

**CITY OF LEXINGTON,
TENNESSEE
ANNUAL FINANCIAL REPORT
JUNE 30, 2021**

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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CITY OF LEXINGTON, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS

JUNE 30, 2021

PUBLICLY ELECTED OFFICIALS

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

MANAGEMENT OFFICIALS

Cody Wood	CMFOA Designee City Recorder
Michael Harper	Utility General Manager



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee, (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the the financial statements of the Lexington Electric System, which is both a major fund and 53%, 54%, and 76% respectively, of the assets, net position, and revenues of the business-type activities.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2022, 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.

Hodwin & Associates, PLLC

May 13, 2022

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 94 - 104 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 105 - 117 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 \$87,944,954 at June 30, 2021.

CITY OF LEXINGTON'S NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 14,545,287	\$ 13,255,189	\$ 29,482,336	\$ 30,018,551	\$ 44,027,623	\$ 43,273,740
Capital Assets	25,971,915	26,772,901	85,370,156	83,866,269	111,342,071	110,639,170
Total Assets	<u>40,517,202</u>	<u>40,028,090</u>	<u>114,852,492</u>	<u>113,884,820</u>	<u>155,369,694</u>	<u>153,912,910</u>
Deferred outflows of resources	1,699,597	963,700	2,460,639	882,667	4,160,236	1,846,367
Long term liabilities	11,994,850	11,437,632	47,357,061	47,419,695	59,351,911	58,857,327
Other liabilities	707,571	589,932	5,797,769	5,437,221	6,505,340	6,027,153
Total liabilities	<u>12,702,421</u>	<u>12,027,564</u>	<u>53,154,830</u>	<u>52,856,916</u>	<u>65,857,251</u>	<u>64,884,480</u>
Deferred inflows of resources	3,934,696	4,734,097	1,793,029	2,218,634	5,727,725	6,952,731
Net Position:						
Net investment in capital assets	19,141,864	19,284,236	50,757,848	47,181,101	69,899,712	66,465,337
Restricted	1,350,491	1,635,409	8,503,985	10,223,495	9,854,476	11,858,904
Unrestricted	5,087,327	3,310,484	3,103,439	2,287,341	8,190,766	5,597,825
Total Net Position	<u>\$ 25,579,682</u>	<u>\$ 24,230,129</u>	<u>\$ 62,365,272</u>	<u>\$ 59,691,937</u>	<u>\$ 87,944,954</u>	<u>\$ 83,922,066</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 \$1,077,269 compared to an increase in the prior year of \$483,249. This increase in net position from the prior year to the current year is primarily due to an increase in charges for services.
- The City's Water Systems Fund had an increase of net position of \$600,221 compared to an increase in the prior year of \$1,333,562. This increase in net position from the prior year to the current year is primarily due to an increase in charges for services.
- The City's Electric Department had an increase in net position of \$995,845 compared to a decrease in the prior year of \$710,604. This increase in net position from the prior year to the current year is primarily due to a decrease in cost of sales and services.

The following table provides a summary of the City's operations for the year ended June 30, 2021, with comparative totals for the year ended June 30, 2020.

CITY OF LEXINGTON'S CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		TOTAL	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 1,791,794	\$ 1,458,294	\$ 60,330,282	\$ 59,341,292	\$ 62,122,076	\$ 60,799,586
Operating grants and contributions	9,024,186	8,736,582	-	-	9,024,186	8,736,582
Capital grants and contributions	300,893	389,953	-	-	300,893	389,953
General revenues:						
Property taxes	2,271,574	2,233,874	-	-	2,271,574	2,233,874
In-lieu of property taxes	109,144	115,600	-	-	109,144	115,600
Public service taxes	128,021	133,275	-	-	128,021	133,275
Sales taxes	6,391,085	5,020,370	-	-	6,391,085	5,020,370
Investment earnings	67,051	94,834	114,767	179,263	181,818	274,097
Insurance recovery	8,304	125,389	13,921	49,716	22,225	175,105
Gain(loss) on sale of capital assets	(1,206,695)	(163,223)	1,288	33,103	(1,205,407)	(130,120)
Bond issue costs	-	(126,010)	-	(136,991)	-	(263,001)
Miscellaneous	154,506	134,005	205,764	94,391	360,270	228,396
Total revenues	19,039,863	18,152,943	60,666,022	59,560,774	79,705,885	77,713,717
Expenses:						
General government and administration						
Public safety	1,450,273	1,859,697	-	-	1,450,273	1,859,697
Public works	3,903,506	3,707,082	-	-	3,903,506	3,707,082
Health, Welfare and Recreation	2,821,653	2,514,668	-	-	2,821,653	2,514,668
Economic development	10,086,564	9,963,207	-	-	10,086,564	9,963,207
Interest on long-term debt	483,851	274,867	-	-	483,851	274,867
Paying agent fees	124,421	172,254	-	-	124,421	172,254
Water Systems	-	-	6,709,932	6,205,926	6,709,932	6,205,926
Natural Gas	-	-	5,764,170	5,400,160	5,764,170	5,400,160
Electric Department	-	-	44,318,941	46,254,720	44,318,941	46,254,720
Total expenses	18,870,268	18,491,775	56,793,043	57,860,806	75,663,311	76,352,581
Increase (decrease) in net position before transfers and contributions	169,595	(338,832)	3,872,979	1,699,968	4,042,574	1,361,136
Transfers	1,199,644	1,098,229	(1,199,644)	(1,098,229)	-	-
Capital contributions	-	-	-	504,468	-	504,468
Increase (decrease) in net position	1,369,239	759,397	2,673,335	1,106,207	4,042,574	1,865,604
Net position at beginning of year,						
as originally stated	24,230,129	23,456,688	59,691,937	58,585,730	83,922,066	82,042,418
Inventory adjustment	(19,686)	14,044	-	-	(19,686)	14,044
Net position at beginning of year, as restated	24,210,443	23,470,732	59,691,937	58,585,730	83,902,380	82,056,462
Net position at end of year	\$ 25,579,682	\$ 24,230,129	\$ 62,365,272	\$ 59,691,937	\$ 87,944,954	\$ 83,922,066

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$10,657,299, which is 14% above last year's total of \$9,337,199.

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, 2021, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2021	Percent of Total	June 30, 2020
Taxes	\$ 7,118,897	35.17%	\$ 6,661,249
Intergovernmental	11,064,164	54.67%	9,978,641
Licenses and permits	17,697	0.09%	12,746
Charges for services	1,138,259	5.62%	1,108,125
Fines and forfeitures	262,245	1.30%	224,343
Other revenues	638,308	3.15%	380,807
Total Revenues	\$ 20,239,570	100.00%	\$ 18,365,911

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

Expenditures	June 30, 2021	Percent of Total	June 30, 2020
General government	\$ 1,161,101	5.73%	\$ 1,539,422
Public Safety	3,534,510	17.45%	3,378,250
Public Works	2,595,546	12.81%	2,309,494
Health, welfare, and recreation	9,683,302	47.80%	9,474,960
Economic development	483,851	2.39%	274,867
Capital outlay	2,043,406	10.09%	2,696,250
Debt Service	754,140	3.72%	1,240,360
Total Expenditures	\$ 20,255,856	100.00%	\$ 20,913,603

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

General Fund Budgetary Highlights

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2021, the City had \$111,342,071 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 \$702,901, or 0.6% over the prior year. Additional information on capital assets is in Note 3.C.

Debt

At year-end, the City had \$41,828,343 in outstanding long-term debt compared to \$44,577,419 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 2021-2022 as compared to 2020-2021.

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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,780,893	\$ 14,767,191	\$ 24,548,084
Cash and cash equivalents - restricted	-	8,511,197	8,511,197
Investments	-	100,000	100,000
Receivables:			
Property taxes	2,362,392	-	2,362,392
Accounts receivable, net of allowance	32,380	3,344,968	3,377,348
Grant receivables	109,465	37,322	146,787
Other receivables	38,753	446,000	484,753
Internal balances	38,137	(38,137)	-
Due from other governments	1,184,550	-	1,184,550
Inventory	31,259	867,213	898,472
Hybrid retirement stabilization funds	44,781	-	44,781
Natural gas storage	-	308,577	308,577
Prepaid expenses	152,027	124,938	276,965
Net pension asset	770,650	-	770,650
Other assets	-	1,013,067	1,013,067
Capital assets:			
Land and construction in progress	3,127,553	7,257,490	10,385,043
Other capital assets, net of depreciation	22,844,362	78,112,666	100,957,028
TOTAL ASSETS	40,517,202	114,852,492	155,369,694
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on bond refunding	-	32,065	32,065
Deferred outflows - employee benefits	1,415,622	1,781,628	3,197,250
Deferred outflows - OPEB	283,975	646,946	930,921
	<u>1,699,597</u>	<u>2,460,639</u>	<u>4,160,236</u>
LIABILITIES			
Accounts payable and accrued expenses	674,877	4,153,102	4,827,979
Customer deposits	-	1,425,642	1,425,642
Unearned revenue	32,694	-	32,694
Compensated absences	-	219,025	219,025
Long-term liabilities:			
Advances from Home Installation Program	-	432,369	432,369
Net OPEB liability	1,588,567	4,871,365	6,459,932
Net Pension liability	2,013,732	5,023,529	7,037,261
Compensated absences	1,363,134	2,230,872	3,594,006
Landfill closure costs	199,366	-	199,366
Due within one year	563,776	2,082,660	2,646,436
Due in more than one year, net of unamortized premiums	6,266,275	32,716,266	38,982,541
TOTAL LIABILITIES	12,702,421	53,154,830	65,857,251
DEFERRED INFLOWS OF REVENUES			
Unavailable revenue - property taxes	2,288,155	-	2,288,155
Deferred inflows - employee benefits	1,450,905	1,657,226	3,108,131
Deferred inflows - OPEB	195,636	135,803	331,439
TOTAL DEFERRED INFLOWS OF REVENUES	3,934,696	1,793,029	5,727,725
NET POSITION			
Net investment in capital assets	19,141,864	50,757,848	69,899,712
Restricted for:			
Capital projects	-	6,325,998	6,325,998
Tank/hydrant maintenance	-	587,042	587,042
Sex offender	5,918	-	5,918
State Street Aid Fund	222,692	-	222,692
E-citation	7,846	-	7,846
School Food Service	85,145	-	85,145
Hybrid retirement stabilization funds	44,781	-	44,781
Solid Waste Collection	142,449	-	142,449
Police Drug Fund	71,010	-	71,010
Pensions	770,650	-	770,650
Debt service	-	1,590,945	1,590,945
Unrestricted	5,087,327	3,103,439	8,190,766
TOTAL NET POSITION	\$ 25,579,682	\$ 62,365,272	\$ 87,944,954

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, 2021

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General Government	\$ 1,450,273	\$ 383,887	\$ 176,996	\$ 6,293	\$ (883,097)	\$ -	\$ (883,097)
Public Safety	3,903,506	282,884	156,354	294,600	(3,169,668)	-	(3,169,668)
Public Works	2,821,653	1,017,007	368,699	-	(1,435,947)	-	(1,435,947)
Health, Welfare and Recreation	10,086,564	108,016	8,322,137	-	(1,656,411)	-	(1,656,411)
Economic Development	483,851	-	-	-	(483,851)	-	(483,851)
Interest on long-term debt	124,421	-	-	-	(124,421)	-	(124,421)
Business-type activities:							
Gas Fund	5,764,170	6,828,572	-	-	-	1,064,402	1,064,402
Water Systems Fund	6,709,932	7,338,313	-	-	-	628,381	628,381
Electric Department	44,318,941	46,163,397	-	-	-	1,844,456	1,844,456
Total business-type activities	56,793,043	60,330,282	-	-	-	3,537,239	3,537,239
Total government	\$ 75,663,311	\$ 62,122,076	\$ 9,024,186	\$ 300,893	(7,753,395)	3,537,239	(4,216,156)
General revenues:							
Taxes:							
Property					2,271,574	-	2,271,574
In-lieu of taxes					109,144	-	109,144
Public service taxes					128,021	-	128,021
Sales					6,391,085	-	6,391,085
Investment earnings					67,051	114,767	181,818
Insurance recovery					8,304	13,921	22,225
Gain (loss) on sale/retirement of capital assets					(1,206,695)	1,288	(1,205,407)
Miscellaneous					154,506	205,764	360,270
Transfer in - in lieu of taxes					1,199,644	(1,199,644)	-
					<u>9,122,634</u>	<u>(863,904)</u>	<u>8,258,730</u>
					<u>1,369,239</u>	<u>2,673,335</u>	<u>4,042,574</u>
Net position - beginning, as originally stated					24,230,129	59,691,937	83,922,066
Inventory adjustment - school food service fund					(19,686)	-	(19,686)
Net position - beginning, as restated					<u>24,210,443</u>	<u>59,691,937</u>	<u>83,902,380</u>
Net position - ending					<u>\$ 25,579,682</u>	<u>\$ 62,365,272</u>	<u>\$ 87,944,954</u>

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

**CITY OF LEXINGTON, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General</u>	<u>General Purpose School Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 5,216,031	\$ 1,765,041	\$ 2,799,821	\$ 9,780,893
Taxes receivable	2,362,392	-	-	2,362,392
Accounts receivable	32,380	-	-	32,380
Grant receivable	109,465	-	-	109,465
Other receivables	19,071	-	19,682	38,753
Inventory	-	-	31,259	31,259
Hybrid retirement stabilization funds	-	44,781	-	44,781
Due from other governments	713,541	112,280	358,729	1,184,550
Due from other funds	207,759	-	56,876	264,635
Prepaid expenses	131,605	-	20,422	152,027
TOTAL ASSETS	<u>\$ 8,792,244</u>	<u>\$ 1,922,102</u>	<u>\$ 3,286,789</u>	<u>\$ 14,001,135</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 240,316	\$ -	\$ 2,065	\$ 242,381
Accrued expenses	291,484	103,533	11,548	406,565
Unearned revenue - other	-	-	32,694	32,694
Due to other funds	130,016	-	96,482	226,498
TOTAL LIABILITIES	<u>661,816</u>	<u>103,533</u>	<u>142,789</u>	<u>908,138</u>
DEFERRED INFLOWS OF REVENUES				
Deferred income	73,306	-	-	73,306
Unavailable revenue - property taxes	2,362,392	-	-	2,362,392
TOTAL DEFERRED INFLOWS OF REVENUES	<u>2,435,698</u>	<u>-</u>	<u>-</u>	<u>2,435,698</u>
FUND BALANCE				
Nonspendable:				
Inventory	-	-	31,259	31,259
Prepaid expenses	131,605	-	20,422	152,027
Restricted for:				
Sex offender	5,918	-	-	5,918
State street aid	-	-	222,692	222,692
E-citation	-	-	7,846	7,846
School food authority	-	-	85,145	85,145
Hybrid retirement stabilization funds	-	44,781	-	44,781
Drug fund	-	-	71,010	71,010
Solid Waste Collection	-	-	142,449	142,449
Committed:				
Rainy Day fund	2,749,485	-	-	2,749,485
Shop with Cops	20,950	-	-	20,950
Assigned:				
Special revenue funds	-	-	1,393,778	1,393,778
Capital projects	-	-	1,169,399	1,169,399
Unassigned:				
General fund	2,786,772	-	-	2,786,772
Education	-	-	-	-
General purpose school fund	-	1,773,788	-	1,773,788
TOTAL FUND BALANCES	<u>5,694,730</u>	<u>1,818,569</u>	<u>3,144,000</u>	<u>10,657,299</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES	<u>\$ 8,792,244</u>	<u>\$ 1,922,102</u>	<u>\$ 3,286,789</u>	<u>\$ 14,001,135</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, 2021

Total fund balance - total governmental funds	\$ 10,657,299
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.	25,971,915
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	74,237
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	770,650
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	(2,013,732)
Net OPEB liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	(1,588,567)
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.	(35,283)
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.	88,339
Unearned revenues are not available to be recognized as current revenues and are deferred on the governmental balance sheet.	73,306
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(25,931)
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>(8,392,551)</u>
Net position of governmental activities	<u><u>\$ 25,579,682</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, 2021

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 2,287,468	\$ -	\$ -	\$ 2,287,468
Penalty and interest	15,570	-	-	15,570
In lieu of taxes	21,478	-	-	21,478
Sales	2,043,049	-	1,702,542	3,745,591
Beer tax	375,870	-	-	375,870
Business	280,261	-	-	280,261
Liquor tax	-	-	221,295	221,295
Franchise	128,021	-	-	128,021
Hotel/motel tax	40,501	-	-	40,501
Privilege	2,842	-	-	2,842
Intergovernmental revenues	2,534,924	7,754,168	775,072	11,064,164
Licenses and permits	17,697	-	-	17,697
Charges for services	186,934	-	951,325	1,138,259
Fines, forfeits, and penalties	218,083	-	44,162	262,245
Other revenues	137,689	152,754	347,865	638,308
Total revenues	8,290,387	7,906,922	4,042,261	20,239,570
Expenditures				
Current:				
General government	1,161,101	-	-	1,161,101
Public safety	3,480,091	-	54,419	3,534,510
Public works	1,306,775	-	1,288,771	2,595,546
Health, welfare, and recreation	534,955	8,590,440	557,907	9,683,302
Economic development	44,057	-	439,794	483,851
Capital outlay	1,850,934	-	192,472	2,043,406
Debt service:				
Principal payments	75,252	45,232	526,919	647,403
Interest payments	48,616	5,550	52,571	106,737
Total expenditures	8,501,781	8,641,222	3,112,853	20,255,856
Excess (deficiency) of revenues over (under) expenditures	(211,394)	(734,300)	929,408	(16,286)
Other financing sources (uses)				
Transfers in	1,199,644	1,063,000	685,427	2,948,071
Transfers out	(752,437)	-	(995,990)	(1,748,427)
Insurance recoveries	8,304	-	-	8,304
Proceeds from sale of general capital assets	86,283	-	61,840	148,123
Total other financing sources (uses)	541,794	1,063,000	(248,723)	1,356,071
Net Change in Fund Balances	330,400	328,700	680,685	1,339,785
FUND BALANCE AT BEGINNING OF YEAR, as originally stated	5,364,330	1,489,868	2,483,001	9,337,199
Inventory adjustment	-	-	(19,686)	(19,686)
FUND BALANCE AT BEGINNING OF YEAR, as restated	5,364,330	1,489,868	2,463,315	9,317,513
FUND BALANCE AT END OF YEAR	\$ 5,694,730	\$ 1,818,568	\$ 3,144,000	\$ 10,657,298

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, 2021

Net change in fund balances - total governmental funds	\$	1,339,785
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.		
		2,043,406
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.		
		(1,489,574)
Net effect of asset disposal.		
		(1,354,818)
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.		
		173,773
The net proceeds from bond sales over repayments increases the current financial resources of governmental funds. However, it has no effect on net position.		
		644,977
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.		
		(39,796)
Some revenues reported in the statement of activities were deferred in the current year on the governmental funds.		
		73,306
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.		
		(21,820)
Change in net position of governmental activities	\$	1,369,239

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, 2021

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Property taxes - current	\$ 2,228,344	\$ 2,197,316	\$ 2,228,342	\$ 31,026
Property taxes - delinquent	79,000	55,829	59,126	3,297
Penalties and interest	15,000	13,702	15,570	1,868
In lieu of taxes:				
Lexington Housing Authority	42,945	21,470	21,478	8
Local sales tax	1,696,260	2,024,023	2,043,049	19,026
Local beer tax	350,478	340,270	375,870	35,600
Business tax	251,691	278,080	280,261	2,181
Franchise tax	135,517	134,240	128,021	(6,219)
Hotel/motel tax	39,645	38,490	40,501	2,011
Privilege tax	2,675	2,670	2,842	172
Total taxes	4,841,555	5,106,090	5,195,060	88,970
Intergovernmental				
TVA payments in lieu of taxes	90,290	89,328	87,666	(1,662)
Police - vest grant	500	550	-	(550)
Police grant - network coordinator	19,440	17,110	14,262	(2,848)
Police grant - DUI traffic	32,170	18,960	27,303	8,343
Police grant - OCJPDV investigator/STOF	60,000	59,039	50,407	(8,632)
Police grant - COPS Grant	-	36,588	-	(36,588)
Fire assistance II grant	-	11,813	-	(11,813)
Forestry assistance	-	3,000	-	(3,000)
FEMA firefighter 18 (AFG)	-	-	31,106	31,106
Volunteer fire grant	-	12,672	-	(12,672)
Downtown audio grant	-	15,000	-	(15,000)
TN Cares Act - COVID-19	-	115,000	115,000	-
CESF - JAG FY 21 Covid Response	-	-	9,111	9,111
Fire Dept THSO FY 21	-	11,713	12,433	720
USDA Grant	-	14,919	14,919	-
TNECD Downtown Wifi	-	36,719	36,719	-
USDA Downtown Wifi	-	-	7,540	7,540
Farmers market	215,000	17,936	-	(17,936)
Multimodal grant phase II	770,795	2,190	-	(2,190)
1033 grant	-	-	208,137	208,137
State of Tennessee				
- Sales tax allocation	631,713	716,084	811,850	95,766
- Telecommunication tax	-	-	6,976	6,976
- Telecommunication privilege tax	-	-	200	200
- Income tax allocation	-	22,750	11,990	(10,760)
- Beer tax allocation	3,640	3,540	3,623	83
- Mixed drink tax	4,450	9,670	14,956	5,286
- Petroleum special	15,440	15,190	15,192	2
- Street maintenance	86,500	78,000	76,585	(1,415)
- Excise tax	28,000	22,820	22,827	7
- Online sportsbetting tax	-	2,828	4,431	1,603
- Occupancy tax - additional	-	-	1,939	1,939
- Governor's Local Support Grant	200,280	200,280	200,280	-
- ECD 2020 Sit	495,000	105,867	458,100	352,233
- TDEC LPRF	-	175,943	187,553	11,610
- State fire education	7,800	10,400	10,400	-
- State law enforcement grant	23,200	22,400	22,400	-
Grants from Local Governments				
- Crimestoppers	1,200	600	1,200	600
- County recreation grant	10,000	5,000	10,000	5,000
- Other miscellaneous grants	200,000	125,044	59,819	(65,225)
Total intergovernmental revenues	2,895,418	1,978,953	2,534,924	555,971
Licenses and permits				
Beer licenses	750	1,900	1,750	(150)
Building permits	22,500	14,650	15,397	747
Other permits	1,000	540	550	10
Total licenses and permits	24,250	17,090	17,697	607

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, 2021

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (continued)				
Charges for services				
Clerk's fees - business tax	37,348	28,224	34,364	6,140
Accident report filing fees	2,500	2,860	2,695	(165)
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	1,000	1,600	1,600	-
Community policing	2,500	3,275	3,275	-
Mowing and lot cleanup	1,000	1,500	2,654	1,154
Street repair charges	60,000	40,240	48,051	7,811
Parks and recreation charges	13,000	3,983	9,295	5,312
Total charges for services	202,348	166,682	186,934	20,252
City court fines and costs	214,598	198,974	218,083	19,109
Other revenues				
Interest income	54,000	7,530	14,122	6,592
Donations	1,000	100	250	150
Shop with a cop donations	10,000	16,062	17,694	1,632
Community center revenue	-	1,560	1,690	130
Rent income	74,400	74,400	74,400	-
Sales of cemetery lots	15,000	11,520	12,800	1,280
Sales of other materials	4,500	9,345	9,333	(12)
Miscellaneous income	2,000	6,547	7,400	853
Total other revenue	160,900	127,064	137,689	10,625
Total revenues	8,339,069	7,594,853	8,290,387	695,534
Expenditures				
General government				
General				
Salaries	84,030	83,632	85,022	(1,390)
Employee benefits	304,359	308,828	286,103	22,725
Memberships	3,600	3,600	125	3,475
Election payroll	-	8,205	430	7,775
Legal services	2,000	-	-	-
Operating expenses	23,500	20,970	21,471	(501)
Other operating expenses	18,700	11,621	8,544	3,077
Repair & Maintenance	1,000	-	-	-
Office Expense	100	-	-	-
Insurance	165,110	170,000	124,474	45,526
Capital outlay	115,000	138,296	135,803	2,493
Total general	717,399	745,152	661,972	83,180
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, 2021

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
General government (continued)				
City recorder				
Salaries	269,607	272,487	278,605	(6,118)
Employee benefits	41,642	37,802	39,614	(1,812)
Insurance	140	150	148	2
Office expense	21,500	26,853	21,751	5,102
Professional fees	73,023	71,838	88,928	(17,090)
Membership and dues	450	900	866	34
Repair and maintenance	6,850	1,970	1,561	409
Other operating expenses	156,150	48,910	177,943	(129,033)
ADA project	-	25,254	-	25,254
Total city recorder	569,362	486,164	609,416	(123,252)
City Hall				
Utilities	15,204	14,460	13,516	944
Total general government	1,313,965	1,257,776	1,296,904	(39,128)
Public safety				
Police department				
Salary	1,762,518	1,638,918	1,658,544	(19,626)
Employee benefits	335,158	263,728	281,076	(17,348)
Utilities	38,325	39,140	37,055	2,085
Repair and maintenance	32,000	24,660	22,302	2,358
Memberships and dues	2,930	2,506	2,505	1
Supplies	61,175	28,740	22,199	6,541
Travel	8,500	2,440	2,918	(478)
Uniforms and clothing	12,322	9,030	9,363	(333)
Gas, oil, and diesel	68,750	48,810	52,654	(3,844)
Insurance	1,000	1,075	747	328
Equipment rental	7,000	5,420	5,248	172
Office expense	82,321	76,408	67,701	8,707
Community - shop with a cop	12,000	7,500	7,500	-
STOP	-	45,095	60,349	(15,254)
Other grant expenses	130,825	-	2,529	(2,529)
Capital outlay - 1033 equipment	7,000	4,600	212,537	(207,937)
Capital outlay	107,000	31,039	112,206	(81,167)
Total police department	2,668,824	2,229,109	2,557,433	(328,324)
Fire department				
Salaries	827,013	850,809	817,373	33,436
Employee benefits	131,830	105,210	113,332	(8,122)
Volunteer firemen benefits	10,000	-	3,529	(3,529)
Utilities	47,700	52,945	48,894	4,051
Memberships	600	280	225	55
Professional fees	800	-	-	-
Public relations	1,000	1,110	925	185
Data processing	1,980	2,800	2,474	326
Repair and maintenance	33,000	23,996	21,941	2,055
Supplies	14,000	9,375	120,461	(111,086)
Clothing and uniforms	9,000	8,690	7,238	1,452
Gas, oil, diesel	15,950	12,750	13,830	(1,080)
Insurance	500	600	495	105
Travel	4,000	1,170	1,900	(730)
Small equipment	40,000	21,690	4,506	17,184
Equipment rent	3,024	2,620	2,367	253
Capital outlay	149,122	222,691	120,049	102,642
Total fire department	1,289,519	1,316,736	1,279,539	37,197
Building inspector				
Salaries	63,658	74,756	72,288	2,468
Employee benefits	10,400	8,200	8,535	(335)
Insurance	30	40	28	12
Other operating expenses	15,905	9,065	7,060	2,005
Total building inspector	89,993	92,061	87,911	4,150
Total public safety	4,048,336	3,637,906	3,924,883	(286,977)

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, 2021

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Public works				
Highways and streets				
Salaries	637,083	529,204	447,061	82,143
Employee benefits	101,925	87,120	95,665	(8,545)
Utilities	12,810	16,170	14,562	1,608
Street lighting	38,325	37,100	33,094	4,006
Repair and maintenance	57,100	381,370	356,584	24,786
Repair and maintenance - equipment	10,000	33,040	30,800	2,240
Clothing and uniforms	4,150	5,450	5,198	252
Gas, oil, diesel	32,500	39,330	39,142	188
Small equipment	1,000	3,690	3,068	622
Operating supplies	15,150	11,440	12,265	(825)
Insurance	450	580	478	102
Capital outlay	110,370	226,969	263,005	(36,036)
Total highways and streets	1,020,863	1,371,463	1,300,922	70,541
Garage				
Salaries	145,063	156,999	148,024	8,975
Employee benefits	49,920	39,890	44,294	(4,404)
Repair and maintenance	6,400	8,320	7,179	1,141
Supplies	17,610	22,570	20,151	2,419
Utilities	4,830	6,930	6,151	779
Capital outlay	-	3,215	3,215	-
Total garage	223,823	237,924	229,014	8,910
Animal control				
Contract labor	36,000	38,500	38,500	-
Total animal control	36,000	38,500	38,500	-
Sanitation				
Landfill closure	6,500	59,953	4,559	55,394
Total public works	1,287,186	1,707,840	1,572,995	134,845
Health, welfare, and recreation				
Appropriations				
Library	31,900	63,800	63,800	-
Library utilities	10,414	10,111	4,571	5,540
Senior Citizens	12,000	12,000	12,000	-
Senior Citizens - Utilities	15,273	3,978	3,764	214
Senior Citizens - Maint Bldg	4,048	300	160	140
Senior Citizens - Janitorial	1,677	200	28	172
Rescue Squad	2,500	2,500	2,500	-
Easter Seals	1,500	1,500	-	1,500
Community Beautification Committee (Cemetery)	-	-	210	(210)
Christmas parade	500	500	500	-
Carl Perkins Center	1,725	1,725	1,725	-
Hend Co JECD Board	1,378	180	179	1
Lexington Industrial Development Board	42,800	42,800	42,800	-
Lexington scholarship	500	500	-	500
Hope utilities	7,501	7,227	7,058	169
Project Graduation	1,200	-	-	-
Animal Shelter	5,000	5,000	5,000	-
BRWDA	10,000	10,000	10,000	-
Regional airport	52,939	48,126	48,126	-
General	3,500	-	-	-
Total appropriations	206,355	210,447	202,421	8,026

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, 2021

	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	18,866	(108)
Employee benefits	1,518	1,501	1,443	58
Unemployment insurance	30	30	26	4
Public relations	1,000	-	-	-
Utilities	5,775	5,860	5,216	644
Repair and maintenance	6,000	40	33	7
Telephone	1,397	1,360	1,390	(30)
Security system	550	526	420	106
Operating costs	600	50	373	(323)
Janitorial costs	250	30	9	21
Total museum	36,089	28,155	27,776	379
Civic center				
Repair and maintenance	-	-	2,338	(2,338)
Total civic center	-	-	2,338	(2,338)
Parks				
Salaries	218,525	181,812	179,849	1,963
Employee benefits	35,695	29,010	32,583	(3,573)
Repair and maintenance	43,300	31,043	30,927	116
Utilities	50,111	40,912	40,357	555
Insurance	400	210	172	38
Other operating expenses	20,850	19,030	18,532	498
Capital outlay	411,828	392,290	400,215	(7,925)
Total parks	780,709	694,307	702,635	(8,328)
Total health, welfare, and recreation	1,023,153	932,909	935,170	(2,261)
Economic development				
State plan service	15,000	14,107	14,107	-
Professional fees	11,000	6,950	7,623	(673)
Architectural engineering and land	4,000	5,548	3,148	2,400
Legal	1,500	-	-	-
Tourism advertising	1,000	310	-	310
Industrial development	-	359	358	1
Miscellaneous	35,960	24,557	17,771	6,786
Small assets	-	1,134	1,050	84
Capital outlay	1,601,363	628,584	603,904	24,680
Total economic development	1,669,823	681,549	647,961	33,588
Debt service				
Principal payments	54,752	84,752	75,252	9,500
Interest payments	23,720	39,116	48,616	(9,500)
Paying agent fees	1,000	500	-	500
Total debt service	79,472	124,368	123,868	500
Total expenditures	9,421,935	8,342,348	8,501,781	(159,433)

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, 2021

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	(1,082,866)	(747,495)	(211,394)	536,101
Other financing sources (uses)				
Transfers in	1,085,036	1,147,048	1,199,644	52,596
Transfers out	(720,000)	(525,467)	(752,437)	(226,970)
Premium on refunding bonds issued	-	21,160	-	(21,160)
Insurance recoveries	20,000	59,209	8,304	(50,905)
Sale of general fixed assets	10,000	373,858	86,283	(287,575)
Total other financing sources (uses)	395,036	1,075,808	541,794	(534,014)
Net change in fund balance	(687,830)	328,313	330,400	2,087
Fund Balance at Beginning of Year	5,364,330	5,364,330	5,364,330	-
Fund Balance at End of Year	<u>\$ 4,676,500</u>	<u>\$ 5,692,643</u>	<u>\$ 5,694,730</u>	<u>\$ 2,087</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, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2020	Add: Encumbrances 6/30/2021	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	\$ 437,317	\$ -	\$ -	\$ 437,317	\$ 2,317
Prior year tax receipts	15,500	15,500	19,021	-	-	19,021	3,521
Mixed drink tax	100	100	97	-	-	97	(3)
Local sales tax	725,000	725,000	879,318	-	-	879,318	154,318
Bank excise tax	4,000	4,000	7,116	-	-	7,116	3,116
Marriage licenses	300	300	325	-	-	325	25
Interstate telecommunication taxes	350	350	-	-	-	-	(350)
Payments in lieu of taxes	7,800	7,800	8,593	-	-	8,593	793
State funds							
Basic education program	5,083,000	5,083,000	5,090,500	-	-	5,090,500	7,500
Basic education program salary equity	186,204	186,204	186,206	-	-	186,206	2
Early childhood education	204,349	204,349	204,349	-	-	204,349	-
Student management	-	-	1,275	-	-	1,275	1,275
Safe schools	89,600	89,600	89,600	-	-	89,600	-
Coordinated School Health	92,000	92,000	92,000	-	-	92,000	-
Career ladder	19,000	19,000	20,103	-	-	20,103	1,103
Federal funds							
Title I grants	322,887	322,887	247,883	-	-	247,883	(75,004)
Title IIA grants	-	-	35,375	-	-	35,375	35,375
Title 4A grants	1,366	1,366	17,956	-	-	17,956	16,590
Title VI grants	17,528	17,528	15,817	-	-	15,817	(1,711)
IDEA basic grant	212,469	212,469	193,816	-	-	193,816	(18,653)
IDEA preschool	5,448	5,448	5,372	-	-	5,372	(76)
English language acquisition grant	-	-	688	-	-	688	688
Direct Technology Grant	-	-	11,247	-	-	11,247	11,247
Covid-19 ESSER 1 & 2	1,060,754	1,060,754	150,194	-	-	150,194	(910,560)
Covid-19 CARES Act	40,000	40,000	40,000	-	-	40,000	-
Total Intergovernmental revenues	8,522,655	8,522,655	7,754,168	-	-	7,754,168	(768,487)
Other revenues							
Interest income	4,700	4,700	15,942	-	-	15,942	11,242
Receipts from individual schools	71,280	71,280	71,272	-	-	71,272	(8)
On-behalf payments	50,000	50,000	50,540	-	-	50,540	540
Miscellaneous revenues	5,000	5,000	15,000	-	-	15,000	10,000
Total other revenues	130,980	130,980	152,754	-	-	152,754	21,774
Total Revenues	8,653,635	8,653,635	7,906,922	-	-	7,906,922	(746,713)

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, 2021**

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2020	Add: Encumbrances 6/30/2021	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Instruction							
Regular instruction program							
Teachers	2,367,541	2,315,275	2,315,275	-	-	2,315,275	-
Teachers - Esser - Cares Act	-	80,000	-	-	-	-	80,000
Career ladder program	9,000	9,000	9,000	-	-	9,000	-
Educational assistants	178,577	240,037	226,045	-	-	226,045	13,992
Educational assistants - Esser - Cares Act	90,001	90,001	35,300	-	-	35,300	54,701
Bonus payments	50,000	240,625	228,625	-	-	228,625	12,000
Certified substitute teachers	24,000	51,849	51,849	-	-	51,849	-
Non-certified substitute teachers	30,000	18,200	18,170	-	-	18,170	30
Social security	158,231	164,237	163,043	-	-	163,043	1,194
Social security - Esser - Cares Act	5,580	10,540	1,859	-	-	1,859	8,681
Administrative fees	2,750	50	-	-	-	-	50
State retirement	234,431	245,254	234,811	-	-	234,811	10,443
State retirement - Esser - Cares Act	-	8,240	-	-	-	-	8,240
Life insurance	6,120	6,120	5,417	-	-	5,417	703
Medical insurance	414,406	415,391	412,552	-	-	412,552	2,839
Medical insurance - Esser - Cares Act	12,706	24,306	14,775	-	-	14,775	9,531
Dental insurance	6,762	6,762	6,721	-	-	6,721	41
Dental insurance - Esser - Cares Act	276	552	138	-	-	138	414
Unemployment compensation	4,200	3,050	2,890	-	-	2,890	160
Unemployment compensation - Esser - Cares Act	200	300	78	-	-	78	222
Local retirement	10,715	11,086	8,678	-	-	8,678	2,408
Local retirement - Esser - Cares Act	5,400	5,400	988	-	-	988	4,412
Employer medicare	37,005	38,574	38,323	-	-	38,323	251
Employer medicare - Esser - Cares Act	1,305	2,465	435	-	-	435	2,030
On-behalf payments	-	50,000	50,540	-	-	50,540	(540)
Maintenance and repair services - equipment	1,000	1,000	-	-	-	-	1,000
Other contracted services	4,000	4,250	4,217	-	-	4,217	33
Instructional supplies	37,400	47,399	45,043	-	-	45,043	2,356
Instructional supplies - Esser - Cares Act	-	500	500	-	-	500	-
Textbooks	30,000	39,600	39,523	-	-	39,523	77
Software	75,750	25,750	24,825	-	-	24,825	925
Software - Esser - Cares Act	90,000	90,000	49,970	-	-	49,970	40,030
Other supplies and materials	9,000	9,000	7,010	-	-	7,010	1,990
Other charges	3,000	1,000	139	-	-	139	861
Regular instruction equipment	139,052	171,449	171,408	-	-	171,408	41
Regular instruction equipment - LEA Reopening Gra	-	40,000	40,000	-	-	40,000	-
Total regular instruction program	<u>4,038,408</u>	<u>4,467,262</u>	<u>4,208,147</u>	<u>-</u>	<u>-</u>	<u>4,208,147</u>	<u>259,115</u>
Alternative instruction							
Contracts with other school systems	26,000	26,000	26,000	-	-	26,000	-
Total alternative instruction	<u>26,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
Special education							
Teachers	330,131	324,455	323,159	-	-	323,159	1,296
Career ladder program	1,000	-	-	-	-	-	-
Educational assistants	87,345	90,725	90,649	-	-	90,649	76
Speech pathology	48,900	49,000	49,000	-	-	49,000	-
Certified substitute teachers	2,000	3,510	3,510	-	-	3,510	-
Non-certified substitute teachers	4,500	5,775	5,775	-	-	5,775	-
Social security	29,307	26,934	26,110	-	-	26,110	824
State retirement	39,792	37,144	36,303	-	-	36,303	841
Medical insurance	69,401	67,491	66,203	-	-	66,203	1,288
Dental insurance	1,242	965	965	-	-	965	-
Unemployment compensation	720	676	652	-	-	652	24
Local retirement	4,632	4,704	4,704	-	-	4,704	-
Employer medicare	6,850	6,294	6,102	-	-	6,102	192
Other contracted services	10,000	4,259	-	-	-	-	4,259
Instructional supplies	2,794	3,463	442	-	-	442	3,021
Other supplies and materials	750	529	529	-	-	529	-
Total special education	<u>639,364</u>	<u>625,924</u>	<u>614,103</u>	<u>-</u>	<u>-</u>	<u>614,103</u>	<u>11,821</u>
Student body education							
Other salaries and wages	89,800	80,300	78,530	-	-	78,530	1,770
Social security	5,567	5,567	4,481	-	-	4,481	1,086
State retirement	9,222	9,222	6,659	-	-	6,659	2,563
Medical insurance	17,456	15,957	15,568	-	-	15,568	389
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	100	84	-	-	84	16
Employer medicare	1,302	1,302	1,048	-	-	1,048	254
Travel	500	-	-	-	-	-	500
Other contracted services	12,000	11,999	12,000	-	-	12,000	(1)
Other charges	6,000	6,000	5,000	-	-	5,000	1,000
Total student body education	<u>142,223</u>	<u>131,223</u>	<u>123,646</u>	<u>-</u>	<u>-</u>	<u>123,646</u>	<u>7,577</u>
Total instruction	<u>4,845,995</u>	<u>5,250,409</u>	<u>4,971,896</u>	<u>-</u>	<u>-</u>	<u>4,971,896</u>	<u>278,513</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, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2020	Add: Encumbrances 6/30/2021	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services							
Attendance							
Postal charges	300	300	-	-	-	-	300
Other contracted services	3,500	5,077	5,077	-	-	5,077	-
Other supplies and materials	500	500	-	-	-	-	500
Inservice/staff development	2,000	423	410	-	-	410	13
Other charges	500	500	-	-	-	-	500
Total attendance	6,800	6,800	5,487	-	-	5,487	1,313
Health instruction program							
Supervisor/directors	59,355	59,355	59,355	-	-	59,355	-
Medical personnel	68,850	79,321	79,321	-	-	79,321	-
Other salaries	8,593	8,313	8,313	-	-	8,313	-
Social security	8,481	8,054	7,853	-	-	7,853	201
State retirement	6,095	6,096	6,096	-	-	6,096	-
Health insurance	26,546	26,556	26,556	-	-	26,556	-
Dental insurance	276	269	269	-	-	269	-
Unemployment insurance	200	207	207	-	-	207	-
Local retirement	3,448	2,211	1,712	-	-	1,712	499
Employer medicare	1,983	1,893	1,837	-	-	1,837	56
Postal charges	100	-	-	-	-	-	-
Other supplies and materials	1,834	5,303	5,303	-	-	5,303	-
Other equipment	-	1,466	1,466	-	-	1,466	-
Inservice/staff development	823	131	131	-	-	131	-
Total health instruction program	186,584	199,175	198,419	-	-	198,419	756
Other student support							
Guidance personnel	73,000	73,000	72,529	-	-	72,529	471
Guidance personnel - Esser - Cares Act	-	100,000	-	-	-	-	100,000
Assessment personnel	40,000	42,299	42,299	-	-	42,299	-
Social security	4,526	4,526	4,208	-	-	4,208	318
Social security - Esser - Cares Act	-	6,200	-	-	-	-	6,200
State retirement	7,497	7,497	6,679	-	-	6,679	818
State retirement - Esser - Cares Act	-	10,300	-	-	-	-	10,300
Medical insurance	11,372	11,588	11,589	-	-	11,589	(1)
Medical insurance - Esser - Cares Act	-	11,600	-	-	-	-	11,600
Dental insurance	207	207	69	-	-	69	138
Dental insurance - Esser - Cares Act	-	276	-	-	-	-	276
Unemployment compensation	200	200	105	-	-	105	95
Unemployment - Esser - Cares Act	-	100	-	-	-	-	100
Employer medicare	1,508	1,597	1,597	-	-	1,597	-
Employer medicare - Esser - Cares Act	-	1,450	-	-	-	-	1,450
Contracts with government agencies	-	77,645	70,000	-	-	70,000	7,645
Evaluation and testing	2,000	2,000	1,836	-	-	1,836	164
Other contracted services	4,000	11,000	11,000	-	-	11,000	-
Other supplies and materials	-	551	551	-	-	551	-
Other equipment	1,000	1,300	388	-	-	388	912
Total other student support	145,310	363,336	222,850	-	-	222,850	140,486
Regular instruction program							
Supervisor/Director	76,761	76,761	76,761	-	-	76,761	-
Career ladder program	3,000	4,000	4,000	-	-	4,000	-
Libraries	103,450	102,450	100,979	-	-	100,979	1,471
Other salaries	214,978	215,547	215,503	-	-	215,503	44
Social security	24,687	24,194	22,536	-	-	22,536	1,658
State retirement	41,262	40,952	40,797	-	-	40,797	155
Medical insurance	52,475	52,763	50,876	-	-	50,876	1,887
Dental insurance	828	829	772	-	-	772	57
Unemployment compensation	300	301	183	-	-	183	118
Employer medicare	5,773	5,782	5,270	-	-	5,270	512
Consultants	3,000	1,000	-	-	-	-	1,000
Dues and memberships	1,000	1,000	-	-	-	-	1,000
Travel	500	500	-	-	-	-	500
Other contracted services	39,000	39,239	38,114	-	-	38,114	1,125
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	11,000	11,000	8,241	-	-	8,241	2,759
Inservice/staff development	17,510	14,781	9,512	-	-	9,512	5,269
Other charges	2,000	1,200	-	-	-	-	1,200
Total regular instruction program	606,524	601,299	582,544	-	-	582,544	18,755

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, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2020	Add: Encumbrances 6/30/2021	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services(continued)							
Special Education							
Supervisor/directors	27,405	27,405	27,405	-	-	27,405	-
Psychological personnel	23,150	23,400	23,400	-	-	23,400	-
Social security	3,134	3,069	3,069	-	-	3,069	-
State retirement	5,374	4,920	4,448	-	-	4,448	472
Medical insurance	3,167	5,741	5,741	-	-	5,741	-
Dental insurance	69	123	123	-	-	123	-
Unemployment compensation	50	24	24	-	-	24	-
Employer medicare	733	718	718	-	-	718	-
Other contracted services	9,000	41,937	41,937	-	-	41,937	-
Inservice/staff development	5,278	4,639	1,111	-	-	1,111	3,528
Total special education	77,360	111,976	107,976	-	-	107,976	4,000
Technology							
Supervisor/directors	53,570	52,850	52,850	-	-	52,850	-
Data processing personnel	36,279	49,671	49,671	-	-	49,671	-
Data processing personnel - Esser - Care:	-	60,000	-	-	-	-	60,000
Social security	5,570	5,689	5,689	-	-	5,689	-
Social security - Esser - Cares Act	-	3,720	-	-	-	-	3,720
Medical insurance	15,389	15,647	15,647	-	-	15,647	-
Medical insurance - Esser - Cares Act	-	11,600	-	-	-	-	11,600
Dental insurance	276	276	276	-	-	276	-
Dental insurance - Esser - Cares Act	-	276	-	-	-	-	276
Unemployment compensation	100	63	63	-	-	63	-
Unemployment - Esser - Cares Act	-	100	-	-	-	-	100
Local retirement	5,390	5,814	5,814	-	-	5,814	-
Local retirement - Esser - Cares Act	-	3,600	-	-	-	-	3,600
Employer medicare	1,302	1,331	1,331	-	-	1,331	-
Employer medicare - Esser - Cares Act	-	870	-	-	-	-	870
Dues and memberships	200	60	60	-	-	60	-
Repair and maintenance - equipment	7,000	8,684	8,684	-	-	8,684	-
Internet connectivity	27,650	27,048	27,048	-	-	27,048	-
Travel	1,000	-	-	-	-	-	-
Other contracted services	52,350	24,388	24,382	-	-	24,382	6
Software	-	31,190	31,190	-	-	31,190	-
Other supplies and materials	17,000	17,529	17,529	-	-	17,529	-
Inservice/staff development	3,000	-	-	-	-	-	-
Other charges	1,000	-	-	-	-	-	-
Other equipment	8,000	32,828	32,828	-	-	32,828	-
Total technology	235,076	353,234	273,062	-	-	273,062	80,172
Total support services	1,257,654	1,635,820	1,390,338	-	-	1,390,338	245,482
General administration							
Board of education							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,823	1,823	1,746	-	-	1,746	77
Medical insurance	37,897	38,273	38,273	-	-	38,273	-
Dental insurance	-	414	414	-	-	414	-
Unemployment compensation	-	176	176	-	-	176	-
Employer medicare	426	426	408	-	-	408	18
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	9,345	7,231	7,231	-	-	7,231	-
Legal services	6,000	10,146	10,146	-	-	10,146	-
Printing, stationery, etc...	100	1,386	1,386	-	-	1,386	-
Travel	1,000	-	-	-	-	-	-
Other contracted services	5,000	14,000	13,846	-	-	13,846	154
Other supplies and materials	100	100	-	-	-	-	100
Liability insurance	12,500	13,559	13,559	-	-	13,559	-
Surety bonds	650	650	553	-	-	553	97
Trustee's commission	16,500	19,037	18,783	-	-	18,783	254
Workmans compensation	16,679	17,228	17,228	-	-	17,228	-
Inservice/staff development	3,000	613	613	-	-	613	-
Refunds to applicants	500	-	-	-	-	-	500
Other charges	8,000	7,958	7,958	-	-	7,958	-
Total board of education	173,920	187,920	186,720	-	-	186,720	1,200
Office of education							
County officials	98,700	98,700	98,700	-	-	98,700	-
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	6,119	6,119	6,081	-	-	6,081	38
State retirement	10,136	10,239	10,239	-	-	10,239	-
Medical insurance	6,347	6,438	6,438	-	-	6,438	-
Dental insurance	138	138	138	-	-	138	-
Unemployment compensation	60	60	-	-	-	-	60
Employer medicare	1,431	1,431	1,422	-	-	1,422	9
Communication	16,000	13,989	13,956	-	-	13,956	33
Dues and memberships	1,750	150	60	-	-	60	90
Postage	1,500	1,500	11	-	-	11	1,489
Travel	2,000	2,000	97	-	-	97	1,903
Other contracted services	1,000	1,000	-	-	-	-	1,000
Office supplies	3,000	3,000	1,235	-	-	1,235	1,765
Inservice/staff development	2,000	2,000	198	-	-	198	1,802
Other charges	2,500	5,917	5,917	-	-	5,917	-
Administrative equipment	1,000	1,000	-	-	-	-	1,000
Total office of education	154,681	154,681	145,492	-	-	145,492	9,189

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, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2020	Add: Encumbrances 6/30/2021	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of principal							
Principals	131,000	79,891	72,455	-	-	72,455	7,436
Career ladder program	2,000	2,000	-	-	-	-	2,000
Accountants and bookkeepers	45,354	45,659	45,659	-	-	45,659	-
Assistant principal	118,000	122,346	122,347	-	-	122,347	(1)
Clerical personnel	44,141	44,141	43,382	-	-	43,382	759
Social security	21,110	16,275	15,392	-	-	15,392	883
State retirement	25,476	22,996	20,315	-	-	20,315	2,681
Medical insurance	53,707	44,707	44,320	-	-	44,320	387
Dental insurance	828	828	800	-	-	800	28
Unemployment compensation	500	500	209	-	-	209	291
Local retirement	5,368	5,368	5,336	-	-	5,336	32
Employer medicare	4,937	4,937	3,783	-	-	3,783	1,154
Dues and memberships	2,000	2,000	1,500	-	-	1,500	500
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	500	27	-	-	27	473
Other contracted services	1,200	3,901	3,901	-	-	3,901	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	1,500	772	-	-	772	728
Other charges	1,325	1,453	1,453	-	-	1,453	-
Administrative equipment	1,000	1,000	-	-	-	-	1,000
Total office of principal	462,946	403,002	384,651	-	-	384,651	18,351
Fiscal services							
Accountants and bookkeepers	97,933	97,933	94,917	-	-	94,917	3,016
Purchasing personnel	47,119	47,119	46,291	-	-	46,291	828
Clerical personnel	26,060	26,060	25,549	-	-	25,549	511
Other salaries and wages	1,000	1,000	-	-	-	-	1,000
Social security	10,670	10,127	9,250	-	-	9,250	877
Medical insurance	30,800	31,263	31,263	-	-	31,263	-
Dental insurance	414	494	494	-	-	494	-
Unemployment compensation	300	300	85	-	-	85	215
Local retirement	6,760	6,760	6,638	-	-	6,638	122
Employer medicare	2,495	2,495	2,163	-	-	2,163	332
Dues and memberships	300	300	-	-	-	-	300
Other contracted services	11,000	11,000	10,194	-	-	10,194	806
Data processing supplies	1,000	1,000	870	-	-	870	130
Office supplies	2,300	2,300	1,098	-	-	1,098	1,202
Inservice/staff development	3,000	3,000	300	-	-	300	2,700
Total fiscal services	241,151	241,151	229,112	-	-	229,112	12,039
Plant operations							
Janitorial services	318,500	330,757	330,757	-	-	330,757	-
Disposal fees	4,000	4,000	2,922	-	-	2,922	1,078
Permits	500	500	165	-	-	165	335
Other contracted services	25,000	25,000	19,773	-	-	19,773	5,227
Electricity	360,000	344,262	339,227	-	-	339,227	5,035
Natural gas	33,000	33,000	30,095	-	-	30,095	2,905
Water	30,000	30,000	26,901	-	-	26,901	3,099
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	1,400	1,691	1,691	-	-	1,691	-
Building and contents insurance	30,000	33,190	33,190	-	-	33,190	-
Vehicle and equipment	8,900	8,900	8,298	-	-	8,298	602
Total plant operations	811,400	811,400	793,019	-	-	793,019	18,381

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, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2020	Add: Encumbrances 6/30/2021	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration (continued)							
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	90,000	85,000	-	-	85,000	5,000
Maintenance and repair - buildings	22,000	16,432	16,538	-	-	16,538	(106)
Maintenance and repair - equipment	5,000	5,000	600	-	-	600	4,400
Maintenance and repair - vehicle	500	500	-	-	-	-	500
Maintenance and repair - Esser 2.0	-	18,000	17,870	-	-	17,870	130
Heating and Air Conditioning - Esser 2.0	-	463,422	28,780	-	8,750	37,530	425,892
Other contracted services	77,000	77,000	75,997	-	-	75,997	1,003
Gasoline	3,000	3,000	1,659	-	-	1,659	1,341
Vehicle parts	1,000	1,000	231	-	-	231	769
Other supplies and materials	30,000	33,314	33,916	-	-	33,916	(602)
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	-	-	-	-	500
Administrative equipment	-	21,800	21,800	-	-	21,800	-
Maintenance equipment	-	2,254	2,254	-	-	2,254	-
Total plant maintenance	236,361	739,583	284,645	-	8,750	293,395	446,188
Total general administration	2,080,459	2,537,737	2,023,639	-	8,750	2,032,389	505,348
Food Service							
Cafeteria Personnel - Esser 2.0 - Cares Act	-	40,000	-	-	-	-	40,000
Social security - Esser 2.0 - Cares Act	-	2,480	-	-	-	-	2,480
Medical insurance - Esser 2.0 - Cares Act	-	11,600	-	-	-	-	11,600
Dental insurance - Esser 2.0 - Cares Act	-	276	-	-	-	-	276
Unemployment compensation - Esser 2.0 - Cares	-	100	-	-	-	-	100
Local retirement - Esser 2.0 - Cares Act	-	2,400	-	-	-	-	2,400
Employer medicare - Esser 2.0 - Cares Act	-	580	-	-	-	-	580
Total food service	-	57,436	-	-	-	-	57,436
Early childhood education							
Teachers	100,903	100,787	100,787	-	-	100,787	-
Educational assistants	52,395	52,349	52,349	-	-	52,349	-
Non-certified substitute teachers	-	-	-	-	-	-	-
Social security	9,504	8,935	8,935	-	-	8,935	-
State retirement	10,362	10,351	10,351	-	-	10,351	-
Medical insurance	20,898	21,274	21,274	-	-	21,274	-
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	300	202	202	-	-	202	-
Local retirement	3,145	3,140	3,140	-	-	3,140	-
Employer medicare	2,222	2,090	2,090	-	-	2,090	-
Travel	100	-	-	-	-	-	-
Instructional supplies	1,009	1,318	1,318	-	-	1,318	-
Other supplies and materials	500	662	662	-	-	662	-
Inservice/staff development	250	262	262	-	-	262	-
Regular Instruction Equipment	-	2,341	2,341	-	-	2,341	-
Other charges	250	580	580	-	-	580	-
Total early childhood education	202,114	204,567	204,567	-	-	204,567	-

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, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2020	Encumbrances 6/30/2021		
Expenditures(continued)							
Debt service							
Principal payments	45,232	45,232	45,232	-	-	45,232	-
Interest payments	6,135	6,135	5,550	-	-	5,550	585
Total debt service	51,367	51,367	50,782	-	-	50,782	585
Capital outlay							
Building improvements	-	-	-	-	-	-	-
Total capital outlay	-	-	-	-	-	-	-
Total Expenditures	<u>8,437,589</u>	<u>9,737,336</u>	<u>8,641,222</u>	<u>-</u>	<u>8,750</u>	<u>8,649,972</u>	<u>1,087,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>216,046</u>	<u>(1,083,701)</u>	<u>(734,300)</u>	<u>-</u>	<u>(8,750)</u>	<u>(743,050)</u>	<u>340,651</u>
Other financing sources and (uses)							
Transfers in	1,063,400	1,063,400	1,063,000	-	-	1,063,000	(400)
Total other financing sources and (uses)	<u>1,063,400</u>	<u>1,063,400</u>	<u>1,063,000</u>	<u>-</u>	<u>-</u>	<u>1,063,000</u>	<u>(400)</u>
Net change in fund balance	1,279,446	(20,301)	328,700	-	(8,750)	319,950	340,251
Fund balance - beginning of year	<u>1,489,868</u>	<u>1,489,868</u>	<u>1,489,868</u>	<u>-</u>	<u>-</u>	<u>1,489,868</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,769,314</u>	<u>\$ 1,469,567</u>	<u>\$ 1,818,568</u>	<u>\$ -</u>	<u>\$ (8,750)</u>	<u>\$ 1,809,818</u>	<u>\$ 340,251</u>

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

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

		BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
		GAS	WATER SYSTEMS	ELECTRIC	TOTALS
ASSETS		FUND	FUND	DEPARTMENT	
CURRENT ASSETS					
Cash and cash equivalents	\$ 5,845,413	\$ 1,108,903	\$ 7,812,875	\$ 14,767,191	
Cash and cash equivalents - restricted	-	6,913,040	1,598,157	8,511,197	
Investments - restricted	-	-	100,000	100,000	
Accounts receivable, net of allowance	863,566	-	2,481,402	3,344,968	
Grant receivables	535	36,787	-	37,322	
Other receivables	-	11,097	434,903	446,000	
Due from other funds	87,762	692,898	-	780,660	
Inventory	272,065	220,720	374,428	867,213	
Natural gas storage	308,577	-	-	308,577	
Prepaid expenses	24,976	59,015	40,947	124,938	
TOTAL CURRENT ASSETS	7,402,894	9,042,460	12,842,712	29,288,066	
PROPERTY, PLANT AND EQUIPMENT					
Land	512,402	91,170	-	603,572	
Buildings	3,912,086	1,711,296	-	5,623,382	
Equipment	2,569,223	2,436,533	-	5,005,756	
General plant	-	-	6,765,454	6,765,454	
Distribution plant	14,986,557	44,377,418	70,397,722	129,761,697	
Construction in progress	1,448,194	2,191,858	3,013,866	6,653,918	
TOTAL PROPERTY, PLANT AND EQUIPMENT	23,428,462	50,808,275	80,177,042	154,413,779	
Less accumulated depreciation	(11,839,966)	(24,258,174)	(32,945,483)	(69,043,623)	
NET PROPERTY, PLANT AND EQUIPMENT	11,588,496	26,550,101	47,231,559	85,370,156	
OTHER ASSETS					
Note receivable - TVA Home Insulation Program	-	-	432,359	432,359	
Deposits	-	65	-	65	
Other deferred costs	-	-	274,695	274,695	
Bond issue costs, net of accumulated amortization	-	-	305,948	305,948	
TOTAL OTHER ASSETS	-	65	1,013,002	1,013,067	
TOTAL ASSETS	18,991,390	35,592,626	61,087,273	115,671,289	
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on bond refunding	-	-	32,065	32,065	
Deferred outflows related to pensions	251,944	353,456	1,176,228	1,781,628	
Deferred outflows related to OPEB	36,216	31,654	579,076	646,946	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	288,160	385,110	1,787,369	2,460,639	
CURRENT LIABILITIES					
Accounts payable	382,131	231,170	2,999,297	3,612,598	
Accrued expenses	85,857	166,318	54,232	306,407	
Accrued interest	35,591	91,294	107,212	234,097	
Compensated absences	-	-	219,025	219,025	
Customer deposits	437,424	141,743	846,475	1,425,642	
Due to other funds	713,580	105,217	-	818,797	
Current portion of long-term debt	185,782	1,076,878	820,000	2,082,660	
TOTAL CURRENT LIABILITIES	1,840,365	1,812,620	5,046,241	8,699,226	
LONG-TERM LIABILITIES					
Compensated absences	366,624	401,548	1,462,700	2,230,872	
Bonds and notes payable (net of unamortized bond premiums)	3,192,267	16,332,381	13,191,618	32,716,266	
Net pension liability	635,915	883,216	3,504,398	5,023,529	
Net OPEB Liability	224,958	200,971	4,445,436	4,871,365	
Advances from Home Installation Program	-	-	432,369	432,369	
TOTAL LONG-TERM LIABILITIES	4,419,764	17,818,116	23,036,521	45,274,401	
TOTAL LIABILITIES	6,260,129	19,630,736	28,082,762	53,973,627	
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	336,396	467,217	853,613	1,657,226	
Deferred inflows - OPEB	2,182	67,782	65,839	135,803	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	338,578	534,999	919,452	1,793,029	
NET POSITION					
Net investment in capital assets	8,210,447	9,140,842	33,406,559	50,757,848	
Restricted for capital projects	-	6,325,998	-	6,325,998	
Restricted for tank/hydrant maintenance	-	587,042	-	587,042	
Restricted for debt service	-	-	1,590,945	1,590,945	
Unrestricted net position	4,470,396	(241,881)	(1,125,076)	3,103,439	
TOTAL NET POSITION	\$ 12,680,843	\$ 15,812,001	\$ 33,872,428	\$ 62,365,272	

CITY OF LEXINGTON, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS	WATER SYSTEMS	ELECTRIC	TOTALS
	FUND	FUND	DEPARTMENT	
OPERATING REVENUES				
Charges for services	\$ 6,826,137	\$ 7,334,899	\$ 45,058,200	\$ 59,219,236
Miscellaneous	2,435	3,414	1,105,197	1,111,046
TOTAL OPERATING REVENUES	<u>6,828,572</u>	<u>7,338,313</u>	<u>46,163,397</u>	<u>60,330,282</u>
OPERATING EXPENSES				
Natural gas purchases	2,851,107	-	-	2,851,107
Water purchases	-	123,582	-	123,582
Purchased for resale	-	-	32,894,043	32,894,043
Personnel expenses	1,490,921	2,528,161	-	4,019,082
Economic development	25,000	-	-	25,000
Supplies	-	403,527	-	403,527
Utilities	43,434	434,928	-	478,362
Repairs and maintenance	305,911	994,810	2,591,995	3,892,716
Professional fees	23,946	43,951	-	67,897
Operating expenses	66,863	45,600	5,428,219	5,540,682
Rent	40,000	110,100	-	150,100
Office expense	192,388	145,899	-	338,287
Transportation expense	36,275	64,952	-	101,227
Insurance	26,623	116,262	-	142,885
Taxes and tax equivalents	-	-	304,816	304,816
Memberships and subscriptions	-	13,217	-	13,217
Miscellaneous	-	5,250	-	5,250
Depreciation and amortization	573,677	1,286,675	2,614,543	4,474,895
TOTAL OPERATING EXPENSES	<u>5,676,145</u>	<u>6,316,914</u>	<u>43,833,616</u>	<u>55,826,675</u>
OPERATING INCOME (LOSS)	<u>1,152,427</u>	<u>1,021,399</u>	<u>2,329,781</u>	<u>4,503,607</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	12,862	38,595	63,310	114,767
Sale of materials	-	4,194	-	4,194
Rent revenue	72,900	-	-	72,900
Amortization of debt expense	-	-	(13,279)	(13,279)
Accretion of debt premiums	-	24,380	-	24,380
Miscellaneous expense	-	-	(71,878)	(71,878)
TEAC settlement	102,168	-	-	102,168
Insurance recoveries	4,467	9,454	-	13,921
Gain (loss) on sale of asset	-	1,288	-	1,288
Bond issue cost/premium	2,122	-	-	2,122
Interest expense	(88,025)	(393,018)	(400,168)	(881,211)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>106,494</u>	<u>(315,107)</u>	<u>(422,015)</u>	<u>(630,628)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,258,921	706,292	1,907,766	3,872,979
Transfers to other funds	(181,652)	(106,071)	(911,921)	(1,199,644)
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>(181,652)</u>	<u>(106,071)</u>	<u>(911,921)</u>	<u>(1,199,644)</u>
CHANGE IN NET POSITION	1,077,269	600,221	995,845	2,673,335
NET POSITION - BEGINNING OF YEAR	11,603,574	15,211,780	32,876,583	59,691,937
NET POSITION - END OF YEAR	<u>\$ 12,680,843</u>	<u>\$ 15,812,001</u>	<u>\$ 33,872,428</u>	<u>\$ 62,365,272</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, 2021**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,673,165	\$ 7,331,311	\$ 46,163,397	\$ 60,167,873
Cash received from other funds for services	7,288	(95,749)	-	(88,461)
Cash received from rent	72,900	-	-	72,900
Other operating cash receipts	2,435	3,414	-	5,849
Cash payments to city - tax equivalents	-	-	(911,921)	(911,921)
Cash payments to suppliers for goods and services	(3,388,560)	(2,541,269)	(39,701,495)	(45,631,324)
Cash payments to employees for services	(1,411,255)	(2,483,817)	(2,020,534)	(5,915,606)
Other operating cash payments	-	-	(71,878)	(71,878)
Customer deposits received	-	-	260,801	260,801
Customer deposits refunded	-	-	(117,501)	(117,501)
Cash payments to other funds for services	-	(39,862)	-	(39,862)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,955,973	2,174,028	3,600,869	7,730,870
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
TEAC settlement	102,168	-	-	102,168
Amounts paid to other funds	(181,652)	(106,071)	-	(287,723)
Sale of materials	-	4,194	-	4,194
Advances from Home Insulation Program	-	-	(73,729)	(73,729)
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(79,484)	(101,877)	(73,729)	(255,090)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(1,730,814)	(2,889,189)	(1,062,171)	(5,682,174)
Plant removal cost	-	-	(251,979)	(251,979)
Materials salvaged from retirements	-	-	56,624	56,624
Gain on sale of capital assets	-	1,288	-	1,288
Insurance recoveries	4,467	9,454	-	13,921
Debt issue costs	-	-	10,036	10,036
Loss on refunding of bonds	-	-	3,006	3,006
Premium on issuance of bonds	-	-	(13,042)	(13,042)
Principal payments on long-term debt	(186,484)	(1,064,874)	(795,000)	(2,046,358)
Capital contributions	-	97,493	-	97,493
Interest paid on long-term debt	(89,345)	(400,468)	(404,477)	(894,290)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(2,002,176)	(4,246,296)	(2,457,003)	(8,705,475)
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	-	-	74,340	74,340
Interest on cash and investments	12,862	38,595	63,310	114,767
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	12,862	38,595	137,650	189,107
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(112,825)	(2,135,550)	1,207,787	(1,040,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,958,238	10,157,493	8,203,245	24,318,976
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,845,413	\$ 8,021,943	\$ 9,411,032	\$ 23,278,388
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income (loss) from operating activities	\$ 1,152,427	\$ 1,021,399	\$ 2,329,781	\$ 4,503,607
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	573,677	1,286,675	2,614,543	4,474,895
Amounts paid to City - tax equivalents	-	-	(911,921)	(911,921)
Miscellaneous expense	-	(6,669)	(71,878)	(78,547)
Change in pension	2,038	51,013	(871,905)	(818,854)
Change in OPEB	53,030	-	(513,237)	(460,207)
Rent revenue	72,900	-	-	72,900
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	(161,770)	-	(357,815)	(519,585)
(Increase) decrease in other receivables	-	(645)	-	(645)
(Increase) decrease in inventory	(32,901)	(23,721)	(64,745)	(121,367)
(Increase) decrease in prepaid assets	(9,748)	(35,971)	(2,026)	(47,745)
(Increase) decrease in due from other funds	(45,077)	(95,749)	-	(140,826)
(Increase) decrease in natural gas storage	16,890	-	-	16,890
Increase (decrease) in accounts payable	248,746	(32,799)	200,254	416,201
Increase (decrease) in due to other funds	52,365	(39,862)	-	12,503
Increase (decrease) in net pension liability	-	-	860,763	860,763
Increase (decrease) in net OPEB liability	-	-	530,552	530,552
Increase (decrease) in customer deposits	8,798	(2,943)	143,300	149,155
Increase (decrease) in compensated absences	-	-	(284,797)	(284,797)
Increase (decrease) in accrued liabilities	24,598	53,300	-	77,898
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,955,973	\$ 2,174,028	\$ 3,600,869	\$ 7,730,870
NONCASH TRANSACTIONS				
Capital Contributions per Statement of Revenues, Expenses, and Changes in Net Position	-	-	-	-
Add: Prior year grants receivable	-	134,280	-	134,280
Less: Current year grants receivable	-	(36,787)	-	(36,787)
Less: Noncash capital contributions due to passthrough grant	-	-	-	-
Capital Contributions per Statement of Cash Flows	-	97,493	-	(36,787)

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	<u>School Activity</u>	<u>Pension Trust Funds</u>	
	<u>Agency Fund</u>	<u>Municipal Employees</u>	<u>Electric Employees</u>
ASSETS			
Cash and cash equivalents	\$ 170,702	\$ -	\$ -
Investments:			
Mutual funds (market value)	-	15,566,433	11,222,165
Annuities (market value)	-	177,523	-
TOTAL ASSETS	<u>170,702</u>	<u>15,743,956</u>	<u>11,222,165</u>
LIABILITIES			
Accrued liabilities	<u>170,702</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for pension benefits	<u>-</u>	<u>15,743,956</u>	<u>11,222,165</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 15,743,956</u>	<u>\$ 11,222,165</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, 2021

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
Additions			
Contributions and other additions	\$ 479,067	\$ 473,998	\$ 953,065
Investment income	1,031	2,625,513	2,626,544
Net investment gain/(loss)	3,801,442	-	3,801,442
Total Additions	<u>4,281,540</u>	<u>3,099,511</u>	<u>7,381,051</u>
Deductions			
Fees (refunds)	126,710	(1,826)	124,884
Benefits	748,007	146,696	894,703
Total Deductions	<u>874,717</u>	<u>144,870</u>	<u>1,019,587</u>
Net increase (decrease) in net position	3,406,823	2,954,641	6,361,464
NET POSITION - BEGINNING OF YEAR	<u>12,337,133</u>	<u>8,267,524</u>	<u>20,604,657</u>
NET POSITION - END OF YEAR	<u>\$ 15,743,956</u>	<u>\$ 11,222,165</u>	<u>\$ 26,966,121</u>

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 not incorporated into the City's financial statements since the financial statements are not available as of the date of this report and the financials are not considered material to the reporting entity as a whole. The financial data will be incorporated in the City's financial statements for 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 \$420,419 from the Capital Projects Fund for economic development 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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Project Fund

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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:

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

Pension Trust Funds

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

Major and Nonmajor Funds

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

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

The City does not allocate indirect costs.

1.D. BUDGETARY INFORMATION

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

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

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

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

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

Cash and Investments

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

Receivables

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

Inventories and Prepaid Expense

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

Restricted Assets

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

Bond Discounts / Issuance Costs

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

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

Capital Assets

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

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value some of the assets acquired prior to June 30, 2003.

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

The capitalization policy is as listed below:

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

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

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

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

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

Long-term Debt

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

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

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

Compensated Absences

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

Electric System

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

School System

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

Net Position Flow Assumption

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

Net position is displayed in three components:

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

Fund Balance Policies

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

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

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

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

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

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

Pensions – School System

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

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

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

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

Sales Tax

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

Property Tax

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

CITY OF LEXINGTON, TENNESSEE
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Operating Revenues and Expenses

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

Expenditures/ Expenses

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

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

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

Proprietary Fund – By Operating and Nonoperating

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

Interfund Transfers

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

2.A. FUND ACCOUNTING REQUIREMENTS

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

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

The City's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all

CITY OF LEXINGTON, TENNESSEE
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amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

Pension Plan Investments

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

2.C. REVENUE RESTRICTIONS

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

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

2.D. FUND EQUITY RESTRICTIONS

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The City had no deficit fund balances at June 30, 2021.

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 General Fund and the Drug Fund – with expenditures exceeding appropriations for the year ended June 30, 2021.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

3.A. CASH AND INVESTMENTS

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.E. The City maintains checking accounts with local banks. Also, some funds are held as certificates of deposit at local banks. Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and cash equivalents" and "investments". Investments consist of certificates of deposits at local banks whose original maturity exceeds three months.

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

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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General Government

As of June 30, 2021, 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, 2021, 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, 2021, 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, 2021, the System's bank deposits were fully collateralized or insured.

School System

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

Investment-Fiduciary Fund

The following is the asset allocation as of June 30, 2021.

	<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	\$ 3,669,300	23.57%	\$ 4,029,212	35.90%	\$ 7,698,512
Equities	11,897,133	76.43%	7,192,953	64.10%	19,090,086
	<u>\$ 15,566,433</u>	<u>100.00%</u>	<u>\$ 11,222,165</u>	<u>100.00%</u>	<u>\$ 26,788,598</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, 2021.

**CITY OF LEXINGTON, TENNESSEE
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	City of Lexington	Lexington Electric
Fidelity Total Market Index Fund	\$ -	\$ 508,826
Contra Fund	-	470,150
American Funds Investment Fund of America	797,467	574,392
500 Index Fund	1,318,313	-
Wells ACBF	-	530,656
Van TBMIF	834,466	494,636
BR TRF	-	508,482
Van SEF	-	461,502
Columbia Dividend Income Fund	814,768	-
Columbia Diversified Fixed Income	-	586,449
Vanguard 500 Index	-	958,676
MFS Growth Fund	812,224	584,989
Euro Pacific Growth Fund	889,814	641,940
DC INTL ST	914,394	659,157
BlackRock EAFE Equity Index	779,351	679,569

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 31.25 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, 2021.

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Pooled and separate accounts	\$ 7,698,512	\$ 3,669,300	\$ 4,029,212	\$ -
Equity securities				
Pooled and separate accounts	19,090,086	11,897,133	7,192,953	-
Total	\$ 26,788,598	\$ 15,566,433	\$ 11,222,165	-

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

CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
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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, 2021, is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 38,581	\$ 3,493,174	\$ 3,531,755
Allowance for doubtful accounts	(6,201)	(148,206)	(154,407)
Net accounts receivable	<u>\$ 32,380</u>	<u>\$ 3,344,968</u>	<u>\$ 3,377,348</u>

3.C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Balance 7/1/20</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/21</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 2,167,067	\$ -	\$ 823,039	\$ 1,344,028
Construction in Progress	1,521,215	1,046,360	784,050	1,783,525
Total Capital assets not being depreciated	<u>3,688,282</u>	<u>1,046,360</u>	<u>1,607,089</u>	<u>3,127,553</u>
Capital assets being depreciated				
Buildings	26,140,840	-	972,934	25,167,906
Equipment	9,735,611	1,700,260	377,218	11,058,653
Infrastructure	16,469,949	32,030	-	16,501,979
Improvements	7,973,022	47,372	477,667	7,542,727
Total Capital assets being depreciated	<u>60,319,422</u>	<u>1,779,662</u>	<u>1,827,819</u>	<u>60,271,265</u>
Less accumulated depreciation for:				
Buildings	12,799,854	512,368	562,843	12,749,379
Equipment	7,219,511	584,958	256,964	7,547,505
Infrastructure	11,922,026	67,466	-	11,989,492
Improvements	5,293,412	324,782	477,667	5,140,527
Total accumulated depreciation	<u>37,234,803</u>	<u>1,489,574</u>	<u>1,297,474</u>	<u>37,426,903</u>
Total capital assets, being depreciated, net	<u>23,084,619</u>			<u>22,844,362</u>
Governmental activities capital assets, net	<u>\$ 26,772,901</u>			<u>\$ 25,971,915</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 621,109	\$ 15,017	\$ (32,554)	\$ 603,572
Construction in Progress	7,052,035	2,938,335	3,336,452	6,653,918
Total Capital assets not being depreciated	<u>7,673,144</u>	<u>2,953,352</u>	<u>3,303,898</u>	<u>7,257,490</u>
Capital assets being depreciated				
Buildings	6,409,300	-	785,918	5,623,382
Equipment	9,492,639	481,472	4,968,355	5,005,756
Plant	125,462,839	6,029,571	(5,034,741)	136,527,151
Total Capital assets being depreciated	<u>141,364,778</u>	<u>6,511,043</u>	<u>719,532</u>	<u>147,156,289</u>
Less accumulated depreciation for:				
Buildings	1,073,953	123,304	-	1,197,257
Equipment	6,768,453	361,405	125,943	7,003,915
Plant	57,329,245	4,294,554	781,348	60,842,451
Total accumulated depreciation	<u>65,171,651</u>	<u>4,779,263</u>	<u>907,291</u>	<u>69,043,623</u>
Total capital assets, being depreciated, net	<u>76,193,127</u>			<u>78,112,666</u>
Business-type activities capital assets, net	<u>\$ 83,866,271</u>			<u>\$ 85,370,156</u>

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

Governmental Function	
General and administrative	\$ 148,458
Public safety	368,996
Public works	230,666
Health, recreation and welfare	<u>741,454</u>
Total depreciation expense	<u>\$1,489,574</u>

3.D. ACCOUNTS PAYABLE

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

3.E. OPERATING LEASES

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

3.F. PREPAID MEALS

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

3.G. LONG-TERM LIABILITIES

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

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority of the government. General obligation bonds were issued for original terms of up to 19 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2021, 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, 2021, 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, 2021**

Governmental Activities

As of June 30, 2021, 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%.	\$	164,059
2019 Public Works Refund Bonds, dated February 7, 2019, due March 1, 2034 interest 2% to 3%.		925,000
2020 General Obligation School Refunding Bonds, dated June 30, 2020, due November 1, 2020 through May 1, 2031, interest 1% to 2%.		4,130,000
2020 Public Works Improvements Bonds, dated April 30, 2020, due April 30, 2021 through April 1, 2040, interest 2% to 2.35%.		1,450,000

Direct Borrowing and Direct Placements

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest.		26,436
		<hr/> 6,695,495

Other Liabilities

Compensated absences		1,363,134
Unamortized debt premiums		134,556
Net pension liability		2,013,732
Net OPEB liability		1,588,567
Landfill closure costs		199,366
		<hr/> 11,994,850

Total Government Activity	\$	11,994,850
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CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

Business-type Activities

Revenue Bonds

2019 Water Refunding Bonds,
dated September 1, 2019, through March 1, 2034, interest 2.00% to 3.00%. 4,160,000

Electric Plant Revenue Refunding Bonds, Series 2017,
interest of 2.00% to 2.75% due serially through 2032. 5,125,000

Electric Plant Revenue Bonds, Series 2018,
interest at 3.00% to 4.00%% due serially through 2038 2,670,000

Electric Plant Revenue Refunding Bonds, Series 2019,
interest of .05% to 5.00% due serially through 2037. 6,030,000

2019 Gas Refunding Bonds, dated February 7, 2019,
due March 1, 2020 through March 1, 2034, interest 2.00% to 3.00% 1,145,000

Direct Borrowing and Direct Placements

Local Government Loan Program Bond, Series 2015, variable interest 1,521,900

General Obligation Bonds

2012 General Obligation Bonds, dated October 18, 2012,
due April 1, 2013 through April 1, 2028, interest 1% to 2%. 2,185,939

2017 General Obligation Bonds, dated July 20, 2017,
due July 15, 2018 through July 15, 2037, interest 1.30% to 3.25%. 3,815,000

2020 Public Works Improvements General
dated April 30, 2020, through April 1, 2040 interest 2.00% to 3.00% 7,605,000

Other liabilities

Compensated absences 2,449,897

Advances from Home Installation Program 432,369

Net pension liability 5,023,529

Net OPEB liability 4,871,365

Unamortized debt premiums 541,087

Total Business-type Activites \$ 47,576,086

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>Balance 7/1/2020</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2021</u>	<u>Due within one year</u>
<i>Governmental Type Activities</i>					
General Obligation Bonds	\$ 7,281,230	\$ -	\$ 612,171	\$ 6,669,059	\$ 537,340
Direct Borrowing and Direct Placements	61,668	-	35,232	26,436	26,436
Landfill Closure Costs	203,925	-	4,559	199,366	-
Unamortized debt premiums	145,767	-	11,211	134,556	-
Total governmental type activities	<u>7,692,590</u>	<u>-</u>	<u>663,173</u>	<u>7,029,417</u>	<u>563,776</u>
<i>Business Type Activities</i>					
Revenue Bonds	20,270,000	-	1,140,000	19,130,000	1,165,000
Direct Borrowing and Direct Placements	1,619,900	-	98,000	1,521,900	100,000
General Obligation Bonds	14,414,298	-	808,359	13,605,939	817,660
Unamortized debt premiums	580,631	-	39,544	541,087	-
Total business type activities	<u>36,884,829</u>	<u>-</u>	<u>2,085,903</u>	<u>34,798,926</u>	<u>2,082,660</u>
Total government	<u>\$ 44,577,419</u>	<u>\$ -</u>	<u>\$ 2,749,076</u>	<u>\$ 41,828,343</u>	<u>\$ 2,646,436</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, 2021

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2021 are as follows:

Year Ending June 30,	<u>General Obligation Bonds</u>				Principal and Interest Total
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	Principal	Interest	Principal	Interest	
2022	\$ 537,340	\$ 185,945	\$ 817,660	\$ 305,789	\$ 1,846,734
2023	538,039	178,149	831,961	290,432	1,838,581
2024	548,737	170,337	856,263	274,514	1,849,851
2025	564,784	172,263	865,216	257,924	1,860,187
2026	575,831	163,842	894,169	240,815	1,874,657
2027-2031	2,904,328	690,079	3,570,670	914,948	8,080,025
2032-2036	640,000	490,844	3,355,000	527,399	5,013,243
2037-2040	360,000	380,700	2,415,000	126,689	3,282,389
Total	<u>\$ 6,669,059</u>	<u>\$ 2,432,159</u>	<u>\$ 13,605,939</u>	<u>\$ 2,938,510</u>	<u>\$ 25,645,667</u>

Year Ending June 30,	<u>Direct Placement and Direct Borrowings</u>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2022	\$ 26,436	\$ -	\$ 100,000	\$ 45,660
2023	-	-	101,000	42,660
2024	-	-	102,000	39,630
2025	-	-	104,000	36,570
2026	-	-	105,000	33,450
2027-2031	-	-	546,000	119,190
2032-2035	-	-	463,900	35,010
	<u>\$ 26,436</u>	<u>\$ -</u>	<u>\$ 1,521,900</u>	<u>\$ 352,170</u>

Year Ending June 30,	<u>Revenue Bonds</u>	
	<u>Business-type Activities</u>	
	Principal	Interest
2022	\$ 1,165,000	\$ 540,250
2023	1,190,000	514,472
2024	1,210,000	483,922
2025	1,255,000	448,309
2026	1,290,000	409,009
2027-2031	7,075,000	1,367,177
2032-2036	5,045,000	293,703
2037-2040	900,000	20,344
	<u>\$ 19,130,000</u>	<u>\$ 4,077,186</u>

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

3.H. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

	TRANSFER FROM						Totals
	General	Drug	School Tax Fund	Lexington Electric	Water	Gas	
TRANSFER TO							
General	\$ -	\$ -	\$ -	\$ 911,921	\$ 106,071	\$ 181,652	\$ 1,199,644
Solid Waste Fund	132,437	-	-	-	-	-	132,437
Dare	-	3,500	-	-	-	-	3,500
School Debt	-	-	549,490	-	-	-	549,490
General Purpose School	620,000	-	443,000	-	-	-	1,063,000
GRAND TOTALS	\$ 752,437	\$ 3,500	\$ 992,490	\$ 911,921	\$ 106,071	\$ 181,652	\$ 2,948,071

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

Interfund Receivables and Payables

DUE TO:	General	Solid Waste	Water	Gas	Totals
DUE FROM:					
General	\$ -	\$ -	\$ 58,206	\$ 71,810	\$ 130,016
Sales Tax	7,256	-	-	-	7,256
Solid Waste	88,503	-	-	723	89,226
Gas	22,012	56,876	634,692	-	713,580
Water Systems	89,988	-	-	15,229	105,217
	<u>\$ 207,759</u>	<u>\$ 56,876</u>	<u>\$ 692,898</u>	<u>\$ 87,762</u>	<u>\$ 1,045,295</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, 2021 were \$25,358 and \$25,182, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

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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.

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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, 2020:

Retirees and beneficiaries currently receiving benefits	15
Terminated employees entitled to deferred benefits	27
Disabled employees entitled to deferred benefits	<u>0</u>
Total	42

Active Plan Participants as of January 1, 2020:

Vested	64
Partially-vested	6
Non-vested	<u>0</u>
Total	70

Summary of Plan Provisions

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/20

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. Members of the prior plan will receive a benefit no less than 40% of the average monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater.

Average Monthly Compensation: 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

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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.

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Contribution Required

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

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

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

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, 2020:

Asset Class	Target Allocation
US Equity - Large Cap	36%
US Equity - Small/Mid Cap	17%
Non-US Equity - Developed	17%
Non-US Equity - Emerging	3%
US Corporate Bonds - Core	10%
US Corporate Bonds - High Yield	4%
Non-US Debt - Developed	2%
US Treasuries (Cash Equivalents)	10%
Real Estate	1%
Total	100%

Rate of Return: For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.02%. 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, 2020 is \$3,532,863. 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, 2020

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Valuation Date
January 1, 2020

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

Discount Rate
7.25% per annum

Inflation
2.17% 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.

<u>Age</u>	<u>Withdrawal</u>		<u>Disability</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
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.

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Liabilities were valued as of January 1, 2020 using data as of January 1, 2020 and provisions and assumptions as of June 30, 2020. This liability was then increased by service cost and interest cost (for the period January 1, 2020 – June 30, 2020) 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, 2020 are summarized in the table on page 59.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
US Equity - Large Cap	36%	6.06%	2.18%
US Equity - Small/Mid Cap	17%	7.21%	1.23%
Non-US Equity - Developed	17%	6.77%	1.15%
Non-US Equity - Emerging	3%	8.97%	0.27%
US Corporate Bonds - Core	10%	1.54%	0.15%
US Corporate Bonds - High Yield	4%	3.89%	0.16%
Non-US Debt - Developed	2%	0.35%	0.01%
US Treasuries (Cash Equivalents)	10%	0.11%	0.01%
Real Estate	1%	5.62%	0.06%
Total	100%		5.22%
Long-Term Inflation Assumption			2.17%

Long-Term Expected Nominal Rate of Return **7.39%**

*Long-term real rates of return were provided by John Hancock. Returns are arithmetic means.

Long-term capital market assumptions (20+ years) are applicable to approximate future return expectations. 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:

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	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Plan's net pension liability	\$ 5,367,527	\$ 3,532,863	\$ 1,969,651

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 6/30/19	\$ 14,322,679	\$12,216,865
Changes for the year:			
Service cost	408,865	-	408,865
Interest	1,046,380	-	1,046,380
Differences between expected and actual experience	533,701	-	533,701
Changes in assumptions	-	-	-
Contributions - employer	-	312,986	(312,986)
Contributions - employee	-	195,617	(195,617)
Net investment income	-	123,215	(123,215)
Benefit payments	(631,370)	(631,370)	-
Administrative expense	-	(69,921)	69,921
Net changes	1,357,576	(69,473)	1,427,049
Balances at 6/30/20	\$ 15,680,255	\$12,147,392	\$ 3,532,863

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

For the year ended June 30, 2021, the City recognized pension expense of \$279,043. At June 30, 2021, 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	\$ 504,482	\$ 229,849
Changes of assumptions	-	1,639,017
Net difference between projected and actual earnings on pension plan investments	600,183	-
Contributions subsequent to the measurement date of June 30, 2020	294,810	-
Total	\$ 1,399,475	\$ 1,868,866

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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:

2021	(326,698)
2022	(182,586)
2023	(123,798)
2024	(108,354)
2025	(38,312)
Thereafter	15,547

Payable to the Pension Plan

At June 30, 2021, the City reported \$ 0 payable for outstanding amount of contributions to the pension plan required at the year ended June 30, 2021.

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	\$101,475
Water System	\$ 45,229
Gas System	\$ 22,689
School System	\$ 46,202

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

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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.

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, 2020 and 2019 membership consisted of:

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	2020	2019
Retirees and beneficiaries currently receiving benefits	9	7
Terminated employees entitled to benefits	3	4
Active employees:		
Fully or partially vested	30	32
Total	42	43

Funded status and funding progress: 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 \$1,952,796 and the ratio of net pension liability to covered payroll was 95.33%. 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%. As of June 30, 2019, the actuarial accrued liability for benefits was \$11,550,095 and the net pension liability was \$2,643,635. Total covered payroll was \$2,012,123 and the ratio of net pension liability to covered payroll was 131.39%.

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, 2021 and 2020 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, 2021 in order to be in compliance with GASB Statement No. 67. The second table shows the net pension liability as of June 30, 2020, which is what is reported in the proprietary financial statements in accordance with GASB Statement No. 68.

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (a) - (b)
Balances at 6/30/20	\$ 11,771,922	\$ 8,267,524	\$ 3,504,398
Changes for the year:			
Service cost	192,049	-	192,049
Interest	862,569	-	862,569
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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	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (a) - (b)
Balances at 6/30/19	\$ 11,550,095	\$ 8,906,460	\$ 2,643,635
Changes for the year:			
Service cost	189,353	-	189,353
Interest	832,035	-	832,035
Changes of benefit terms	-	-	-
Differences between expected and actual experience	69,222	-	69,222
Change of assumptions	(12,173)	-	(12,173)
Contributions - employer	-	202,081	(202,081)
Contributions - employee	-	121,016	(121,016)
Net investment income	-	(107,583)	107,583
Benefit payments	(856,610)	(856,610)	-
Administrative expense	-	(3,945)	3,945
Other	-	6,105	(6,105)
Net changes	<u>221,827</u>	<u>(638,936)</u>	<u>860,763</u>
Balances at 6/30/20	<u>\$ 11,771,922</u>	<u>\$ 8,267,524</u>	<u>\$ 3,504,398</u>

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:

	2021		
	Current		
	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	<u>\$ 2,894,650</u>	<u>\$ 1,861,691</u>	<u>\$ 973,810</u>
	2020		
Net pension liability	<u>\$ 4,472,193</u>	<u>\$ 3,504,398</u>	<u>\$ 2,671,438</u>

Net Pension Liability. The System's net pension liability was measured as of June 30, 2020, 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, 2020 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.

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Salary increases	3.00% per annum
Investment rate of return	7.25% per annum
Retirement age assumption	100% at age 60
Mortality	RP-2006 Blue Collar Mortality Generational with Improvement Scale MP-2019
Disability mortality	RP-2006 Disabled Retiree Mortality Generational with Improvement Scale MP-2019

The actuarial assumptions used in the July 1, 2020 and 2019 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, 2020 and 2019, the System recognized pension expense of \$348,148 and \$298,032. At June 30, 2020 and 2019, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 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	<u>\$ 1,176,228</u>	<u>\$ 853,613</u>
Differences between expected and actual experience	\$ 272,721	\$ 731,161
Change of assumptions	108,193	339,018
Net difference between projected and actual earnings on pension plan investments	-	62,106
Contributions subsequent to the measurement date of June 30, 2019	202,081	-
Total	<u>\$ 582,995</u>	<u>\$ 1,132,285</u>

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

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Year ended June 30:

2021	\$	(16,839)
2022		(5,609)
2023		(20,224)
2024		20,079
2025		(14,082)
Thereafter		-

Electric System

The System began offering a 403(b) defined contribution plan, title the Lexington Electric System 403(b) plan, to their eligible employees hired after April 1, 2012. The System matches their employee's contributions, which can be up to 6% of the employee's annual compensation as determined by the Retirement Committee. The employer's contributions are not vested until after five annual periods in the plan. If an employee leaves the System before the five year vesting period, the amount of unvested contributions reduce the System's cash outlay in the following period. The System made contributions of \$67,630 to the plan in the current year and \$64,668 in 2020. The Retirement Committee of the Lexington Electric System serves as administrator. John Hancock, in conjunction with Edward Jones, serves as the investment firm of the plan.

School Department

General Information about the Pension Plan

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

1. Teacher Legacy Pension Plan

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

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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, 2021 to the Teacher Legacy Pension Plan were \$334,970 which is 10.27 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, 2021, the Lexington City Schools reported a liability (asset) of (\$743,422) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, 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, 2020 Lexington City Schools' proportion was 0.097489 percent. The proportion measured as of June 30, 2019 was 0.094885 percent.

Pension expense (negative pension expense). For the year ended June 30, 2021, Lexington City Schools recognized pension expense (negative pension expense) of (\$27,722).

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,262	\$ 357,424
Changes in assumptions	67,536	-
Net difference between projected and actual earnings on pension plan investments	166,036	-
Changes in proportion of Net Pension Liability (Asset)	2,559	20,985
LEA's contribution subsequent to the measurement date of June 30, 2020	<u>334,970</u>	<u>n/a</u>
Total	<u>\$ 599,363</u>	<u>\$ 378,409</u>

Lexington City Schools employer contribution of \$334,970, 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, 2022. Other amounts reported as deferred outflows or

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

Year Ended June 30:		
2022	\$	(195,836)
2023		(31,896)
2024		3,730
2025		109,987
2026		-
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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, Including inflation
Cost-of Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

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

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

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 2,312,026	\$ (743,422)	\$ (3,277,106)

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, 2021, 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, 2021.

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

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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. 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, 2021 to the Teacher Retirement Plan were \$10,599, which is 1.96 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets). At June 30, 2021, Lexington City Schools reported an liability (asset) of (\$27,228) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, 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, 2020 Lexington City Schools' proportion was 0.047882 percent. The proportion measured at June 30, 2019 was 0.052229 percent.

Pension expense (negative pension expense). For the year ended June 30, 2021, Lexington City Schools recognized pension expense (negative pension expense) of \$11,706.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2021, Lexington City Schools reported deferred outflows 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	\$ 1,012	\$ 6,823
Net difference between projected and actual earnings on pension plan investments	2,218	-
Changes in assumptions	854	-
Changes in proportion of Net Pension Liability (Asset)	7,501	419
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2020	<u>10,599</u>	<u>(not applicable)</u>
Total	<u>\$ 22,184</u>	<u>\$ 7,242</u>

Lexington City Schools employer contributions of \$10,599 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, 2022. 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:

2022	\$ (473)
2023	794
2024	957
2025	1,004
2026	252
Thereafter	862

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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, Including inflation
Cost-of Living Adjustment	2.25 percent

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

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The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25)
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 21,179	\$ (27,228)	\$ (62,910)

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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, 2021, 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, 2021.

TCRS Stabilization Trust

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

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

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

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

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

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

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

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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, 2021, the System had the following investments held by the trust on its behalf. These funds are recognized as restricted assets in the General Purpose School Fund.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 6,233
Developed Market International Equity	N/A	N/A	2,815
Emerging Market International Equity	N/A	N/A	804
U. S. Fixed Income	N/A	N/A	4,022
Real Estate	N/A	N/A	4,022
Short-term Securities	N/A	N/A	2,011
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>201</u>
Total			<u>\$ 20,108</u>

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Investments by Fair Value Level	Fair Value 6/30/2021	Fair Value Measurements Using			Amortized Cost
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U. S. Equity	\$ 6,233	\$ 6,233	\$ -	\$ -	\$ -
Developed Market					
International Equity	2,815	2,815	-	-	-
Emerging Market					
International Equity	804	804	-	-	-
U. S. Fixed Income	4,022	-	4,022	-	-
Real Estate	2,011	-	-	2,011	-
Short-term Securities	201	-	201	-	-
Private Equity and Strategic Lending	4,022	-	-	-	4,022
Total	\$ 20,108	\$ 9,852	\$ 4,223	\$ 2,011	\$ 4,022

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

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

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

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

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

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For further information concerning the School Department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2019/ad18092.pdf>.

4.B. POST EMPLOYMENT HEALTHCARE PLAN

CITY GOVERNMENT FUNDS

Plan Description – The City sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, as the rest of the operations of the City. The City's total OPEB liability was measured as of July 1, 2020 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:

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

Spouse Benefit: No

Surviving Spouse Benefit: No

Annual Medical Premium: Effective July 1, 2019 through June 30, 2020: Individual \$8,144.40

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Employees Covered By Benefit Terms

At the measurement date of July 1, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries	
Currently Receiving Benefits	-
Inactive Employees Entitled to But	
Not Yet Receiving Benefits	-
Active Employees	51
Total	<u>51</u>

Changes in Total OPEB Liability

	<u>City</u>	<u>Water</u>	<u>Gas</u>	<u>Total</u>
Balance at 6/30/20	\$ 659,117	\$ 146,182	\$ 172,524	\$ 977,823
Changes for the year:				
Service Cost	191,792	48,874	46,154	286,820
Interest	18,806	4,311	4,833	27,950
Differences between expected and actual experience	-	-	-	-
Changes in assumptions and other inputs	6,013	1,604	1,447	9,064
Benefit payments	-	-	-	-
Net changes	<u>216,611</u>	<u>54,789</u>	<u>52,434</u>	<u>323,834</u>
Balance at 6/30/21	<u>\$ 875,728</u>	<u>\$ 200,971</u>	<u>\$ 224,958</u>	<u>\$ 1,301,657</u>

Assumption changes – The discount rate was 2.21% as of June 30, 2020 and 2.16% as of June 30, 2021. The healthcare cost trend rates and demographic assumptions were updated.

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

<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
\$ 1,494,615	\$ 1,301,657	\$ 1,130,458

<u>1% Decrease (5.00% decreasing to 4.00%)</u>	<u>Healthcare Cost Trend Rates (6.00% decreasing to 5.00%)</u>	<u>1% Increase (7.00% decreasing to 6.00%)</u>
\$ 1,013,148	\$ 1,301,657	\$ 1,681,396

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$317,969. At June 30, 2021, 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	\$ 10,854	\$ 110,341
Changes of assumptions/inputs	168,649	15,566
Contributions subsequent to the measurement date	-	(not applicable)
Total	\$ 179,503	\$ 125,907

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:

2022	3,199
2023	3,199
2024	3,199
2025	3,199
2026	3,199
Thereafter	37,601

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

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

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

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Discount Rate: A discount rate of 2.16% was used in estimating the GASB 75 financial information for fiscal year ending June 30, 2021.

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

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

Disability Rates: None assumed

Termination Rates: Based on age and service:

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

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

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

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

Actuarial Value of Assets: N/A

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

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

Administrative expenses: Included in premiums used.

Participant Salary Increase: 3.50% annually

Payroll Growth Rate: 2.50% annually

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

ELECTRIC SYSTEM

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

Annual OPEB Cost and Net OPEB Obligation – Changes in the System’s net OPEB liability measured at June 30, 2021 and 2020 are detailed in the following tables. The table below shows the net OPEB liability as of June 30, 2021, 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, 2020	\$ 3,914,884
Service Cost	188,791
Interest	140,015
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>

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

Actuarial Methods and Assumptions

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

Plan Membership

Number of participants	
Active	54
Inactives not receiving benefits	-
Inactives receiving benefits	<u>5</u>
Total participants	<u><u>59</u></u>

Benefits Provided

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

Actuarial Assumptions

The Total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.16% based on S & P Municipal Bond 20 Year High Grade Index for June 2021
Health trend rate	Health Trend rate 7.5% starting in 2019 reduced each year by .05% until 4.5% is reached
Mortality	The sex distinct mortality rates are from the RPH-2014 Combined

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Male and Female Fully Generational Mortality Table with projection scale MP-2019

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, 2021 valuation were based on the results of an actuarial experience study for the period ending July 1, 2019. The salary increases are assumed to be 3.50% annually with an annual payroll growth rate of 2.50%.

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

The following represents the Net OPEB Liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the assumed trend rate for the measurement periods of June 30, 2021 and 2020, respectively:

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

1% Decrease (6% decreasing .5% until 3.5% is reached)	Current (7% decreasing .5% until 4.5% is reached)	1% Increase (8% decreasing .5% until 5.5% is reached)
\$ 3,547,914	\$ 3,914,884	\$ 3,640,821

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, 2021 and 2020, respectively:

1% Decrease 1.16%	Current 2.16%	1% Increase 3.16%
\$ 4,779,898	\$ 4,445,436	\$ 4,345,919

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

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

**CITY OF LEXINGTON, TENNESSEE
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reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2021 no benefits were payable and not paid. Qualified Plan administrative expenses are paid by the Plan. During the years ended June 30, 2021 and 2020, administrative expenses paid were \$0.

For the measurement periods ended June 30, 2021 and 2020, the System recognized OPEB expense of \$396,080 and \$342,718. At June 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the follow sources:

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

There were no deferred outflows or inflows of resources related to OPEB in the June 30, 2020 financial statements.

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:		
	2022	\$ 67,274
	2023	67,274
	2024	67,274
	2025	67,274
	2026	67,274
	Thereafter	176,867

SCHOOL SYSTEM

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

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

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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, 2020, the following employees of the System were covered by the benefit terms of the TGOP:

Inactive employees receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>89</u>
	<u>91</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, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	9.02% for pre-65 in 2020, decreasing annually over a 10 year period to an ultimate rate of 4.5%. 7.56% for post-65 in 2020, decreasing over a 4 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans.

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Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2019 Pension Actuarial Valuation of the Tennessee Consolidate Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 2.21%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-year Municipal GO AA index.

Changes in Collective Total OPEB Liability

	Total OPEB Liability (a)
TGOP - (expressed in thousands)	
Total OPEB liability - beginning balance	\$ 841
Changes for the year:	
Service costs	51
Interest	31
Changes in benefit terms	-
Differences between expected and actual experience	55
Changes in assumptions	135
Benefit payments	(39)
Net changes	232
Total OPEB liability - ending balance	\$ 1,073
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 361
Employer's proportionate share of the collective total OPEB liability	\$ 713
Employer's proportion of the collective total OPEB liability	66.41%

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The proportion changed 2.12% from the prior measurement date. The System recognized \$25,358 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGOP for the System retirees.

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Changes in assumptions – The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. 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 (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Proportionate share of collective total OPEB liability	\$ 774	\$ 713	\$ 654

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 (8.02%/6.56% decreasing to 3.50%)	Healthcare Cost Trend Rates 9.02%/7.56% decreasing to 4.50%)	1% Increase (10.02%/8.56% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 614	\$ 713	\$ 832

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

OPEB expense – For the fiscal year ended June 30, 2021, the System recognized OPEB expense of \$80,000.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2021, 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	\$ 48	\$ 80
Changes in assumptions	89	54
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.	19	6
Employer payments subsequent to the measurement date	16	-
	<u>\$ 172</u>	<u>\$ 140</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:

2022	\$	0.6
2023		0.6
2024		0.6
2025		0.6
2026		0.6
Thereafter		13.5

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

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benefit rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The System does not subsidize for post-65 retiree insurance. The State, as a governmental non-employer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 or more years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

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

Inactive employees receiving benefit payments	34
Inactive employees entitled to but not yet receiving benefit payments	6
Active employees	<u>66</u>
	<u>106</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, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
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, 2020, valuations were the same as those employed in the July 1, 2019 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 2.21%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds,

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prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TNP - (expressed in thousands)	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 351
Changes for the year:	
Service costs	4
Interest	12
Changes of benefit terms	-
Differences between expected and actual experience	8
Changes in assumptions	66
Benefit payments	(18)
Net changes	73
Total OPEB liability - ending balance	\$ 424
 Nonemployer contributing entities proportionate share of the collective total OPEB liability	 \$ 424
 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 \$25,182 in revenue for support provided by non-employer contributing entities for benefits paid by the TNP for the System's retired employees.

Changes in assumptions – The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. 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, 2021, the System recognized OPEB expense of \$25,182.

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

Balance at 7/1/2020	Incurred Claims	Claims Payments	Balance at 6/30/2021
\$ 23,245	\$ 110,676	\$ 105,661	\$ 28,260

4.C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in 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.D. LANDFILL POSTCLOSURE COSTS

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$199,366 as a long-term liability in the statement of net position. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

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4.E. COMMITMENTS AND CONTINGENCIES

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

Electric System

The electric system has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all its electric power from TVA and is subject to certain restrictions 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.F. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Lexington Gas System

The System has several construction projects in process at June 30, 2021. Commitments for these projects are described below.

The system has incurred \$1,245,918 in project design, planning, and construction costs to construct a new gas main in the Huron community. As of June 30, 2021, this project has estimated remaining costs of \$90,000.

The system plans to construct an aggregate storage facility to store gravel, sand, and other aggregates. As of June 30, 2021, the System has incurred engineering costs of \$7,201 for this project. The project is expected to be bid in Spring 2022 with an anticipated cost of \$300,000.

Lexington Water System

The System has several construction projects in process at June 30, 2021. 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 expected to be bid in 2022 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, 2021, 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 2022.

The System has incurred \$56,888 in project design costs to upgrade the Piney Water Booster Pump Station. The project is expected to be bid sometime in 2022 with a project estimate of \$200,000.

As of June 30, 2021, 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. These lift station projects are in various stages of construction or design. These projects have remaining estimated costs of \$2,452,364. As of June, 30, 2021, 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. These projects are in various stages of construction or design with expected remaining costs of \$1,614,925. As of June 30, 2021, there is approximately \$1,600,000 remaining from a previous bond issue to complete these projects.

**CITY OF LEXINGTON, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

As of June 30, 2021, the System had incurred \$115,259 for a new waste water pumping station project in the Timberlake Industrial Park. The project bid amount was \$964,925. As of June 30, 2021, there is approximately \$900,000 remaining from a previous bond issue to complete this project. When completed, the new lift station will consolidate three existing lift stations and provide for future growth in the growing Timberlake Industrial Park.

The utility relocation projects involving the State Route 459 (US 412) Lexington Bypass by the Tennessee Department of Transportation (TDoT). The sewer relocation portion has estimated costs of \$157,205 with an estimated \$5,000 remaining to complete this project. The water relocation portion has estimated costs of \$257,834 with an estimated \$10,000 remaining to complete this project. The System has \$36,786 that is to be reimbursed by TDoT.

City of Lexington

The City has received a grant in the amount of \$897,750 for Phase II of the sidewalk/multimodal project, which has a projected cost of \$945,000 and is expected to be bid in Fall 2021. As of June 30, 2021, the City had recognized \$101,961 in engineering and design for this project.

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021

General Government/Water System/Gas System

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

Notes:

Note 1: Plan changes - None

Note 2: Assumption changes - The discount rate was 2.21% as of June 30, 2020 and 2.16% as of June 30, 2021.

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, 2021

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

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

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
JUNE 30, 2021

	City 2014	City 2015	City 2016	City 2017	City 2018	City 2019	City 2020
Total pension liability							
Service Cost	\$ 406,855	\$ 423,129	\$ 434,972	\$ 390,808	\$ 379,860	\$ 424,604	\$ 408,865
Interest	793,037	872,786	971,567	923,073	923,056	1,139,237	1,046,380
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
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)
Net change in total pension liability	1,003,053	1,426,250	450,478	(456,890)	3,009,246	(1,373,068)	1,357,576
Total pension liability - beginning	10,263,610	11,266,663	12,692,913	13,143,391	12,686,501	15,695,747	14,322,679
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
Plan fiduciary net position							
Contributions - employer	\$ 509,921	\$ 510,282	\$ 501,481	\$ 380,037	\$ 338,238	\$ 330,342	\$ 312,986
Contributions - employee	268,022	263,830	252,445	229,686	211,399	206,464	195,617
Net investment income	1,272,111	193,153	(555)	1,454,142	943,442	521,328	123,215
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(353,715)	(1,402,432)	(513,384)	(790,604)	(631,370)
Administrative expense	(1,250)	(33,279)	(86,278)	(67,140)	(85,980)	(37,578)	(69,921)
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	1,851,965	826,743	313,378	594,293	893,715	229,952	(69,473)
Plan fiduciary net position - beginning	7,506,819	9,358,784	10,185,527	10,498,905	11,093,198	11,986,913	12,216,865
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
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
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%
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$ 3,441,910	\$ 3,288,122
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%
	LES 2014	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019	LES 2020
Total pension liability							
Service Cost	\$ 207,035	\$ 215,316	\$ 212,645	\$ 230,698	\$ 224,008	\$ 207,244	\$ 189,353
Interest	700,229	706,762	771,286	781,193	822,895	825,492	832,035
Changes in benefit terms	-	-	-	-	780,756	-	-
Differences between actual and expected experience	-	819,077	32,345	(335,078)	(325,344)	(373,305)	69,222
Change of assumptions	-	159,411	-	-	(481,164)	68,445	(12,173)
Benefit payments, including refunds of employee contributions	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)	(856,610)
Net change in total pension liability	(494,924)	1,667,027	(131,980)	319,830	930,967	(558,582)	221,827
Total pension liability - beginning	9,817,757	9,322,833	10,989,800	10,857,880	11,177,710	12,108,677	11,550,095
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
Plan fiduciary net position							
Contributions - employer	\$ 663,487	\$ 663,487	\$ 663,487	\$ 305,704	\$ 225,475	\$ 204,174	\$ 202,081
Contributions - employee	148,508	138,780	137,893	133,538	131,456	124,285	121,016
Net investment income	1,088,227	135,350	15,848	1,037,995	717,418	497,713	(107,583)
Benefit payments, including refunds of employee contributions	(1,402,188)	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)	(856,610)
Administrative expense	(505)	(295)	(425)	(3,410)	(2,878)	(3,853)	(3,945)
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)
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
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
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
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%
Covered-employee payroll	\$ 2,412,526	\$ 2,341,064	\$ 2,378,246	\$ 2,310,481	\$ 2,266,450	\$ 2,012,123	\$ 2,014,329
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%

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, 2021**

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

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

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, 2021

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	25 years as of 1/1/2020
Asset valuation	Market value of plan assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value
Salary increases	Ages 20-29 5.00%, Ages 30-39 3.50%, Ages 40+ 2.75%
Cost of living increases:	2.05%
Investment Rate of Return	7.25%
Retirement age	Age 60 35%, Ages 61-64 5%, Age 65 40%, Ages 66-69 30%, Ages 70+ 100%
Mortality	SOA PubG-2010(B), Scale MP-2018 Fully Generational
Disabled Mortality	SOA PubG-2010 Disabled, Scale MP-2018 Fully Generational

*This is a summary of the methods and assumptions for the 1/1/20 Actuarial Valuation

Notes to Schedule - LES OPEB

Valuation date: Actuarially determined contribution rates for 2020 were calculated based on July 1, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Total OPEB Liability (TOL)	The TOL is determined by calculating the Present Value of Projected Benefits at that date, and subtracting the Present Value of future Service Costs.
Interest	Rate if trust fund is not established - 3.50% per year compounded annually, net of expenses.
Salary Increase	3.50% per year
Health Trend	Health Trend rate is 7.50% starting in 2019 reduced each year by 0.5% until 4.50%
Age Related Health Trend	Based on discussion with the System, retirees' claims do not increase the premiums; therefore no implicit active subsidy of retiree premiums
Coverage Assumption	70% new retirees will select Employee/Spouse Coverage
Mortality	RPH-2014 Headcount weighted Fully Generational mortality table

There was a change in assumptions related to a change in discount rate from 3.50% to 2.16%.

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
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSETS
TEACHER LEGACY PENSION PLAN of TCRS
JUNE 30, 2021

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Lexington City School's proportion of the net pension asset	0.104835%	0.102809%	0.104496%	0.09933200%	0.09359900%	0.09488500%	0.09748900%
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)
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
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%
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%

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, 2021

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially Determined Contribution (ADC)	\$ 365,390	\$ 347,918	\$ 340,998	\$ 317,564	\$ 297,598	\$ 332,798	\$ 344,908	\$ 334,970
Contribution in relation to the actuarially determined contribution	<u>365,390</u>	<u>347,918</u>	<u>340,998</u>	<u>317,564</u>	<u>297,598</u>	<u>332,798</u>	<u>344,908</u>	<u>334,970</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lexington City School's covered payroll	\$ 4,114,749	\$ 3,848,655	\$ 3,772,098	\$ 3,512,880	\$ 3,277,515	\$ 3,181,623	\$ 3,244,671	\$ 3,261,634
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%

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, 2021

	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.

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN of TCRS
JUNE 30, 2021

	2015	2016	2017	2018	2019*	2020**	2021***
Actuarially Determined Contribution (ADC)	\$ 5,353	\$ 7,817	\$ 19,924	\$ 7,625	\$ 10,772	\$ 12,266	\$ 10,599
Contribution in relation to the actuarially determined contribution	8,565	12,491	19,924	18,702	10,772	12,266	10,599
Contribution deficiency (excess)	<u>\$ (3,212)</u>	<u>\$ (4,674)</u>	<u>\$ -</u>	<u>\$ (11,077)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 604,236	\$ 519,559
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.04%

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 (2.04%) of covered payroll into the pension plan and placed 1.96% of covered payroll into the Pension Stabilization Reserve Trust.

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - SCHOOL SYSTEM
(dollar amounts in thousands)
JUNE 30, 2021

	<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>
Total OPEB Liability								
Service cost	\$ 72	\$ 6	\$ 67	\$ 5	\$ 56	\$ 4	\$ 51	\$ 4
Interest	28	10	34	12	31	12	31	12
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(166)	(6)	30	22	55	8
Changes of assumptions	(48)	(28)	18	(3)	(64)	6	135	66
Benefit payments	(41)	(15)	(44)	(16)	(26)	(17)	(39)	(18)
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>
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>
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>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 319	\$ 333	\$ 285	\$ 325	\$ 300	\$ 351	\$ 361	\$ 424
Employer's proportionate share of the collective total OPEB liability	\$ 587	\$ -	\$ 530	\$ -	\$ 541	\$ -	\$ 713	\$ -
Covered-employee payroll	\$ 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

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%.

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

CITY OF LEXINGTON, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	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	\$ 171,699	\$ 1,087,752	\$ 94,902	\$ 188,412	\$ 3,506	\$ 7,846	\$ 93,947	\$ 2,040	\$ -	\$ 1,149,717	\$ 2,799,821
Other receivables	-	-	-	-	-	-	-	-	-	19,682	19,682
Due from other funds	-	-	-	56,876	-	-	-	-	-	-	56,876
Prepaid insurance	-	-	-	20,422	-	-	-	-	-	-	20,422
Inventory	-	-	31,259	-	-	-	-	-	-	-	31,259
Due from other governments	50,993	307,736	-	-	-	-	-	-	-	-	358,729
TOTAL ASSETS	<u>\$ 222,692</u>	<u>\$ 1,395,488</u>	<u>\$ 126,161</u>	<u>\$ 265,710</u>	<u>\$ 3,506</u>	<u>\$ 7,846</u>	<u>\$ 93,947</u>	<u>\$ 2,040</u>	<u>\$ -</u>	<u>\$ 1,169,399</u>	<u>\$ 3,286,789</u>
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ -	\$ 2,065	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,065
Accrued liabilities	-	-	-	11,548	-	-	-	-	-	-	11,548
Unearned revenues	-	-	9,757	-	-	22,937	-	-	-	-	32,694
Due to other funds	-	7,256	-	89,226	-	-	-	-	-	-	96,482
TOTAL LIABILITIES	<u>-</u>	<u>7,256</u>	<u>9,757</u>	<u>102,839</u>	<u>-</u>	<u>-</u>	<u>22,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,789</u>
FUND BALANCES											
Nonspendable											
Inventory	-	-	31,259	-	-	-	-	-	-	-	31,259
Prepaid expenses	-	-	-	20,422	-	-	-	-	-	-	20,422
Restricted											
State street aid	222,692	-	-	-	-	-	-	-	-	-	222,692
School food authority	-	-	85,145	-	-	-	-	-	-	-	85,145
E-citation fund	-	-	-	-	-	7,846	-	-	-	-	7,846
Drug fund	-	-	-	-	-	-	71,010	-	-	-	71,010
Solid waste	-	-	-	142,449	-	-	-	-	-	-	142,449
Assigned											
DARE fund	-	-	-	-	3,506	-	-	-	-	-	3,506
Debt service	-	1,388,232	-	-	-	-	2,040	-	-	-	1,390,272
Capital projects	-	-	-	-	-	-	-	-	1,169,399	-	1,169,399
TOTAL FUND BALANCES	<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>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 222,692</u>	<u>\$ 1,395,488</u>	<u>\$ 126,161</u>	<u>\$ 265,710</u>	<u>\$ 3,506</u>	<u>\$ 7,846</u>	<u>\$ 93,947</u>	<u>\$ 2,040</u>	<u>\$ -</u>	<u>\$ 1,169,399</u>	<u>\$ 3,286,789</u>

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

CITY OF LEXINGTON, TENNESSEE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2021

	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 General City Sinking Fund	School Debt Fund	Capital Projects Post Office Fund	Total Other Governmental Funds
Revenues:											
Taxes	\$ -	\$ 1,702,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 221,295	\$ 1,923,837
Intergovernmental	276,922	-	498,150	-	-	-	-	-	-	-	775,072
Charges for services	-	-	7,156	944,169	-	-	-	-	-	-	951,325
Fines, forfeitures, and penalties	-	-	-	-	-	5,391	38,771	-	-	-	44,162
Other revenue	213	46,444	23,550	3,151	-	6	15,351	3	-	259,147	347,865
Total Revenues	<u>277,135</u>	<u>1,748,986</u>	<u>528,856</u>	<u>947,320</u>	<u>-</u>	<u>5,397</u>	<u>54,122</u>	<u>3</u>	<u>-</u>	<u>480,442</u>	<u>4,042,261</u>
Expenditures:											
Current:											
Public works	220,828	-	-	1,067,943	-	-	-	-	-	-	1,288,771
Public safety	-	-	-	-	2,022	-	52,397	-	-	-	54,419
Health, welfare and recreation	-	8,224	547,208	-	-	-	-	-	-	2,475	557,907
Economic and community development	-	-	-	-	-	-	-	-	-	439,794	439,794
Capital outlay	-	1,433	-	-	-	2,698	137,699	-	-	50,642	192,472
Debt Service	-	-	-	30,000	-	-	-	-	549,490	-	579,490
Total Expenditures	<u>220,828</u>	<u>9,657</u>	<u>547,208</u>	<u>1,097,943</u>	<u>2,022</u>	<u>2,698</u>	<u>190,096</u>	<u>-</u>	<u>549,490</u>	<u>492,911</u>	<u>3,112,853</u>
Revenues over Expenditures	<u>56,307</u>	<u>1,739,329</u>	<u>(18,352)</u>	<u>(150,623)</u>	<u>(2,022)</u>	<u>2,699</u>	<u>(135,974)</u>	<u>3</u>	<u>(549,490)</u>	<u>(12,469)</u>	<u>929,408</u>
Other Financing Sources (Uses)											
Sale of capital assets	-	-	-	-	-	-	61,840	-	-	-	61,840
Operating transfer in (out)	-	(992,490)	-	132,437	3,500	-	(3,500)	-	549,490	-	(310,563)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(992,490)</u>	<u>-</u>	<u>132,437</u>	<u>3,500</u>	<u>-</u>	<u>58,340</u>	<u>-</u>	<u>549,490</u>	<u>-</u>	<u>(248,723)</u>
Net Change in Fund Balances	<u>56,307</u>	<u>746,839</u>	<u>(18,352)</u>	<u>(18,186)</u>	<u>1,478</u>	<u>2,699</u>	<u>(77,634)</u>	<u>3</u>	<u>-</u>	<u>(12,469)</u>	<u>680,685</u>
Fund Balance at Beginning of Year, as previously reported	166,385	641,393	154,442	181,057	2,028	5,147	148,644	2,037	-	1,181,868	2,483,001
Change in reserve for inventory	-	-	(19,686)	-	-	-	-	-	-	-	(19,686)
Fund Balance at Beginning of Year, as restated	166,385	641,393	134,756	181,057	2,028	5,147	148,644	2,037	-	1,181,868	2,463,315
Fund Balance at End of Year	<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>

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

**CITY OF LEXINGTON, TENNESSEE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

STUDENT ACTIVITY FUND	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2021</u>
ASSETS				
Cash	\$ 157,569	\$ 224,564	\$ 211,431	\$ 170,702
Accounts receivable	-	-	-	-
	<u>\$ 157,569</u>	<u>\$ 224,564</u>	<u>\$ 211,431</u>	<u>\$ 170,702</u>
 Liabilities				
Due to student groups	\$ 156,308	\$ 224,564	\$ 210,979	\$ 169,893
Accounts Payable	1,261	809	1,261	809
	<u>\$ 157,569</u>	<u>\$ 225,373</u>	<u>\$ 212,240</u>	<u>\$ 170,702</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, 2021**

	<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	\$ 268,116	\$ 142,175	\$ (125,941)
State gas 1989 tax	-	-	22,165	22,165
State 2017 gas tax	-	-	71,511	71,511
State gas three cent tax	-	-	41,071	41,071
Other revenues				
Interest income	1,300	180	213	33
Total revenues	<u>251,300</u>	<u>268,296</u>	<u>277,135</u>	<u>8,839</u>
Expenditures:				
Public Works:				
Street lighting	206,237	195,706	192,478	3,228
Repairs and maintenance	34,100	25,200	28,350	(3,150)
Capital Outlay	-	30,000	-	30,000
Total expenditures	<u>240,337</u>	<u>250,906</u>	<u>220,828</u>	<u>30,078</u>
Revenues over (under) Expenditures	<u>10,963</u>	<u>17,390</u>	<u>56,307</u>	<u>38,917</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	10,963	17,390	56,307	38,917
Fund Balance at Beginning of Year	<u>166,385</u>	<u>166,385</u>	<u>166,385</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 177,348</u>	<u>\$ 183,775</u>	<u>\$ 222,692</u>	<u>\$ 38,917</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Local option sales tax	\$ 1,294,964	\$ 1,660,020	\$ 1,702,542	\$ 42,522
Other revenues:				
Miscellaneous income	-	-	30,785	30,785
Interest income	17,669	18,150	15,659	(2,491)
Total Revenues	<u>1,312,633</u>	<u>1,678,170</u>	<u>1,748,986</u>	<u>70,816</u>
Expenditures:				
Health, Welfare and Recreation:				
Operating costs	4,500	6,967	8,224	(1,257)
Paying agent fees	4,500	2,863	1,433	1,430
Capital projects	25,000	25,000	-	25,000
Total Expenditures	<u>34,000</u>	<u>34,830</u>	<u>9,657</u>	<u>25,173</u>
Revenues over (under) Expenditures	<u>1,278,633</u>	<u>1,643,340</u>	<u>1,739,329</u>	<u>95,989</u>
Other financing sources and uses:				
Transfers out	(980,156)	(992,989)	(992,490)	499
Total Other financing sources and uses	<u>(980,156)</u>	<u>(992,989)</u>	<u>(992,490)</u>	<u>499</u>
Net Change in Fund Balances	298,477	650,351	746,839	96,488
Fund Balance at Beginning of Year	<u>641,393</u>	<u>641,393</u>	<u>641,393</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 939,870</u>	<u>\$ 1,291,744</u>	<u>\$ 1,388,232</u>	<u>\$ 96,488</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, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2020	Encumbrances 6/30/2021		
Revenues							
Payment for lunches							
Student	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adult	9,500	6,494	6,494	-	-	6,494	-
Payment for breakfast							
Student	27,000	662	662	-	-	662	-
USDA - lunch programs	234,000	313,675	313,675	-	-	313,675	-
USDA - breakfast programs	110,000	144,425	144,425	-	-	144,425	-
USDA - commodities	35,509	24,057	24,057	-	-	24,057	-
USDA - other	15,000	9,298	12,078	-	-	12,078	2,780
State matching funds	4,500	3,915	3,915	-	-	3,915	-
A La Carte sales	34,000	21,901	21,901	-	-	21,901	-
Revenues from individual schools	2,000	1,103	1,103	-	-	1,103	-
Interest income	500	273	311	-	-	311	38
Other revenues	-	235	235	-	-	235	-
Total Revenues	532,009	526,038	528,856	-	-	528,856	2,818
Expenditures							
Food supplies	176,078	206,825	206,825	-	-	206,825	-
Personnel expenditures							
Supervisor/director	36,288	36,288	35,748	-	-	35,748	540
Accountants and bookkeepers	22,805	22,805	22,522	-	-	22,522	283
Cafeteria personnel	149,300	134,670	134,507	-	-	134,507	163
Bonus payments	-	20,065	20,065	-	-	20,065	-
Other salaries and wages	4,000	200	-	-	-	-	200
Inservice training	1,650	969	-	-	-	-	969
Social security	13,270	11,570	11,521	-	-	11,521	49
Medical insurance	69,175	61,673	61,494	-	-	61,494	179
Dental insurance	966	1,120	885	-	-	885	235
Unemployment compensation	650	650	587	-	-	587	63
Retirement	10,624	9,255	9,190	-	-	9,190	65
Employer medicare	3,103	3,103	2,694	-	-	2,694	409
Dues and memberships	250	250	-	-	-	-	250
Operations and maintenance							
Maintenance and repair	5,000	2,100	1,074	-	-	1,074	1,026
Nonfood supplies							
Food preparation supplies	12,000	22,200	22,200	-	-	22,200	-
Office supplies	1,000	1,541	1,541	-	-	1,541	-
Printing, stationery and forms	400	1,201	1,201	-	-	1,201	-
Uniforms	800	800	-	-	-	-	800
Other supplies and materials	4,000	4,361	4,168	-	-	4,168	193
Other							
Postal charges	100	103	90	-	-	90	13
Other contracted services	10,000	8,429	8,265	-	-	8,265	164
Other transportation	3,000	3,000	1,938	-	-	1,938	1,062
Travel	50	50	24	-	-	24	26
Inservice/staff development	5,000	400	344	-	-	344	56
Other charges	500	500	-	-	-	-	500
Food service equipment - capital outlay	2,000	410	325	-	-	325	85
Total Expenditures	532,009	554,538	547,208	-	-	547,208	7,330
Excess (deficiency) of revenues over (under) expenditures	-	(28,500)	(18,352)	-	-	(18,352)	10,148
Fund balance - beginning of year, as previously reported	154,442	154,442	154,442	-	-	154,442	-
Change in reserve for inventory	-	-	(19,686)	-	-	(19,686)	(19,686)
Fund balance - beginning of year, as restated	154,442	154,442	134,756	-	-	134,756	(19,686)
Fund balance - end of year	\$ 154,442	\$ 125,942	\$ 116,404	\$ -	\$ -	\$ 116,404	\$ (9,538)

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for Services:				
Collection charges	\$ 676,800	\$ 623,613	\$ 681,667	\$ 58,054
Transfer stations use charge	156,000	265,117	259,423	(5,694)
Landfill use fees	-	59,357	-	(59,357)
Recovery of bad debts	3,200	1,718	3,079	1,361
Other revenues:				
Interest revenue	800	75	103	28
Miscellaneous income	8,000	1,939	3,048	1,109
Total revenues	<u>844,800</u>	<u>951,819</u>	<u>947,320</u>	<u>(4,499)</u>
Expenditures				
Public Works:				
Salaries	339,094	343,656	337,592	6,064
Payroll taxes	27,128	27,492	26,350	1,142
Hospital and health insurance	74,875	68,068	67,096	972
Retirement	16,203	24,020	23,087	933
Other benefits	6,022	6,854	4,997	1,857
Workers compensation insurance	23,850	16,764	21,172	(4,408)
Unemployment insurance	350	165	233	(68)
Employee education and benefits	1,500	1,109	365	744
Memberships	50	50	-	50
Utilities	7,771	4,788	4,523	265
Telephone	2,400	1,837	1,554	283
Public notices	100	-	-	-
Compensation for damages	-	5,000	7,540	(2,540)
Tires, flats, etc.	12,500	10,392	10,341	51
R&M vehicles	10,100	20,539	20,661	(122)
R&M machinery and equipment	15,000	5,053	5,635	(582)
R&M grounds	2,500	6,850	6,846	4
R&M buildings	2,500	13,000	12,419	581
R&M other	4,500	259	28,867	(28,608)
Travel	3,300	-	54	(54)
Office supplies	1,500	580	676	(96)
Operating supplies	2,000	2,526	238	2,288
Meals for trustees	-	2,702	110	2,592
Janitorial supplies	700	245	-	245
Clothing and uniforms	3,500	2,664	2,549	115
Fuel supplies	46,200	40,313	33,055	7,258
Consumable tools	2,250	461	365	96
Small items of equipment	2,000	-	250	(250)
Safety supplies	1,250	410	370	40
Insurance	14,707	11,552	7,823	3,729
Tipping fees	204,000	349,409	352,227	(2,818)
Permit fees	4,000	3,650	4,500	(850)
Soil testing	5,000	2,000	-	2,000
Medical costs	200	170	270	(100)
Lease payment	67,000	63,670	63,657	13
Bad debt expense	12,000	4,788	7,125	(2,337)
Interest on bonds	15,396	15,396	15,396	-
Bond principal	-	30,000	30,000	-
Capital outlay	73,000	28,617	-	28,617
Total expenditures	<u>1,004,446</u>	<u>1,115,049</u>	<u>1,097,943</u>	<u>17,106</u>
Revenues over (under) expenditures	<u>(159,646)</u>	<u>(163,230)</u>	<u>(150,623)</u>	<u>12,607</u>
Other financing sources and uses:				
Premiums on bond sales	1,057	-	-	-
Transfers in (out)	125,000	132,067	132,437	370
Total other financing sources and uses	<u>126,057</u>	<u>132,067</u>	<u>132,437</u>	<u>370</u>
Net change in fund balances	<u>(33,589)</u>	<u>(31,163)</u>	<u>(18,186)</u>	<u>12,977</u>
Fund Balance at Beginning of Year	<u>181,057</u>	<u>181,057</u>	<u>181,057</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 147,468</u>	<u>\$ 149,894</u>	<u>\$ 162,871</u>	<u>\$ 12,977</u>

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

**CITY OF LEXINGTON, TENNESSEE
DARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021**

	<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	650	650	-
Education program operating supplies	600	1,372	1,372	-
Total expenditures	<u>4,100</u>	<u>2,022</u>	<u>2,022</u>	<u>-</u>
Revenues over (under) expenditures	<u>(4,100)</u>	<u>(2,022)</u>	<u>(2,022)</u>	<u>-</u>
Other financing sources and uses:				
Transfers in	3,500	3,500	3,500	-
Net change in fund balances	(600)	1,478	1,478	-
Fund Balance at Beginning of Year	<u>2,028</u>	<u>2,028</u>	<u>2,028</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,428</u>	<u>\$ 3,506</u>	<u>\$ 3,506</u>	<u>\$ -</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines, forfeitures, and penalties:				
Police fines and fees	\$ 5,000	\$ 4,961	\$ 5,391	\$ 430
Other revenues:				
Interest income	450	4	6	2
Total revenues	<u>5,450</u>	<u>4,965</u>	<u>5,397</u>	<u>432</u>
Expenditures:				
Capital outlay	-	2,698	2,698	-
Total expenditures	<u>-</u>	<u>2,698</u>	<u>2,698</u>	<u>-</u>
Revenues over (under) expenditures	<u>5,450</u>	<u>2,267</u>	<u>2,699</u>	<u>432</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	2,267	2,699	432
Fund Balance at Beginning of Year	<u>5,147</u>	<u>5,147</u>	<u>5,147</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 10,597</u>	<u>\$ 7,414</u>	<u>\$ 7,846</u>	<u>\$ 432</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, 2021**

	<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	\$ 6,620	\$ 12,796	\$ 14,369	\$ 1,573
Forfeitures	4,870	3,200	5,162	1,962
Handling fees	-	-	200	200
Sale of seized property	6,510	19,040	19,040	-
Other revenues:				
Donation	-	-	12,000	12,000
Miscellaneous	-	-	2,998	2,998
Interest income	1,782	283	353	70
Total revenues	<u>19,782</u>	<u>35,319</u>	<u>54,122</u>	<u>18,803</u>
Expenditures:				
Public Safety:				
Vehicle licenses and titles	-	277	310	(33)
Ammunition	-	7,998	8,259	(261)
Vehicle tow (seized property)	500	175	260	(85)
Repair and maintenance	1,300	2,715	18,281	(15,566)
Operating costs	15,500	12,327	23,287	(10,960)
Educational costs	2,000	2,000	2,000	-
Small items of equipment	2,000	-	-	-
Capital outlay	-	153,000	137,699	15,301
Total expenditures	<u>21,300</u>	<u>178,492</u>	<u>190,096</u>	<u>(11,604)</u>
Revenues over (under) expenditures	<u>(1,518)</u>	<u>(143,173)</u>	<u>(135,974)</u>	<u>7,199</u>
Other financing sources and uses:				
Transfer out	(3,500)	(3,500)	(3,500)	-
Sale of capital assets	100	2,390	61,840	59,450
Total other financing sources and uses	<u>(3,400)</u>	<u>(1,110)</u>	<u>58,340</u>	<u>59,450</u>
Net change in fund balances	(4,918)	(144,283)	(77,634)	66,649
Fund Balance at Beginning of Year	<u>148,644</u>	<u>148,644</u>	<u>148,644</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 143,726</u>	<u>\$ 4,361</u>	<u>\$ 71,010</u>	<u>\$ 66,649</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Other revenues:				
Interest income	\$ 35	\$ 2	\$ 3	\$ 1
Total revenues	<u>35</u>	<u>2</u>	<u>3</u>	<u>1</u>
Expenditures:				
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>35</u>	<u>2</u>	<u>3</u>	<u>1</u>
Net change in fund balances	35	2	3	1
Fund Balance at Beginning of Year	<u>2,037</u>	<u>2,037</u>	<u>2,037</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,072</u>	<u>\$ 2,039</u>	<u>\$ 2,040</u>	<u>\$ 1</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHOOL DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2020	Add: Encumbrances 6/30/2021	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-
Expenditures							
Debt Service							
Principal	850,000	850,000	496,919	-	-	496,919	353,081
Interest	120,000	120,000	52,571	-	-	52,571	67,429
Total Expenditures	970,000	970,000	549,490	-	-	549,490	420,510
Excess (deficiency) of revenues over (under) expenditures	(970,000)	(970,000)	(549,490)	-	-	(549,490)	420,510
Other financing sources and (uses)							
Transfers in	970,000	970,000	549,490	-	-	549,490	(420,510)
Total other financing sources and (uses)	970,000	970,000	549,490	-	-	549,490	(420,510)
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, 2021

	<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	\$ 170,000	\$ 216,492	\$ 221,295	\$ 4,803
Other revenues:				
Donation from hospital trust	-	254,026	254,026	-
Interest income	20,000	1,247	1,721	474
Fireworks contributions	14,000	2,900	3,400	500
Total Revenues	<u>204,000</u>	<u>474,665</u>	<u>480,442</u>	<u>5,777</u>
Expenditures:				
Economic development:				
Industrial development expenses	345,000	439,562	439,794	(232)
Health, welfare and recreation:				
Fireworks	14,000	2,500	2,475	25
Capital projects	50,000	142,479	50,642	91,837
Total Expenditures	<u>409,000</u>	<u>584,541</u>	<u>492,911</u>	<u>91,630</u>
Revenues over (under) Expenditures	<u>(205,000)</u>	<u>(109,876)</u>	<u>(12,469)</u>	<u>97,407</u>
Other financing sources and uses:				
Transfers in	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(205,000)	(109,876)	(12,469)	97,407
Fund Balance at Beginning of Year	<u>1,181,868</u>	<u>1,181,868</u>	<u>1,181,868</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 976,868</u>	<u>\$ 1,071,992</u>	<u>\$ 1,169,399</u>	<u>\$ 97,407</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, 2021

Levy for Year	Tax Rate	Assessed Value	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2021	1.21	\$ 189,491,395	\$ 2,288,155	\$ -	\$ 2,288,155	\$ -	\$ -	\$ 2,288,155
2020	1.21	188,656,284	2,278,072	2,244,245	33,827	(8,717)	2,203,464	65,891
2019	1.21	187,870,835	2,268,575	79,376	-	2,223	75,521	6,078
2018	1.21	183,131,696	2,211,386	5,353	-	(4)	5,125	224
2017	1.21	183,444,653	2,212,920	544	-	-	207	337
2016	1.23	175,652,631	2,160,565	328	-	-	5	323
2015	1.23	174,738,487	2,155,335	86	-	-	5	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>\$ 2,331,235</u>	<u>\$ 2,321,982</u>	<u>\$ (6,498)</u>	<u>\$ 2,284,327</u>	<u>\$ 2,362,392</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, 2021

Year Ending June 30,	EESI Loan		School Refunding Series 2020		Public Works Series 2020		Bond Series 2019		Refunding Bond Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 26,436	\$ -	\$ 395,000	\$ 49,875	\$ 60,000	\$ 92,290	\$ 60,000	\$ 40,499	\$ 22,340	\$ 3,281	\$ 563,776	\$ 185,945
2023	-	-	395,000	45,925	60,000	91,090	60,000	38,299	23,039	2,835	538,039	178,149
2024	-	-	400,000	41,975	60,000	89,890	65,000	36,099	23,737	2,373	548,737	170,337
2025	-	-	405,000	37,975	70,000	98,690	65,000	33,699	24,784	1,899	564,784	172,263
2026	-	-	410,000	33,925	70,000	97,290	70,000	31,224	25,831	1,403	575,831	163,842
2027	-	-	415,000	29,825	70,000	95,890	70,000	28,674	26,878	886	581,878	155,275
2028	-	-	420,000	24,637	70,000	93,790	70,000	25,830	17,450	349	577,450	144,606
2029	-	-	425,000	19,387	70,000	91,690	75,000	22,767	-	-	570,000	133,844
2030	-	-	430,000	14,075	80,000	99,590	75,000	19,687	-	-	585,000	133,352
2031	-	-	435,000	8,700	80,000	97,990	75,000	16,312	-	-	590,000	123,002
2032	-	-	-	-	80,000	96,390	80,000	12,487	-	-	160,000	108,877
2033	-	-	-	-	80,000	94,790	80,000	8,325	-	-	160,000	103,115
2034	-	-	-	-	80,000	93,190	80,000	4,162	-	-	160,000	97,352
2035	-	-	-	-	80,000	91,590	-	-	-	-	80,000	91,590
2036	-	-	-	-	80,000	89,910	-	-	-	-	80,000	89,910
2037	-	-	-	-	90,000	98,190	-	-	-	-	90,000	98,190
2038	-	-	-	-	90,000	96,210	-	-	-	-	90,000	96,210
2039	-	-	-	-	90,000	94,185	-	-	-	-	90,000	94,185
2040	-	-	-	-	90,000	92,115	-	-	-	-	90,000	92,115
	<u>\$ 26,436</u>	<u>\$ -</u>	<u>\$ 4,130,000</u>	<u>\$ 306,299</u>	<u>\$ 1,450,000</u>	<u>\$ 1,794,770</u>	<u>\$ 925,000</u>	<u>\$ 318,064</u>	<u>\$ 164,059</u>	<u>\$ 13,026</u>	<u>\$ 6,695,495</u>	<u>\$ 2,432,159</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, 2021

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
2022	\$ 296,128	\$ 43,494	\$ 100,000	\$ 45,660	\$ 80,750	\$ 39,328	\$ 270,000	\$ 119,350	\$ 330,000	\$ 169,533	\$ 1,076,878	\$ 417,365
2023	305,382	37,571	101,000	42,660	80,750	38,137	275,000	113,950	335,000	162,932	1,097,132	395,250
2024	314,636	31,484	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	-	-	117,900	3,540	106,250	12,408	-	-	435,000	61,382	659,150	77,330
2036	-	-	-	-	110,500	9,155	-	-	450,000	52,247	560,500	61,402
2037	-	-	-	-	114,750	5,634	-	-	450,000	42,572	564,750	48,206
2038	-	-	-	-	115,500	1,899	-	-	460,000	32,672	575,500	34,571
2039	-	-	-	-	-	-	-	-	475,000	22,323	475,000	22,323
2040	-	-	-	-	-	-	-	-	485,000	11,397	485,000	11,397
	<u>\$ 2,174,692</u>	<u>\$ 172,681</u>	<u>\$ 1,521,900</u>	<u>\$ 352,170</u>	<u>\$ 1,620,000</u>	<u>\$ 406,796</u>	<u>\$ 4,160,000</u>	<u>\$ 916,550</u>	<u>\$ 7,605,000</u>	<u>\$ 1,807,768</u>	<u>\$ 17,081,592</u>	<u>\$ 3,655,965</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, 2021

Year Ending June 30,	2012 General Obligation Bonds		2017 General Obligation Bonds		2019 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 1,532	\$ 225	\$ 109,250	\$ 53,209	\$ 75,000	\$ 32,800	\$ 185,782	\$ 86,234
2023	1,579	194	109,250	51,598	80,000	31,300	190,829	83,092
2024	1,627	163	112,125	49,826	75,000	29,700	188,752	79,689
2025	1,699	130	112,125	47,892	80,000	27,450	193,824	75,472
2026	1,771	96	115,000	45,761	80,000	25,050	196,771	70,907
2027	1,843	61	117,875	43,373	80,000	22,650	199,718	66,084
2028	1,196	24	120,750	40,747	85,000	20,250	206,946	61,021
2029	-	-	123,625	37,936	90,000	17,700	213,625	55,636
2030	-	-	126,500	34,934	95,000	15,000	221,500	49,934
2031	-	-	129,375	31,735	100,000	12,150	229,375	43,885
2032	-	-	132,250	28,366	95,000	9,150	227,250	37,516
2033	-	-	138,000	24,749	100,000	6,300	238,000	31,049
2034	-	-	140,875	20,880	110,000	3,300	250,875	24,180
2035	-	-	143,750	16,787	-	-	143,750	16,787
2036	-	-	149,500	12,387	-	-	149,500	12,387
2037	-	-	155,250	7,623	-	-	155,250	7,623
2038	-	-	159,500	2,569	-	-	159,500	2,569
	<u>\$ 11,247</u>	<u>\$ 893</u>	<u>\$ 2,195,000</u>	<u>\$ 550,372</u>	<u>\$ 1,145,000</u>	<u>\$ 252,800</u>	<u>\$ 3,351,247</u>	<u>\$ 804,065</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, 2021

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
2022	\$ 420,000	\$ 120,431	\$ 280,000	\$ 179,051	\$ 120,000	\$ 88,618	\$ 820,000	\$ 388,100
2023	425,000	112,031	290,000	172,173	120,000	85,018	835,000	369,222
2024	435,000	103,531	295,000	162,023	125,000	80,218	855,000	345,772
2025	445,000	94,831	310,000	150,760	130,000	75,218	885,000	320,809
2026	450,000	85,931	320,000	136,660	140,000	70,018	910,000	292,609
2027	460,000	75,806	335,000	120,285	145,000	64,418	940,000	260,509
2028	475,000	65,456	345,000	103,160	150,000	60,068	970,000	228,684
2029	485,000	53,581	360,000	85,160	150,000	55,568	995,000	194,309
2030	495,000	41,456	375,000	66,160	155,000	51,068	1,025,000	158,684
2031	510,000	28,463	390,000	46,160	160,000	46,418	1,060,000	121,041
2032	525,000	14,438	405,000	27,310	165,000	41,618	1,095,000	83,366
2033	-	-	425,000	9,810	170,000	36,668	595,000	46,478
2034	-	-	445,000	796	175,000	31,143	620,000	31,939
2035	-	-	465,000	569	180,000	25,455	645,000	26,024
2036	-	-	485,000	341	190,000	19,605	675,000	19,946
2037	-	-	505,000	114	195,000	13,430	700,000	13,544
2038	-	-	-	-	200,000	6,800	200,000	6,800
	<u>\$ 5,125,000</u>	<u>\$ 795,955</u>	<u>\$ 6,030,000</u>	<u>\$ 1,260,532</u>	<u>\$ 2,670,000</u>	<u>\$ 851,349</u>	<u>\$ 13,825,000</u>	<u>\$ 2,907,836</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, 2021

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	\$ 83,673	\$ -	\$ 9,752	\$ -	\$ 73,921
Public Works Refund Bonds, Series 2019 General Portion	\$ 830,000	2.00 to 3.00%	2/7/2019	3/1/2034	785,000	-	45,000	-	740,000
2020 Public Works Improvement Bonds General Portion	\$ 1,510,000	2.00 to 2.36%	4/30/2020	4/1/2040	1,510,000	-	60,000	-	1,450,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Fund					<u>2,378,673</u>	<u>-</u>	<u>114,752</u>	<u>-</u>	<u>2,263,921</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	195,000	-	10,000	-	185,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>195,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>185,000</u>
BONDS PAYABLE									
Payable through City of Lexington School Tax Fund									
2004 Qualified Zone Academy Bonds	\$ 1,208,462	0.00%	11/24/2005	11/24/2020	75,529	-	75,529	-	-
2012 General Obligation Public Improvement Bonds	\$ 171,835	1.00 - 2.00%	10/18/2012	4/1/2028	102,028	-	11,890	-	90,138
2020 General Obligation School Refunding Bonds	\$ 4,530,000	1.00 - 2.00%	6/30/2020	5/1/2031	4,530,000	-	400,000	-	4,130,000
TOTAL BONDS PAYABLE - Payable through City of Lexington School Tax Fund					<u>4,707,557</u>	<u>-</u>	<u>487,419</u>	<u>-</u>	<u>4,220,138</u>
TOTAL BONDS PAYABLE					<u>\$ 7,281,230</u>	<u>\$ -</u>	<u>\$ 612,171</u>	<u>\$ -</u>	<u>\$ 6,669,059</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	\$ 61,668	\$ -	\$ 35,232	\$ -	\$ 26,436
TOTAL OTHER LOANS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>\$ 61,668</u>	<u>\$ -</u>	<u>\$ 35,232</u>	<u>\$ -</u>	<u>\$ 26,436</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	5,535,000	-	410,000	-	5,125,000
Revenue Refunding Bond - Series 2019	\$ 6,300,000	.05% - 5.00%	7/25/2019	9/1/2036	6,300,000	-	270,000	-	6,030,000
Electric Revenue Bonds - Series 2018	\$ 3,000,000	3.00 to 4.00%	5/22/2018	6/1/2038	2,785,000	-	115,000	-	2,670,000
TOTAL BONDS PAYABLE - Payable through Lexington Electric System					<u>\$ 14,620,000</u>	<u>\$ -</u>	<u>\$ 795,000</u>	<u>\$ -</u>	<u>\$ 13,825,000</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	12,731	-	1,484	-	11,247
General Obligation Public Works Bonds, Series 2017 Gas Portion	\$ 2,300,000	1.30 to 3.25%	7/20/2017	7/15/2037	2,300,000	-	105,000	-	2,195,000
Public Works Refund Bonds, Series 2019 Gas Portion	\$ 1,300,000	2.00 to 3.00%	2/7/2019	3/1/2034	1,225,000	-	80,000	-	1,145,000
TOTAL BONDS PAYABLE - Payable through Lexington Gas System Fund					<u>\$ 3,537,731</u>	<u>\$ -</u>	<u>\$ 186,484</u>	<u>\$ -</u>	<u>\$ 3,351,247</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	2,461,567	-	286,875	-	2,174,692
General Obligation Public Works Bonds, Series 2017 Water Portion	\$ 1,700,000	1.30 to 3.25%	7/20/2017	7/15/2037	1,700,000	-	80,000	-	1,620,000
Public Works Refund Bond, Series 2019 Water Portion	\$ 4,675,000	2.00 to 3.00%	2/7/2019	3/1/2034	4,425,000	-	265,000	-	4,160,000
Public Works Improvement Bonds, Series 2020 Water Portion	\$ 7,940,000	2.00 to 3.00%	4/30/2020	4/30/2030	7,940,000	-	335,000	-	7,605,000
TOTAL BONDS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 16,526,567</u>	<u>\$ -</u>	<u>\$ 966,875</u>	<u>\$ -</u>	<u>\$ 15,559,692</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	\$ 1,619,900	\$ -	\$ 98,000	\$ -	\$ 1,521,900
TOTAL OTHER LOANS PAYABLE - Payable through Lexington Water System Fund					<u>\$ 1,619,900</u>	<u>\$ -</u>	<u>\$ 98,000</u>	<u>\$ -</u>	<u>\$ 1,521,900</u>

**CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT
JUNE 30, 2021**

<u>Tax Year</u>	<u>Outstanding Balance</u>
2019	\$ 6,078
2018	224
2017	337
2016	323
2015	81
2014	141
2012	1,045
Total	<u>\$ 8,229</u>

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

CITY OF LEXINGTON, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2021

GAS FUND					
Residential Rate	Minimum	Base Rate	+	PGA Rate	
First 500 cubic feet (minimum)	\$ 6.70				
Over 500 cubic feet: Inside city (per MCF)		\$ 1.99	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 2.85	+	current PGA	= Rate Per MCF
Small Commercial Rate					
First 500 cubic feet (minimum)	\$ 7.50				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.96	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.96	+	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)		\$ 3.21	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.20	+	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)		\$ 3.34	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.33	+	current PGA	= Rate Per MCF
Transport (Customer buys from 3rd party)		\$ 2.90			
Number of customers at year end:	<u>9,267</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"	\$17.88	+	\$1.00	+	\$3.77	=	\$22.65
1"	\$21.62	+	\$1.00	+	\$3.77	=	\$26.39
1.5"	\$25.35	+	\$1.00	+	\$3.77	=	\$30.12
2"	\$35.62	+	\$1.00	+	\$3.77	=	\$40.39
3"	\$111.25	+	\$1.00	+	\$3.77	=	\$116.02
4"	\$139.26	+	\$1.00	+	\$3.77	=	\$144.03
6"	\$204.62	+	\$1.00	+	\$3.77	=	\$209.39

Consumption Rate Over 2,000 gallons = \$3.77 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"	\$25.91	+	\$1.60	+	\$3.77	=	\$31.28
1"	\$32.61	+	\$1.60	+	\$3.77	=	\$37.98
1.5"	\$39.32	+	\$1.60	+	\$3.77	=	\$44.69
2"	\$57.76	+	\$1.60	+	\$3.77	=	\$63.13
3"	\$193.55	+	\$1.60	+	\$3.77	=	\$198.92
4"	\$243.84	+	\$1.60	+	\$3.77	=	\$249.21
6"	\$361.19	+	\$1.60	+	\$3.77	=	\$366.56

Consumption Rate Over 2,000 gallons = \$3.77 Per 1,000 gallons

BULK WATER - Consumption Rate = \$3.77 Per 1,000 gallons

NUMBER OF CUSTOMERS AT YEAR END: 10,165

SEWER RATES

LEXINGTON		PARKERS CROSSROADS	
Customer Charge 0-2,000 gallons		Customer Charge 0-2,000 gallons	
5/8"	\$19.02	5/8"	\$39.91
1"	\$19.02	1"	\$39.91
1.5"	\$46.87	1.5"	\$115.74
2"	\$46.87	2"	\$115.74
3"	\$78.52	3"	\$164.89
4"	\$78.52	4"	\$164.89
6"	\$78.52	6"	\$164.89

Usage Rate Over 2,000 gallons = \$5.71 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: 3,693

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

CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED
 JUNE 30, 2021

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, 2021

<u>Federal Grantor/Pass- Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
Department of Treasury			
TN CARES Act - COVID-19	21.019	N/A	\$ 115,000
Total Department of Treasury			<u>115,000</u>
Department of Defense			
State Department of General Services			
Law Enforcement Support Office - Program 1033 Non-cash Assistance	12.005	n/a	208,137
Total Department of Defense			<u>208,137</u>
Department of Justice			
Coronavirus Emergency Supplemental Funding/Justice Assistance Grant - COVID-19 Response	16.034	n/a	9,111
STOP, Domestic Violence and Sexual Assault Law Enforcement Investigators	16.588	n/a	50,407
Total Department of Justice			<u>59,518</u>
Department of Homeland Security			
Assistance to Firefighters Grant (AFG)	97.044	EMW-2018-FO-00021	99,157
Total Department of Homeland Security			<u>99,157</u>
Department of Transportation - General Government			
Governor's Highway Safety Office - Network Coordinator	20.600	Z21THS165	7,037
Governor's Highway Safety Office - Network Coordinator	20.600	Z20THS140	9,655
Tennessee Highway Safety Office Fire Department Grant	20.600	Z21THS164	12,433
Total for CFDA #	20.600		<u>29,125</u>
Governor's Highway Safety Office - Enforcement of TN DUI Laws	20.607	Z21THS166	18,637
Governor's Highway Safety Office - Enforcement of TN DUI Laws	20.607	Z20THS139	11,492
Total for CFDA #	20.607		<u>30,129</u>
Total Department of Transportation			<u>59,254</u>
TOTAL FEDERAL AWARDS			<u>541,066</u>
STATE FINANCIAL ASSISTANCE			
Site Development Grant	N/A	N/A	458,100
LPRF grant for 2018 LPRF City of Lexington Guy B Amis Playground Improvement Project	N/A	N/A	187,553
Governor's Local Support Grant - Direct Appropriation	N/A	N/A	200,280
State 2019 Police Salary Supplements	N/A	N/A	22,400
State 2019 Fire Fighting Supplements	N/A	N/A	10,400
TOTAL STATE AWARDS			<u>878,733</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 1,419,799</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, 2021. 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, 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements and have issued our report thereon dated May 13, 2022.

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 below as SAF 2021-001 and COL 2021-001 – COL 2021-003 to be material weaknesses.

SAF 2021-001 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 2021-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS – GENERAL, SSA, DRUG, SALES TAX, 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. 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 2021-002 UNTIMELY RECONCILIATIONS OF ACCOUNTS

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

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

Cause: Oversight.

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

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

2021-003 INACCURATE RECONCILIATIONS OF ACCOUNTS

Condition: Several bank accounts were 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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described below as COL 2021-004 through COL 2021-005.

COL 2021-004 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 2021-005 EXPENDITURES EXCEEDED APPROPRIATIONS – GENERAL FUND AND DRUG FUND

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

City of Lexington, Tennessee's Response to Findings

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

Purpose of this Report

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

Medwin & Associates, PLLC

May 13, 2022

**CITY OF LEXINGTON, TENNESSEE
 SCHEDULE OF DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
 JUNE 30, 2021**

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
SAF 2019-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated/SAF 2021-001
COL 2020-001	General ledger materially misstated before adjustments - general, drug, sales tax, solid water, water, gas	Repeated/COL 2021-001
COL 2020-002	Reconciliation of accounts	Repeated/COL 2021-002
COL 2020-003	Untimely closing of books/general ledger	Repeated/COL 2021-004
COL 2020-004	Expenditures exceeded appropriations – general fund and drug fund	Repeated/COL 2021-005

**CITY OF LEXINGTON, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
JUNE 30, 2021**

INTERNAL SCHOOL FUNDS

SAF FINDING 2021 – 001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned

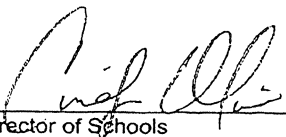
The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties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

Anticipated completion date

Immediately

Responsible party

Each individual school's principal


Director of Schools

CITY OF LEXINGTON FUNDS

**COL 2021-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT
ADJUSTMENTS – GENERAL, SSA, DRUG, SALES TAX, SOLID WASTE, WATER,
AND GAS**

Corrective action planned

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

Anticipated completion date

Immediately

Responsible party

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

COL 2021-002 UNTIMELY RECONCILIATIONS OF 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

Immediately

Responsible party

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

COL 2021-003 INACCURATE RECONCILIATIONS OF ACCOUNTS

Corrective action planned

The CMFO will accurately reconcile bank accounts to the general ledger.

Anticipated completion date

Immediately

Responsible party

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

COL 2021-004 UNTIMELY CLOSING OF BOOKS/GENERAL LEDGER

Corrective action planned

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

Anticipated completion date

Immediately

Responsible party

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

**COL 2021-005 EXPENDITURES EXCEEDED APPROPRIATIONS – GENERAL FUND
AND DRUG FUND**

Corrective action planned

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

Anticipated completion date

Immediately

Responsible party

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

A large, stylized handwritten signature in black ink, appearing to be 'L. Griggs', written over a horizontal line.

Mayor

A handwritten signature in black ink that reads 'Cody Wood', written over a horizontal line.

City Recorder