit payments, including refunds of employee contributions	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)	(856,610)	(146,696)
Administrative expense	(505)	(295)	(425)	(3,410)	(2,878)	(3,853)	(3,945)	1,826
Other	-	-	-	-	-	-	6,105	-
Net change in plan fiduciary net position	497,529	703,783	(331,453)	1,116,844	981,287	(464,139)	(638,936)	2,954,641
Plan fiduciary net position - beginning	6,402,609	6,900,138	7,603,921	7,272,468	8,389,312	9,370,599	8,906,460	8,267,524
Plan fiduciary net position - ending (b)	\$ 6,900,138	\$ 7,603,921	\$ 7,272,468	\$ 8,389,312	\$ 9,370,599	\$ 8,906,460	\$ 8,267,524	\$ 11,222,165
Net pension liability (asset) - ending (a) - (b)	\$ 2,422,695	\$ 3,385,939	\$ 3,585,412	\$ 2,788,398	\$ 2,738,078	\$ 2,643,635	\$ 3,504,398	\$ 1,861,691
Plan fiduciary net position as a percentage of total pension liability	74.01%	69.19%	66.98%	75.05%	77.39%	77.11%	70.23%	85.77%
Covered-employee payroll	\$ 2,412,526	\$ 2,341,064	\$ 2,378,246	\$ 2,310,481	\$ 2,266,450	\$ 2,012,123	\$ 2,014,329	\$ 1,637,000
Net pension liability (asset) as a percentage of covered-employee payroll	100.42%	144.63%	150.76%	120.68%	120.81%	131.39%	173.97%	113.73%

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, 2022**

	City 2014	City 2015	City 2016	City 2017	City 2018	City 2019	City 2020	City 2021
Actuarially determined contribution	\$ 428,197	\$ 486,860	\$ 401,377	\$ 292,712	\$ 229,917	\$ 258,426	\$ 366,992	\$ 386,398
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>	<u>312,986</u>	<u>294,810</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>	<u>\$ 54,006</u>	<u>\$ 91,588</u>
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$ 3,441,910	\$3,288,122	\$3,272,760
Contributions as a percentage to covered payroll	12.51%	12.00%	12.72%	10.61%	9.88%	9.60%	9.52%	9.01%
	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019	LES 2020	LES 2021
Actuarially determined contribution	\$ 625,883	\$ 366,403	\$ 305,704	\$ 241,669	\$ 170,322	\$ 190,885	\$ 202,081	\$ 359,290
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>	<u>202,081</u>	<u>359,290</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>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,412,526	\$ 2,341,064	\$ 2,341,064	\$ 2,310,481	\$ 2,266,450	\$ 2,012,123	\$2,014,329	\$1,637,000
Contributions as a percentage to covered payroll	27.50%	28.34%	27.90%	13.23%	9.95%	10.15%	10.03%	21.95%

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

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

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

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

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, 2022**

Notes to Schedule - City Pension

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal, level percent of pay
Amortization method	Level dollar, closed, 30 years remaining as of January 1, 2015
Remaining amortization period	24 years as of 1/1/2021
Asset valuation	Market value adjusted to phase in gains/losses over five-years. Assets further limited to a 20% corridor around market value.
Salary increases	Ages 20-29 5.00%, Ages 30-39 3.50%, Ages 40+ 2.75%
Cost of living increases:	2.05%
Investment Rate of Return	7.25%
Retirement age	Age 60 35%, Ages 61-64 5%, Age 65 40%, Ages 66-69 30%, Ages 70+ 100%
Mortality	SOA PubG-2010(B), Scale MP-2018 Fully Generational
Disabled Mortality	SOA PubG-2010 Disabled, Scale MP-2018 Fully Generational

*This is a summary of the methods and assumptions for the 1/1/21 Actuarial Valuation

Notes to Schedule - LES OPEB - LES PLAN

Valuation date: Actuarially determined contribution rates for 2022 were calculated based on July 1, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

There was a change in assumptions related to a change in discount rate from 2.16% to 3.54%.

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

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2022**

Notes to Schedule - LES OPEB - LGOP PLAN

Valuation Date	July 1, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	2.16% based on Bond Buyer GO 20-Bond Municipal Bond Index
Salary Increases	Assumed salary increases are the same as used by TCRS: 8.72% at age 20 graded to 3.44% at age 70 (with 4% weighted average)
Retirement Age	Retirement rates used in the July 1, 2021 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Demographic Assumptions	Demographic assumptions used in the July 1, 2020 actuarial evaluation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 7.36 for pre-65 retirees in the 2022 calendar year, and gradually decreasing over a 10 year period to an ultimate trend rate of 4.5 percent
Other Information:	
Notes	See the Actuarial Valuation Report as of July 1, 2021 There were no benefit changes during the measurement period. There have been no method changes since the prior year.
Assumption Changes	The discount rate decreased from 2.21% to 2.16%. The assumed long-term price inflation increased from 2.10% to 2.25%

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

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSETS
TEACHER LEGACY PENSION PLAN of TCRS
JUNE 30, 2022

	2014	2015	2016	2017	2018	2019	2020	2021
Lexington City School's proportion of the net pension asset	0.104835%	0.102809%	0.104496%	0.09933200%	0.09359900%	0.09488500%	0.09748900%	0.09143000%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (17,035)	\$ 42,114	\$ 653,043	\$ (32,500)	\$ (329,365)	\$ (975,587)	\$ (743,422)	\$ (4,276,269)
Lexington City School's covered payroll	\$ 4,114,750	\$ 3,848,655	\$ 3,772,098	\$ 3,511,338	\$ 3,277,516	\$ 3,181,623	\$ 3,244,671	\$ 3,254,034
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-0.414002%	1.094254%	17.310000%	-0.93%	-10.05%	-30.66%	-22.91%	-131.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%

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, 2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution (ADC)	\$ 365,390	\$ 347,918	\$ 340,998	\$ 317,564	\$ 297,598	\$ 332,798	\$ 344,908	\$ 334,970	\$ 341,343
Contribution in relation to the actuarially determined contribution	365,390	347,918	340,998	317,564	297,598	332,798	344,908	334,970	341,343
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lexington City School's covered payroll	\$ 4,114,749	\$ 3,848,655	\$ 3,772,098	\$ 3,512,880	\$ 3,277,515	\$ 3,181,623	\$ 3,244,671	\$ 3,261,634	\$ 3,314,930
Contributions as a percentage of Lexington City School's covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%	10.27%	10.30%

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, 2022

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

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, 2022

	2015	2016	2017	2018	2019*	2020**	2021***	2022****
Actuarially Determined Contribution (ADC)	\$ 5,353	\$ 7,817	\$ 19,924	\$ 7,625	\$ 10,772	\$ 12,266	\$ 12,991	\$ 15,854
Contribution in relation to the actuarially determined contribution	8,565	12,491	19,924	18,702	10,772	12,266	12,991	15,854
Contribution deficiency (excess)	\$ (3,212)	\$ (4,674)	\$ -	\$ (11,077)	\$ -	\$ -	\$ -	\$ -
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 604,236	\$ 643,138	\$ 823,465
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.02%	1.93%

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

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

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

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

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

****In FY 2022 the School System placed the actuarially determined contributed rate (2.07%) of covered payroll into the pension plan and placed 1.93% of covered payroll into the Pension Stabilization Reserve Trust.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - SCHOOL SYSTEM
(dollar amounts in thousands)
JUNE 30, 2022

	<u>TGOP 2018</u>	<u>TNP 2018</u>	<u>TGOP 2019</u>	<u>TNP 2019</u>	<u>TGOP 2020</u>	<u>TNP 2020</u>	<u>TGOP 2021</u>	<u>TNP 2021</u>	<u>TGOP 2022</u>	<u>TNP 2022</u>
Total OPEB Liability										
Service cost	\$ 72	\$ 6	\$ 67	\$ 5	\$ 56	\$ 4	\$ 51	\$ 4	\$ 72	\$ 7
Interest	28	10	34	12	31	12	31	12	25	9
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(166)	(6)	30	22	55	8	(24)	(4)
Changes of assumptions	(48)	(28)	18	(3)	(64)	6	135	66	271	(54)
Benefit payments	(41)	(15)	(44)	(16)	(26)	(17)	(39)	(18)	(25)	(19)
Net change in total OPEB liability	<u>10</u>	<u>(26)</u>	<u>(91)</u>	<u>(8)</u>	<u>26</u>	<u>26</u>	<u>232</u>	<u>73</u>	<u>319</u>	<u>(61)</u>
Total OPEB Liability - beginning	<u>896</u>	<u>359</u>	<u>906</u>	<u>333</u>	<u>815</u>	<u>325</u>	<u>841</u>	<u>351</u>	<u>1,073</u>	<u>424</u>
Total OPEB Liability - ending	<u>\$ 906</u>	<u>\$ 333</u>	<u>\$ 815</u>	<u>\$ 325</u>	<u>\$ 841</u>	<u>\$ 351</u>	<u>\$ 1,073</u>	<u>\$ 424</u>	<u>\$ 1,392</u>	<u>\$ 364</u>

Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 319	\$ 333	\$ 285	\$ 325	\$ 300	\$ 351	\$ 361	\$ 424	\$ 488	\$ 384
Employer's proportionate share of the collective total OPEB liability	\$ 587	\$ -	\$ 530	\$ -	\$ 541	\$ -	\$ 713	\$ -	\$ 904	\$ -
Covered-employee payroll	\$ 2,976	\$ -	2,976	-	2,976	-	2,976	-	2,976	-
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	20%	n/a	18%	n/a	18%	n/a	24%	n/a	30%	n/a

Notes to Schedule

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

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

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

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

CITY OF LEXINGTON, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Special Revenue					Debt Service			Capital Projects	Total Other Governmental Funds	
	State Street Aid	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	General Sinking Fund	School Debt Fund	Post Office Fund	
ASSETS											
Cash and cash equivalents	\$ 233,874	\$ 1,922,459	\$ 218,134	\$ 219,402	\$ 2,331	\$ 13,267	\$ 181,718	\$ 2,045	\$ -	\$ 1,768,934	\$ 4,562,164
Other receivables	-	-	-	5,325	-	-	-	-	-	19,430	24,755
Due from other funds	-	-	-	73,614	-	-	-	-	-	-	73,614
Prepaid insurance	-	-	-	4,860	-	-	-	-	-	-	4,860
Inventory	-	-	39,024	-	-	-	-	-	-	-	39,024
Due from other governments	48,207	334,378	-	-	-	-	-	-	-	-	382,585
TOTAL ASSETS	\$ 282,081	\$ 2,256,837	\$ 257,158	\$ 303,201	\$ 2,331	\$ 13,267	\$ 181,718	\$ 2,045	\$ -	\$ 1,788,364	\$ 5,087,002
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ -	\$ 43,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,316	\$ 53,243
Accrued liabilities	-	-	-	13,388	-	-	-	-	-	-	13,388
Unearned revenues	-	-	8,143	-	-	29,743	-	-	-	-	37,886
Due to other funds	-	6,696	-	137,042	-	-	-	-	-	-	143,738
TOTAL LIABILITIES	-	6,696	8,143	194,357	-	-	29,743	-	-	9,316	248,255
FUND BALANCES											
Nonspendable											
Inventory	-	-	39,024	-	-	-	-	-	-	-	39,024
Prepaid expenses	-	-	-	4,860	-	-	-	-	-	-	4,860
Restricted											
State street aid	282,081	-	-	-	-	-	-	-	-	-	282,081
School food authority	-	-	209,991	-	-	-	-	-	-	-	209,991
E-citation fund	-	-	-	-	-	13,267	-	-	-	-	13,267
Drug fund	-	-	-	-	-	-	151,975	-	-	-	151,975
Solid waste	-	-	-	103,984	-	-	-	-	-	-	103,984
Assigned											
DARE fund	-	-	-	-	2,331	-	-	-	-	-	2,331
Debt service	-	2,250,141	-	-	-	-	-	2,045	-	-	2,252,186
Capital projects	-	-	-	-	-	-	-	-	-	1,779,048	1,779,048
TOTAL FUND BALANCES	282,081	2,250,141	249,015	108,844	2,331	13,267	151,975	2,045	-	1,779,048	4,838,747
TOTAL LIABILITIES AND FUND BALANCES	\$ 282,081	\$ 2,256,837	\$ 257,158	\$ 303,201	\$ 2,331	\$ 13,267	\$ 181,718	\$ 2,045	\$ -	\$ 1,788,364	\$ 5,087,002

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, 2022

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Debt Service		Capital Projects Post Office Fund	Total Other Governmental Funds
								General City Sinking Fund	School Debt Fund		
Revenues:											
Taxes	\$ -	\$ 1,799,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,211	\$ 2,016,708
Intergovernmental	277,771	-	728,996	-	-	-	-	-	-	1,170,386	2,177,153
Charges for services	-	-	41,101	1,131,802	-	-	-	-	-	-	1,172,903
Fines, forfeitures, and penalties	-	-	-	-	-	5,395	30,952	-	-	-	36,347
Other revenue	465	6,580	5,548	149	-	26	7,497	5	-	5,850	26,120
Total Revenues	<u>278,236</u>	<u>1,806,077</u>	<u>775,645</u>	<u>1,131,951</u>	<u>-</u>	<u>5,421</u>	<u>38,449</u>	<u>5</u>	<u>-</u>	<u>1,393,447</u>	<u>5,429,231</u>
Expenditures:											
Current:											
Public works	210,400	-	-	1,062,391	-	-	-	-	-	-	1,272,791
Public safety	-	-	-	-	1,175	-	24,455	-	-	-	25,630
Health, welfare and recreation	-	26,866	650,800	-	-	-	-	-	-	70,520	748,186
Economic and community development	-	-	-	-	-	-	-	-	-	50,000	50,000
Capital outlay	8,447	-	-	454,667	-	-	7,175	-	-	543,081	1,013,370
Debt Service	-	-	-	442,629	-	-	-	-	474,302	-	916,931
Total Expenditures	<u>218,847</u>	<u>26,866</u>	<u>650,800</u>	<u>1,959,687</u>	<u>1,175</u>	<u>-</u>	<u>31,630</u>	<u>-</u>	<u>474,302</u>	<u>663,601</u>	<u>4,026,908</u>
Revenues over Expenditures	<u>59,389</u>	<u>1,779,211</u>	<u>124,845</u>	<u>(827,736)</u>	<u>(1,175)</u>	<u>5,421</u>	<u>6,819</u>	<u>5</u>	<u>(474,302)</u>	<u>729,846</u>	<u>1,402,323</u>
Other Financing Sources (Uses)											
Note proceeds	-	-	-	486,969	-	-	-	-	-	-	486,969
Sale of capital assets	-	-	-	162,602	-	-	74,146	-	-	-	236,748
Operating transfer in (out)	-	(917,302)	-	124,138	-	-	-	-	474,302	(120,197)	(439,059)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(917,302)</u>	<u>-</u>	<u>773,709</u>	<u>-</u>	<u>-</u>	<u>74,146</u>	<u>-</u>	<u>474,302</u>	<u>(120,197)</u>	<u>284,658</u>
Net Change in Fund Balances	<u>59,389</u>	<u>861,909</u>	<u>124,845</u>	<u>(54,027)</u>	<u>(1,175)</u>	<u>5,421</u>	<u>80,965</u>	<u>5</u>	<u>-</u>	<u>609,649</u>	<u>1,686,981</u>
Fund Balance at Beginning of Year, as previously reported	<u>222,692</u>	<u>1,388,232</u>	<u>116,404</u>	<u>162,871</u>	<u>3,506</u>	<u>7,846</u>	<u>71,010</u>	<u>2,040</u>	<u>-</u>	<u>1,169,399</u>	<u>3,144,000</u>
Change in reserve for inventory	<u>-</u>	<u>-</u>	<u>7,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,766</u>
Fund Balance at Beginning of Year, as restated	<u>222,692</u>	<u>1,388,232</u>	<u>124,170</u>	<u>162,871</u>	<u>3,506</u>	<u>7,846</u>	<u>71,010</u>	<u>2,040</u>	<u>-</u>	<u>1,169,399</u>	<u>3,151,766</u>
Fund Balance at End of Year	<u>\$ 282,081</u>	<u>\$ 2,250,141</u>	<u>\$ 249,015</u>	<u>\$ 108,844</u>	<u>\$ 2,331</u>	<u>\$ 13,267</u>	<u>\$ 151,975</u>	<u>\$ 2,045</u>	<u>\$ -</u>	<u>\$ 1,779,048</u>	<u>\$ 4,838,747</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, 2022

	<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	\$ 250,000	\$ 280,557	\$ 142,668	\$ (137,889)
State gas 1989 tax	-	-	22,194	22,194
State 2017 gas tax	-	-	71,796	71,796
State gas three cent tax	-	-	41,113	41,113
Other revenues				
Interest income	1,300	278	465	187
Total revenues	<u>251,300</u>	<u>280,835</u>	<u>278,236</u>	<u>(2,599)</u>
Expenditures:				
Public Works:				
Street lighting	205,491	230,062	205,061	25,001
Repairs and maintenance	34,100	6,339	5,339	1,000
Capital Outlay	30,000	8,447	8,447	-
Total expenditures	<u>269,591</u>	<u>244,848</u>	<u>218,847</u>	<u>26,001</u>
 Revenues over (under) Expenditures	 <u>(18,291)</u>	 <u>35,987</u>	 <u>59,389</u>	 <u>23,402</u>
Other financing sources and uses:				
Transfers out	-	-	-	-
Total Other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balances	 <u>(18,291)</u>	 <u>35,987</u>	 <u>59,389</u>	 <u>23,402</u>
 Fund Balance at Beginning of Year	 <u>222,692</u>	 <u>222,692</u>	 <u>222,692</u>	 <u>-</u>
 Fund Balance at End of Year	 <u>\$ 204,401</u>	 <u>\$ 258,679</u>	 <u>\$ 282,081</u>	 <u>\$ 23,402</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,660,115	\$ 1,772,855	\$ 1,799,497	\$ 26,642
Other revenues:				
Interest income	17,669	6,307	6,580	273
Total Revenues	<u>1,677,784</u>	<u>1,779,162</u>	<u>1,806,077</u>	<u>26,915</u>
Expenditures:				
Health, Welfare and Recreation:				
Operating costs	4,500	9,357	24,916	(15,559)
Paying agent fees	4,500	2,450	1,950	500
Capital projects	25,000	-	-	-
Total Expenditures	<u>34,000</u>	<u>11,807</u>	<u>26,866</u>	<u>(15,059)</u>
Revenues over (under) Expenditures	<u>1,643,784</u>	<u>1,767,355</u>	<u>1,779,211</u>	<u>11,856</u>
Other financing sources and uses:				
Transfers out	(917,302)	(917,302)	(917,302)	-
Total Other financing sources and uses	<u>(917,302)</u>	<u>(917,302)</u>	<u>(917,302)</u>	<u>-</u>
Net Change in Fund Balances	726,482	850,053	861,909	11,856
Fund Balance at Beginning of Year	<u>1,388,232</u>	<u>1,388,232</u>	<u>1,388,232</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,114,714</u>	<u>\$ 2,238,285</u>	<u>\$ 2,250,141</u>	<u>\$ 11,856</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, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2021	Add: Encumbrances 6/30/2022	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Payment for lunches							
Student	\$ -	\$ 80	\$ 80	\$ -	\$ -	\$ 80	\$ -
Adult	9,500	8,096	8,096	-	-	8,096	-
Payment for breakfast							
Student	-	652	652	-	-	652	-
USDA - lunch programs	315,000	413,972	413,972	-	-	413,972	-
USDA - breakfast programs	135,000	179,629	179,629	-	-	179,629	-
USDA - commodities	35,509	38,296	38,296	-	-	38,296	-
USDA - other	15,000	91,781	91,781	-	-	91,781	-
State matching funds	-	5,318	5,318	-	-	5,318	-
A La Carte sales	25,000	30,962	30,962	-	-	30,962	-
Revenues from individual schools	2,000	1,311	1,311	-	-	1,311	-
Sale of equipment	-	4,410	4,410	-	-	4,410	-
Interest income	500	377	427	-	-	427	50
Other revenues	4,500	711	711	-	-	711	-
Total Revenues	542,009	775,595	775,645	-	-	775,645	50
Expenditures							
Food supplies	182,832	284,917	269,946	-	-	269,946	14,971
Personnel expenditures							
Supervisor/director	37,178	37,178	37,171	-	-	37,171	7
Accountants and bookkeepers	23,423	24,507	24,507	-	-	24,507	-
Cafeteria personnel	149,300	164,478	151,635	-	-	151,635	12,843
Bonus payments	-	26,688	13,938	-	-	13,938	12,750
Other salaries and wages	4,000	4,000	-	-	-	-	4,000
Inservice training	1,650	1,650	-	-	-	-	1,650
Social security	13,365	14,260	12,167	-	-	12,167	2,093
Medical insurance	70,500	85,383	55,789	-	-	55,789	29,594
Dental insurance	966	1,201	850	-	-	850	351
Unemployment compensation	650	673	533	-	-	533	140
Retirement	10,920	12,640	11,373	-	-	11,373	1,267
Employer medicare	3,125	3,335	2,884	-	-	2,884	451
Dues and memberships	250	250	-	-	-	-	250
Operations and maintenance							
Maintenance and repair	5,000	23,801	12,977	-	-	12,977	10,824
Nonfood supplies							
Food preparation supplies	12,000	24,275	16,016	-	-	16,016	8,259
Office supplies	1,000	1,359	1,182	-	-	1,182	177
Printing, stationery and forms	400	637	637	-	-	637	-
Uniforms	800	1,284	1,284	-	-	1,284	-
Other supplies and materials	4,000	4,000	2,077	-	-	2,077	1,923
Other							
Postal charges	100	100	-	-	-	-	100
Other contracted services	10,000	10,000	7,986	-	-	7,986	2,014
Other transportation	3,000	4,600	4,600	-	-	4,600	-
Travel	50	50	-	-	-	-	50
Inservice/staff development	5,000	6,010	6,010	-	-	6,010	-
Other charges	500	500	19	-	-	19	481
Food service equipment - capital outlay	2,000	37,819	17,219	-	-	17,219	20,600
Total Expenditures	542,009	775,595	650,800	-	-	650,800	124,795
Excess (deficiency) of revenues over (under) expenditures	-	-	124,845	-	-	124,845	124,845
Fund balance - beginning of year, as previously reported	116,404	116,404	116,404	-	-	116,404	-
Change in reserve for inventory	-	-	7,766	-	-	7,766	7,766
Fund balance - beginning of year, as restated	116,404	116,404	124,170	-	-	124,170	7,766
Fund balance - end of year	\$ 116,404	\$ 116,404	\$ 249,015	\$ -	\$ -	\$ 249,015	\$ 132,611

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services:				
Collection charges	\$ 880,770	\$ 867,605	\$ 884,295	\$ 16,690
Transfer stations use charge	260,000	236,973	236,973	-
Sale recyclables	8,000	7,145	7,145	-
Recovery of bad debts	3,200	2,943	3,389	446
Other revenues:				
Interest revenue	800	150	149	(1)
Total revenues	1,152,770	1,114,816	1,131,951	17,135
Expenditures				
Public Works:				
Salaries	380,190	358,011	359,497	(1,486)
Payroll taxes	30,415	27,480	27,641	(161)
Hospital and health insurance	74,875	70,368	70,368	-
Retirement	21,958	22,188	22,188	-
Other benefits	6,022	6,385	6,903	(518)
Workers compensation insurance	19,080	200	15,762	(15,562)
Unemployment insurance	294	406	154	252
Employee education and benefits	1,452	1,324	1,324	-
Memberships	50	29	29	-
Legal	-	150	150	-
Data processing	-	4,820	5,260	(440)
Utilities	7,771	4,368	4,368	-
Telephone	2,400	1,768	1,857	(89)
Public notices	100	-	-	-
Compensation for damages	2,000	60	60	-
Tires, flats, etc.	12,500	9,772	9,772	-
R&M vehicles	10,100	27,861	27,861	-
R&M machinery and equipment	15,000	1,694	1,694	-
R&M grounds	2,500	4,062	4,062	-
R&M buildings	2,500	-	-	-
R&M other	4,500	486	486	-
Travel	3,300	959	959	-
Office supplies	1,500	725	882	(157)
Operating supplies	2,000	618	618	-
Janitorial supplies	700	-	-	-
Clothing and uniforms	3,500	2,495	2,494	1
Fuel supplies	46,200	52,601	58,762	(6,161)
Consumable tools	2,250	91	91	-
Small items of equipment	2,000	570	570	-
Safety supplies	1,250	208	208	-
Insurance	15,248	15,978	15,977	1
Tipping fees	350,000	372,781	409,500	(36,719)
Permit fees	4,000	4,800	4,800	-
Soil testing	5,000	-	-	-
Medical costs	200	240	240	-
Lease payment	67,000	-	-	-
Bad debt expense	12,000	8,089	7,854	235
Notes principal	-	389,772	389,772	-
Interest on notes	-	6,712	6,712	-
Interest on bonds	15,396	16,145	16,145	-
Bond principal	30,000	30,000	30,000	-
Capital outlay	17,000	454,667	454,667	-
Total expenditures	1,172,251	1,898,883	1,959,687	(60,804)
Revenues over (under) expenditures	(19,481)	(784,067)	(827,736)	(43,669)
Other financing sources and uses:				
Note proceeds	-	-	486,969	486,969
Sale of fixed assets	-	-	162,602	162,602
Transfers in (out)	100,000	124,138	124,138	-
Total other financing sources and uses	100,000	124,138	773,709	649,571
Net change in fund balances	80,519	(659,929)	(54,027)	605,902
Fund Balance at Beginning of Year	162,871	162,871	162,871	-
Fund Balance at End of Year	\$ 243,390	\$ (497,058)	\$ 108,844	\$ 605,902

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, 2022**

	<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	800	600	200
Education program operating supplies	600	575	575	-
Total expenditures	<u>4,100</u>	<u>1,375</u>	<u>1,175</u>	<u>200</u>
Revenues over (under) expenditures	<u>(4,100)</u>	<u>(1,375)</u>	<u>(1,175)</u>	<u>200</u>
Other financing sources and uses:				
Transfers in	3,500	3,500	-	(3,500)
Net change in fund balances	(600)	2,125	(1,175)	(3,300)
Fund Balance at Beginning of Year	<u>3,506</u>	<u>3,506</u>	<u>3,506</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,906</u>	<u>\$ 5,631</u>	<u>\$ 2,331</u>	<u>\$ (3,300)</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, 2022

	<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	\$ 5,395	\$ 5,395	\$ -
Other revenues:				
Interest income	450	15	26	11
Total revenues	<u>5,450</u>	<u>5,410</u>	<u>5,421</u>	<u>11</u>
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>5,450</u>	<u>5,410</u>	<u>5,421</u>	<u>11</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	5,410	5,421	11
Fund Balance at Beginning of Year	<u>7,846</u>	<u>7,846</u>	<u>7,846</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 13,296</u>	<u>\$ 13,256</u>	<u>\$ 13,267</u>	<u>\$ 11</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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Drug related fines	\$ 13,436	\$ 16,385	\$ 16,385	\$ -
Forfeitures	3,360	6,300	14,567	8,267
Handling fees	-	-	-	-
Sale of seized property	5,000	-	-	-
Other revenues:				
Donation	-	-	7,000	7,000
Miscellaneous	100	-	-	-
Interest income	297	455	497	42
Total revenues	<u>22,193</u>	<u>23,140</u>	<u>38,449</u>	<u>15,309</u>
Expenditures:				
Public Safety:				
Vehicle licenses and titles	-	759	-	759
Ammunition	5,000	-	-	-
Vehicle tow (seized property)	500	260	405	(145)
Repair and maintenance	1,300	873	3,499	(2,626)
Operating costs	15,000	12,000	17,662	(5,662)
Educational costs	2,000	3,000	2,889	111
Small items of equipment	2,000	-	-	-
Capital outlay	-	10,000	7,175	2,825
Total expenditures	<u>25,800</u>	<u>26,892</u>	<u>31,630</u>	<u>(4,738)</u>
Revenues over (under) expenditures	<u>(3,607)</u>	<u>(3,752)</u>	<u>6,819</u>	<u>10,571</u>
Other financing sources and uses:				
Transfer out	(3,500)	(3,500)	-	3,500
Sale of capital assets	-	-	74,146	74,146
Total other financing sources and uses	<u>(3,500)</u>	<u>(3,500)</u>	<u>74,146</u>	<u>77,646</u>
Net change in fund balances	(7,107)	(7,252)	80,965	88,217
Fund Balance at Beginning of Year	<u>71,010</u>	<u>71,010</u>	<u>71,010</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 63,903</u>	<u>\$ 63,758</u>	<u>\$ 151,975</u>	<u>\$ 88,217</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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Other revenues:				
Interest income	\$ 35	\$ 2	\$ 5	\$ 3
Total revenues	35	2	5	3
Expenditures:				
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	35	2	5	3
Net change in fund balances	35	2	5	3
Fund Balance at Beginning of Year	2,040	2,040	2,040	-
Fund Balance at End of Year	\$ 2,075	\$ 2,042	\$ 2,045	\$ 3

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, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2021	Encumbrances 6/30/2022		
Revenues							
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-
Expenditures							
Debt Service							
Principal	850,000	850,000	417,274	-	-	417,274	432,726
Interest	120,000	120,000	57,028	-	-	57,028	62,972
Total Expenditures	970,000	970,000	474,302	-	-	474,302	495,698
Excess (deficiency) of revenues over (under) expenditures	(970,000)	(970,000)	(474,302)	-	-	(474,302)	495,698
Other financing sources and (uses)							
Transfers in	970,000	970,000	474,302	-	-	474,302	(495,698)
Total other financing sources and (uses)	970,000	970,000	474,302	-	-	474,302	(495,698)
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, 2022**

	<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	\$ 215,000	\$ 217,463	\$ 217,211	\$ (252)
Intergovernmental:				
Federal Grant - ARPA	-	1,170,386	1,170,386	-
Other revenues:				
Donations - museum	-	1,500	1,500	-
Interest income	-	2,245	3,650	1,405
Fireworks contributions	-	700	700	-
Total Revenues	<u>215,000</u>	<u>1,392,294</u>	<u>1,393,447</u>	<u>1,153</u>
Expenditures:				
Economic development:				
Industrial development expenses	50,000	50,000	50,000	-
Health, welfare and recreation:				
Operating costs	-	400	227	173
Professional services	100,000	85,000	64,803	20,197
Fireworks	-	5,400	5,490	(90)
Capital projects	311,000	549,518	543,081	6,437
Total Expenditures	<u>461,000</u>	<u>690,318</u>	<u>663,601</u>	<u>26,717</u>
Revenues over (under) Expenditures	<u>(246,000)</u>	<u>701,976</u>	<u>729,846</u>	<u>27,870</u>
Other financing sources and uses:				
Transfers in (out)	-	(120,197)	(120,197)	-
Total other financing sources and uses	<u>-</u>	<u>(120,197)</u>	<u>(120,197)</u>	<u>-</u>
Net Change in Fund Balances	<u>(246,000)</u>	<u>581,779</u>	<u>609,649</u>	<u>27,870</u>
Fund Balance at Beginning of Year	<u>1,181,868</u>	<u>1,181,868</u>	<u>1,169,399</u>	<u>(12,469)</u>
Fund Balance at End of Year	<u>\$ 935,868</u>	<u>\$ 1,763,647</u>	<u>\$ 1,779,048</u>	<u>\$ 15,401</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, 2022

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2022	1.21	\$ 185,336,345	\$ 2,237,995	\$ -	\$ 2,237,995	\$ -	\$ -	\$ 2,237,995
2021	1.21	189,491,395	2,288,155	2,288,155	35,167	(47,874)	2,121,694	153,754
2020	1.21	188,656,284	2,278,072	65,891	-	(14,667)	48,147	3,077
2019	1.21	187,870,835	2,268,575	6,078	-	101	6,178	1
2018	1.21	183,131,696	2,211,386	224	-	16	-	240
2017	1.21	183,444,653	2,212,920	337	-	-	47	290
2016	1.23	175,652,631	2,160,565	323	-	-	32	291
2015	1.23	174,738,487	2,155,335	81	-	-	-	81
2014	1.23	175,884,882	2,163,382	141	-	-	-	141
2013	1.23	176,525,774	2,171,302	-	-	-	-	-
2012	1.23	176,045,704	2,165,379	1,045	-	-	-	1,045
2011	1.23	169,837,658	2,089,033	117	-	-	-	117
				<u>\$ 2,362,392</u>	<u>\$ 2,273,162</u>	<u>\$ (62,424)</u>	<u>\$ 2,176,098</u>	<u>\$ 2,397,032</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, 2022

Year Ending June 30,	School Refunding Series 2020		Public Works Series 2020		Bond Series 2019		Refunding Bond Series 2012		Cadence Equipment Finance		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 395,000	\$ 45,925	\$ 60,000	\$ 91,090	\$ 60,000	\$ 38,299	\$ 23,039	\$ 2,835	\$ 63,529	\$ 6,077	\$ 601,566	\$ 184,226
2024	400,000	41,975	60,000	89,890	65,000	36,999	23,737	2,373	225,572	5,940	774,309	176,277
2025	405,000	37,975	70,000	98,690	65,000	33,699	24,784	1,899	-	-	564,784	172,263
2026	410,000	33,925	70,000	97,290	70,000	31,224	25,831	1,403	-	-	575,831	163,842
2027	415,000	29,825	70,000	95,890	70,000	28,674	26,878	886	-	-	581,878	155,275
2028	420,000	24,637	70,000	93,790	70,000	25,830	17,450	349	-	-	577,450	144,606
2029	425,000	19,387	70,000	91,690	75,000	22,767	-	-	-	-	570,000	133,844
2030	430,000	14,075	80,000	99,590	75,000	19,687	-	-	-	-	585,000	133,352
2031	435,000	8,700	80,000	97,990	75,000	16,312	-	-	-	-	590,000	123,002
2032	-	-	80,000	96,390	80,000	12,487	-	-	-	-	160,000	108,877
2033	-	-	80,000	94,790	80,000	8,325	-	-	-	-	160,000	103,115
2034	-	-	80,000	93,190	80,000	4,162	-	-	-	-	160,000	97,352
2035	-	-	80,000	91,590	-	-	-	-	-	-	80,000	91,590
2036	-	-	80,000	89,910	-	-	-	-	-	-	80,000	89,910
2037	-	-	90,000	98,190	-	-	-	-	-	-	90,000	98,190
2038	-	-	90,000	96,210	-	-	-	-	-	-	90,000	96,210
2039	-	-	90,000	94,185	-	-	-	-	-	-	90,000	94,185
2040	-	-	90,000	92,115	-	-	-	-	-	-	90,000	92,115
	<u>\$ 3,735,000</u>	<u>\$ 256,424</u>	<u>\$ 1,390,000</u>	<u>\$ 1,702,480</u>	<u>\$ 865,000</u>	<u>\$ 277,565</u>	<u>\$ 141,719</u>	<u>\$ 9,745</u>	<u>\$ 289,101</u>	<u>\$ 12,017</u>	<u>\$ 6,420,820</u>	<u>\$ 2,258,231</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, 2022

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
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	231,352	4,627	108,000	27,120	89,250	30,118	320,000	73,050	370,000	124,733	1,118,602	259,648
2029	-	-	109,000	23,880	91,375	28,040	325,000	63,450	385,000	113,633	910,375	229,003
2030	-	-	111,000	20,610	93,500	25,821	335,000	53,700	390,000	102,083	929,500	202,214
2031	-	-	112,000	17,280	95,625	23,456	345,000	43,650	400,000	94,283	952,625	178,669
2032	-	-	114,000	13,920	97,750	20,966	360,000	33,300	405,000	86,282	976,750	154,468
2033	-	-	115,000	10,500	102,000	18,293	370,000	22,500	415,000	78,182	1,002,000	129,475
2034	-	-	117,000	7,050	104,125	15,433	380,000	11,400	425,000	69,882	1,026,125	103,765
2035	-	-	118,000	3,540	106,250	12,408	-	-	435,000	61,382	659,250	77,330
2036	-	-	-	-	110,500	9,155	-	-	450,000	52,247	560,500	61,402
2037	-	-	-	-	114,750	5,634	-	-	450,000	42,572	564,750	48,206
2038	-	-	-	-	116,250	1,899	-	-	460,000	32,672	576,250	34,571
2039	-	-	-	-	-	-	-	-	475,000	22,323	475,000	22,323
2040	-	-	-	-	-	-	-	-	485,000	11,397	485,000	11,397
	<u>\$ 1,878,584</u>	<u>\$ 129,187</u>	<u>\$ 1,422,000</u>	<u>\$ 306,510</u>	<u>\$ 1,540,000</u>	<u>\$ 367,468</u>	<u>\$ 3,890,000</u>	<u>\$ 797,200</u>	<u>\$ 7,275,000</u>	<u>\$ 1,638,235</u>	<u>\$ 16,005,564</u>	<u>\$ 3,238,600</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, 2022

Year Ending June 30,	2012 General Obligation Bonds		2017 General Obligation Bonds		2019 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	158,750	2,569	-	-	158,750	2,569
	<u>\$ 9,715</u>	<u>\$ 668</u>	<u>\$ 2,085,000</u>	<u>\$ 497,163</u>	<u>\$ 1,070,000</u>	<u>\$ 220,000</u>	<u>\$ 3,164,715</u>	<u>\$ 717,831</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, 2022

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
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	-	-	510,000	114	195,000	13,430	705,000	13,544
2038	-	-	-	-	200,000	6,800	200,000	6,800
	<u>\$ 4,705,000</u>	<u>\$ 675,524</u>	<u>\$ 5,755,000</u>	<u>\$ 1,081,481</u>	<u>\$ 2,550,000</u>	<u>\$ 762,731</u>	<u>\$ 13,010,000</u>	<u>\$ 2,519,736</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, 2022

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2020	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2021
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	\$ 73,921	\$ -	\$ 10,066	\$ -	\$ 63,855
Public Works Refund Bonds, Series 2019 General Portion	\$ 830,000	2.00 to 3.00%	2/7/2019	3/1/2034	740,000	-	50,000	-	690,000
2020 Public Works Improvement Bonds General Portion	\$ 1,510,000	2.00 to 2.36%	4/30/2020	4/1/2040	1,450,000	-	60,000	-	1,390,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Fund					<u>2,263,921</u>	<u>-</u>	<u>120,066</u>	<u>-</u>	<u>2,143,855</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	185,000	-	10,000	-	175,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>185,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>175,000</u>
BONDS PAYABLE									
Payable through City of Lexington School Tax Fund									
2012 General Obligation Public Improvement Bonds	\$ 171,835	1.00 - 2.00%	10/18/2012	4/1/2028	90,138	-	12,274	-	77,864
2020 General Obligation School Refunding Bonds	\$ 4,530,000	1.00 - 2.00%	6/30/2020	5/1/2031	4,130,000	-	395,000	-	3,735,000
TOTAL BONDS PAYABLE - Payable through City of Lexington School Tax Fund					<u>4,220,138</u>	<u>-</u>	<u>407,274</u>	<u>-</u>	<u>3,812,864</u>
TOTAL BONDS PAYABLE					<u>\$ 6,669,059</u>	<u>\$ -</u>	<u>\$ 537,340</u>	<u>\$ -</u>	<u>\$ 6,131,719</u>
NOTES PAYABLE									
Payable through City of Lexington Solid Waste Collection Fund									
Cadence Equipment Finance	\$ 171,774	2.78%	12/10/2021	12/10/2024	\$ -	\$ 171,774	\$ 171,774	\$ -	\$ -
Cadence Equipment Finance	\$ 315,195	2.29%	2/11/2022	3/11/2024	-	315,195	26,094	-	289,101
TOTAL NOTES PAYABLE - Payable through City of Lexington Solid Waste Collection Fund					<u>\$ -</u>	<u>\$ 486,969</u>	<u>\$ 197,868</u>	<u>\$ -</u>	<u>\$ 289,101</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	\$ 26,436	\$ -	\$ 26,436	\$ -	\$ -
TOTAL OTHER LOANS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>\$ 26,436</u>	<u>\$ -</u>	<u>\$ 26,436</u>	<u>\$ -</u>	<u>\$ -</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	5,125,000	-	420,000	-	4,705,000
Revenue Refunding Bond - Series 2019	\$ 6,300,000	.05% - 5.00%	7/25/2019	9/1/2036	6,030,000	-	275,000	-	5,755,000
Electric Revenue Bonds - Series 2018	\$ 3,000,000	3.00 to 4.00%	5/22/2018	6/1/2038	2,670,000	-	120,000	-	2,550,000
TOTAL BONDS PAYABLE - Payable through Lexington Electric System					<u>\$ 13,825,000</u>	<u>\$ -</u>	<u>\$ 815,000</u>	<u>\$ -</u>	<u>\$ 13,010,000</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	11,247	-	1,532	-	9,715
General Obligation Public Works Bonds, Series 2017 Gas Portion	\$ 2,300,000	1.30 to 3.25%	7/20/2017	7/15/2037	2,195,000	-	110,000	-	2,085,000
Public Works Refund Bonds, Series 2019 Gas Portion	\$ 1,300,000	2.00 to 3.00%	2/7/2019	3/1/2034	1,145,000	-	75,000	-	1,070,000
TOTAL BONDS PAYABLE - Payable through Lexington Gas System Fund					<u>\$ 3,351,247</u>	<u>\$ -</u>	<u>\$ 186,532</u>	<u>\$ -</u>	<u>\$ 3,164,715</u>
BONDS PAYABLE									
Payable through Lexington Water System Fund									
G. O. Public Improvement Bonds, Series 2012 Water Portion	\$ 4,145,797	1.00 to 2.00%	10/18/2012	4/1/2028	2,174,692	-	296,128	-	1,878,564
General Obligation Public Works Bonds, Series 2017 Water Portion	\$ 1,700,000	1.30 to 3.25%	7/20/2017	7/15/2037	1,620,000	-	80,000	-	1,540,000
Public Works Refund Bond, Series 2019 Water Portion	\$ 4,675,000	2.00 to 3.00%	2/7/2019	3/1/2034	4,160,000	-	270,000	-	3,890,000
Public Works Improvement Bonds, Series 2020 Water Portion	\$ 7,940,000	2.00 to 3.00%	4/30/2020	4/30/2030	7,605,000	-	330,000	-	7,275,000
TOTAL BONDS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 15,559,692</u>	<u>\$ -</u>	<u>\$ 976,128</u>	<u>\$ -</u>	<u>\$ 14,583,564</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	\$ 1,521,900	\$ -	\$ 99,900	\$ -	\$ 1,422,000
TOTAL OTHER LOANS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 1,521,900</u>	<u>\$ -</u>	<u>\$ 99,900</u>	<u>\$ -</u>	<u>\$ 1,422,000</u>

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT
JUNE 30, 2022**

<u>Tax Year</u>	<u>Outstanding Balance</u>
2020	\$ 3,077
2019	1
2018	240
2017	290
2016	291
2015	81
2014	141
2012	1,045
2011	117
Total	<u>\$ 5,283</u>

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

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2022**

GAS FUND

Residential Rate	Minimum	Base Rate	+	PGA Rate	
First 500 cubic feet (minimum)	\$ 6.70				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.02	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 2.89	+	current PGA	= Rate Per MCF
Small Commercial Rate					
First 500 cubic feet (minimum)	\$ 7.50				
Over 500 cubic feet: Inside city (per MCF)		\$ 3.00	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.02	+	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)		\$ 3.26	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.26	+	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)		\$ 3.39	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.39	+	current PGA	= Rate Per MCF
Transport (Customer buys from 3rd party)		\$ 2.94			
Number of customers at year end:	<u>9,310</u>				

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

WATER RATES

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

	Meter Charge	Maint Fee	2,000 gallons @ cons. Rate	Customer Charge
5/8"	\$18.11 +	\$1.00 +	\$3.82 =	\$22.93
1"	\$21.90 +	\$1.00 +	\$3.82 =	\$26.72
1.5"	\$25.67 +	\$1.00 +	\$3.82 =	\$30.49
2"	\$36.08 +	\$1.00 +	\$3.82 =	\$40.90
3"	\$112.69 +	\$1.00 +	\$3.82 =	\$117.51
4"	\$141.06 +	\$1.00 +	\$3.82 =	\$145.88
6"	\$207.27 +	\$1.00 +	\$3.82 =	\$212.09

Consumption Rate Over 2,000 gallons = \$3.82 Per 1,000 gallons

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

	Meter Charge	Maint Fee	2,000 gallons @ cons. Rate	Customer Charge
5/8"	\$26.23 +	\$1.60 +	\$3.82 =	\$31.65
1"	\$33.02 +	\$1.60 +	\$3.82 =	\$38.44
1.5"	\$39.82 +	\$1.60 +	\$3.82 =	\$45.24
2"	\$58.50 +	\$1.60 +	\$3.82 =	\$63.92
3"	\$196.05 +	\$1.60 +	\$3.82 =	\$201.47
4"	\$247.00 +	\$1.60 +	\$3.82 =	\$252.42
6"	\$365.87 +	\$1.60 +	\$3.82 =	\$371.29

Consumption Rate Over 2,000 gallons = \$3.82 Per 1,000 gallons

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

NUMBER OF CUSTOMERS AT YEAR END: 10,243

SEWER RATES

LEXINGTON		PARKERS CROSSROADS	
Customer Charge 0-2,000 gallons		Customer Charge 0-2,000 gallons	
5/8"	\$19.27	5/8"	\$40.43
1"	\$19.27	1"	\$40.43
1.5"	\$47.48	1.5"	\$117.25
2"	\$47.48	2"	\$117.25
3"	\$79.55	3"	\$167.04
4"	\$79.55	4"	\$167.04
6"	\$79.55	6"	\$167.04

Usage Rate Over 2,000 gallons = \$5.79 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: 3,784

GARBAGE RATES

Residential (1x week)	\$ 15.50	Commercial (2x week)	\$ 36.25
Industrial (2x week)	\$ 36.25	Commercial (3x week)	\$121.50
		Commercial (5x week)	\$304.00

NUMBER OF CUSTOMERS AT YEAR END: 3,690

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

CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED
 JUNE 30, 2022

Electric Department

Residential Rate Schedule	
Customer Charge - per delivery point per month	\$ 15.50
Energy Charges - cents per kWh	0.09774
General Power Rate Schedule	
GSA1	
Customer Charge - per delivery point per month	\$ 17.96
Energy Charges - per kWh	0.11121
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	0.11121
- Additional kWh per month	0.06466
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	0.06466
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	0.08165
OffPeak:	
All kW - per kW per month	\$ 10.87
Energy charge - first 200 HUD	0.05674
Next 200 HUD	0.02216
Additional HUD	0.01875
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	0.08165
OffPeak:	
All kW - per kW per month	\$ 4.70
Energy charge - first 200 HUD	0.05674
Next 200 HUD	0.02216
Additional HUD	0.01875
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	0.08165
OffPeak:	
All kW - per kW per month	\$ 4.59
Energy charge - first 200 HUD	0.05674
Next 200 HUD	0.02102
Additional HUD	0.01875
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	0.07403
OffPeak:	
All kW - per kW per month	\$ 2.26
Energy charge - first 200 HUD	0.04903
Next 200 HUD	0.01934
Additional HUD	0.01679
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	0.07291
OffPeak:	
All kW - per kW per month	\$ 1.75
Energy charge - first 200 HUD	0.04790
Next 200 HUD	0.02075
Additional HUD	0.02075
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	0.07064
OffPeak:	
All kW - per kW per month	\$ 1.64
Energy charge - first 200 HUD	0.04563
Next 200 HUD	0.01906
Additional HUD	0.01847
OL	
Energy charge	0.06682

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, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Contract Number	Expenditures
FEDERAL AWARDS			
Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 1,170,386
Total Department of Treasury			<u>1,170,386</u>
Department of Justice			
Coronavirus Emergency Supplemental Funding Program - FY22 CESF Equipment 1	16.034	N/A	74,566
Violence Against Women Formula Grants - STOP, Domestic Violence and Sexual Assault Law Enforcement Investigators	16.588	N/A	53,628
Total Department of Justice			<u>128,194</u>
Department of Election Assistance Commission			
States' Economic Development Assistance Program - Town Branch Sewer	90.204	N/A	300,000
States' Economic Development Assistance Program - Lift Station #33	90.204	N/A	192,411
States' Economic Development Assistance Program - FEMA - Flood Disaster	90.204	N/A	61,603
Total for CFDA #	90.204		<u>554,014</u>
Total Department of Homeland Security			<u>554,014</u>
Department of Homeland Security			
Assistance to Firefighters Grant (AFG)	97.044	WX03218N2020T	2,637
Assistance to Firefighters Grant (AFG)	97.044	WX02674N2019T	68,050
Total for CFDA #	97.044		<u>70,687</u>
Total Department of Homeland Security			<u>70,687</u>
Department of Transportation - General Government			
Highway Planning and Construction	20.205	STP-M-9407(11)	35,932
State and Community Highway Safety - Network Coordinator	20.600	Z22THS164	9,063
State and Community Highway Safety - Network Coordinator	20.600	Z21THS165	9,804
Total for CFDA #	20.600		<u>18,867</u>
Alcohol Open Container Requirements - Enforcement of TN DUI Laws	20.607	Z22THS165	24,964
Alcohol Open Container Requirements - Enforcement of TN DUI Laws	20.607	Z21THS166	14,794
Total for CFDA #	20.607		<u>39,758</u>
Total Department of Transportation			<u>94,557</u>
TOTAL FEDERAL AWARDS			<u>2,017,838</u>
STATE FINANCIAL ASSISTANCE			
Arts Program Categorical Grants - Commission Initiative (CI)	N/A	N/A	4,154
TDOT Multimodal Access Project	N/A	39LPLM-S3-030	167,661
State 2021 Local Government Support	N/A	N/A	101,312
State 2022 Police Salary Supplements	N/A	N/A	21,600
State 2022 Fire Fighting Supplements	N/A	N/A	10,400
TOTAL STATE AWARDS			<u>305,127</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 2,322,965</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, 2022. The schedule is presented using the modified accrual basis of accounting.

Note 2: Single Audit

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

Note 3: Lexington Electric System

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

Note 4: Indirect Cost Rate

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

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



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

To the Mayor and City Aldermen
Lexington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely component unit, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements, as listed in the table of contents, and have issued our report thereon dated May 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items SAF 2022-001 and COL 2022-001 – COL 2021-004 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items COL 2022-005 through COL 2022-009.

City of Lexington, Tennessee's Response to Findings

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

Purpose of this Report

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

Helmer : Associates, PLLC

May 26, 2023



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

To the Mayor and City Aldermen
City of Lexington, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lexington, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Lexington, Tennessee's major federal programs for the year ended June 30, 2022. The City of Lexington, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Lexington, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

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

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

Report on Internal Control over Compliance

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

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

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

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

Modwin : Associates, PLLC

May 26, 2023

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2022**

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
SAF 2021-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated/SAF 2022-001
COL 2021-001	General ledger materially misstated before adjustments	Repeated/COL 2022-001
COL 2021-002	Untimely reconciliations of bank account	Repeated/COL 2022-007
COL 2021-003	Inaccurate reconciliation of account	Repeated/COL-2022-002
COL 2021-004	Untimely closing of books/general ledger	Repeated/COL 2022-005
COL 2021-005	Expenditures exceeded appropriations	Repeated/COL 2022-006

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

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

SECTION II – Financial Statement Findings

SAF 2022-001 INADEQUATE SEGREGATION OF DUTIES

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

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

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

Cause: Not enough available staff.

Effect: Weakened internal controls.

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

Managements' Responses: Caywood Elementary School and Lexington Middle School

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

COL 2022-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS – GENERAL, SOLID WASTE, WATER, AND GAS

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

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

Cause: Oversight of City personnel.

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

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

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

COL 2022-002 INACCURATE RECONCILIATIONS OF ACCOUNT

Condition: A Waste Collection Fund bank account was initially incorrectly reconciled, and reconciliations were required to be corrected after given to the auditors.

Criteria: Bank reconciliations should be properly reconciled to the general ledger with no differences between the reconciliation and the general ledger on a monthly basis.

Cause: Oversight.

Effect: Weak internal controls.

Recommendation: We recommend that bank reconciliations be correctly prepared and compared to the general ledger on a monthly basis with any differences investigated.

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

COL 2022-003 PAYROLL TIMESHEETS NOT PROPERLY APPROVED

Condition: Numerous timesheets were not properly signed by the appropriate supervisor and/or department head.

Criteria: The City's internal control manual requires that "timecards and time sheets are to be totaled and signed by the employee, immediate supervisor, and the department head or their designee prior to turning over to the Payroll Clerk."

Cause: Failure to obtain supervisor and/or department heads approval on timesheets.

Effect: Weak internal controls.

Recommendation: We recommend that timesheets be approved in accordance with the City's internal control manual.

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

COL 2022-004 IMPROPER CONTROLS OVER GRANTS

Condition: The City failed to file proper paperwork timely on several grant reports resulting in noncompliance with the grantors and a deferral of income on the general fund (since receipt of funds did not occur within 60 days of yearend).

Criteria: The City failed to file grant paperwork timely which resulted in a delay in receipt of funds.

Cause: Failure to obtain file proper documentation timely with grantors.

Effect: Weak internal controls.

Recommendation: We recommend that proper documentation be filed timely with grantors to ensure timely receipt of grant funds.

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

COL 2022-005 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 2022-006 EXPENDITURES EXCEEDED APPROPRIATIONS – WASTE COLLECTION FUND AND DRUG FUND

Condition: The City had expenditures that exceeded budgeted appropriations in the Waste Collection 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.

COL 2022-007 UNTIMELY RECONCILIATIONS OF BANK ACCOUNTS

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

Criteria: Section 6-56-110, *Tennessee Code Annotated*, requires the System to reconcile bank accounts timely for proper internal controls. Additionally, the banks are not responsible for any errors noted by the System after 30 days of the bank statement's issuance date.

Cause: Oversight.

Effect: Weak internal controls and potential of financial loss if bank errors are noted and are not required by the bank to be corrected as well as noncompliance with TCA Code 6-56-110.

Recommendation: The City is required to reconcile bank accounts within thirty days of receipt of the bank statements

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

COL 2022-008 INTERFUND RECEIVABLES/PAYABLES NOT LIQUIDATED WITHIN ONE YEAR

Condition: The City failed to liquidate interfund receivables/payables within one year of origination.

Criteria: Section 9-21-408, *Tennessee Code Annotated*, requires the City to liquidate interfund receivables/payables within one year of origination. If the interfund receivables/payables are not liquidated within one year, they are considered long-term debt that requires approval by the Comptroller of the Treasury, Division of Local Government Finance.

Cause: Oversight.

Effect: Noncompliance with TCA Code 9-21-408.

Recommendation: We recommend that all interfund receivables/payables be liquidated within one year of origination.

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

COL 2022-009 COMPTROLLER APPROVAL NOT OBTAINED FOR DEBT OBLIGATION

Condition: The City failed to obtain Comptroller approval through the Division of Local Government Finance for a lease purchase entered into by the City on February 10, 2022.

Criteria: Section 9-24-101 and 104, *Tennessee Code Annotated*, requires the City to obtain preapproval from the Comptroller's Division of Local Government Finance for all financing leases (identified as financed purchases under GASB) entered into on and after January 1, 2022.

Cause: Oversight.

Effect: Noncompliance with TCA Code 9-24-101 and 104.

Recommendation: We recommend that all financing leases identified as financed purchases under GASB be preapproved by the Division of Local Government Finance as required by state law.

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

SECTION III – Federal Award Findings and Questioned Costs

NONE

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
JUNE 30, 2022**

INTERNAL SCHOOL FUNDS

SAF FINDING 2022 – 001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned

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

Anticipated completion date

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

Responsible party

Each individual school's principal


Director of Schools

CITY OF LEXINGTON FUNDS

**COL 2022-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS –
GENERAL, SOLID WASTE, WATER, AND GAS**

Corrective action planned

The board approved hiring two accounting positions to strengthen the accounting and reporting functions. Both positions have been filled along with the other vacant positions in the finance department. We will ensure that adjustments to year end general ledger accounts are made timely in the future before the fiscal year end or close of the books.

Anticipated completion date

June 30, 2023

Responsible party

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

COL 2022-002 INACCURATE RECONCILIATIONS OF ACCOUNT

Corrective action planned

The board voted to hire two accounting positions to strengthen the accounting and reporting functions. Both positions have been filled along with the other vacant positions in the finance department. The system contracted an accountant to catch up on reconciliations. We will ensure that each bank account is reconciled properly and accurately to the general ledger. Reconciliations will be entered properly into the accounting software.

Anticipated completion date

June 30, 2023

Responsible party

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

COL 2022-003 PAYROLL TIMESHEETS NOT PROPERLY APPROVED

Corrective action planned

Timecards and time sheets are to be totaled and signed by the employee, immediate supervisor and the department head or their designee prior to turning over to the Payroll Clerk. The payroll clerk shall verify computation of hours and then prepare the payroll register.

Anticipated completion date

June 30, 2023

Responsible party

Mr. Griggs, City Mayor, Mr. Cody Wood, City Recorder, and All Department Heads

COL 2022-004 IMPROPER CONTROLS OVER GRANTS

Corrective action planned

Proper documentation will be filed timely with grantors.

Anticipated completion date

June 30, 2023

Responsible party

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

COL 2022-005 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

June 30, 2023

Responsible party

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

COL 2022-006 EXPENDITURES EXCEEDED APPROPRIATIONS – WASTE COLLECTION FUND AND DRUG FUND

Corrective action planned

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

Anticipated completion date

June 30, 2023

Responsible party

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

COL 2022-007 UNTIMELY RECONCILIATIONS OF BANK ACCOUNTS

Corrective action planned

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

Anticipated completion date

June 30, 2023

Responsible party

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

COL 2022-008 INTERFUND RECEIVABLES/PAYABLES NOT LIQUIDATED WITHIN ONE YEAR

Corrective action planned

The CMFO will liquidate interfund receivables/payables within one year or obtain proper approval for long-term debt as required by the Division of Local Government Finance.

Anticipated completion date

June 30, 2023

Responsible party

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

COL 2022-009 COMPTROLLER APPROVAL NOT OBTAINED FOR DEBT OBLIGATION

Corrective action planned

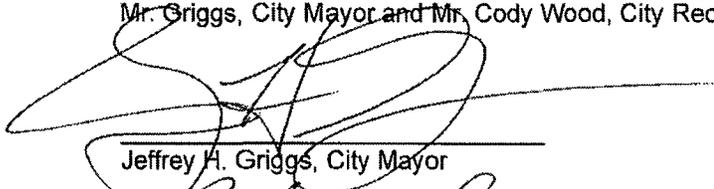
The City will obtain preapproval for all financing leases as required by state law.

Anticipated completion date

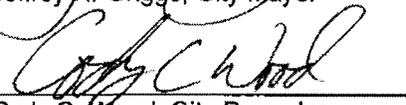
June 30, 2023

Responsible party

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



Jeffrey H. Griggs, City Mayor



Cody C. Wood, City Recorder