

**CITY OF LEXINGTON,  
TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2025**

CITY OF LEXINGTON, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2025

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**CITY OF LEXINGTON, TENNESSEE**

**ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS**

**JUNE 30, 2025**

**PUBLICLY ELECTED OFFICIALS**

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

**MANAGEMENT OFFICIALS**

Cody Wood	CMFO Designee City Recorder
Justin Roach	Utility General Manager



## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee, (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Lexington Electric System, which is both a major fund and 60%, 52%, and 77% respectively, of the assets, net position, and revenues of the business-type activities.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and the schedule of funding progress on pages 100 through 101 and other required supplementary information on pages 102 through 111 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We, and other auditors, have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

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

**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2026, 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.



March 5, 2026

**CITY OF LEXINGTON, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

**USING THIS ANNUAL REPORT**

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

**Reporting the City as a Whole**

**The Statement of Net Position and the Statement of Activities**

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

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

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

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

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

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 - 99.

**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 100 - 111 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 112 - 124 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 \$107,988,321 at June 30, 2025.

**CITY OF LEXINGTON'S NET POSITION**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Current and other assets	\$ 23,308,378	\$ 20,703,401	\$ 41,411,712	\$ 26,638,641	\$ 64,720,090	\$ 47,342,042
Capital Assets	29,262,305	30,623,518	124,944,857	114,787,378	154,207,162	145,410,896
Total Assets	<u>52,570,683</u>	<u>51,326,919</u>	<u>166,356,569</u>	<u>141,426,019</u>	<u>218,927,252</u>	<u>192,752,938</u>
Deferred outflows of resources	1,944,588	2,394,347	2,980,961	2,700,549	4,925,549	5,094,896
Long term liabilities	13,761,647	12,264,669	82,825,584	64,530,405	96,587,231	76,795,074
Other liabilities	1,132,878	1,730,760	10,653,705	9,016,653	11,786,583	10,747,413
Total liabilities	<u>14,894,525</u>	<u>13,995,429</u>	<u>93,479,289</u>	<u>73,547,058</u>	<u>108,373,814</u>	<u>87,542,487</u>
Deferred inflows of resources	4,868,179	4,604,808	2,622,487	2,876,077	7,490,666	7,480,885
Net Position:						
Net investment in capital assets	23,460,432	23,877,650	57,369,031	64,076,393	80,829,463	87,954,043
Restricted	3,481,864	2,732,392	6,174,849	9,963,054	9,656,713	12,695,446
Unrestricted	7,810,271	8,510,987	9,691,874	(6,336,014)	17,502,145	2,174,973
Total Net Position	<u>\$ 34,752,567</u>	<u>\$ 35,121,029</u>	<u>\$ 73,235,754</u>	<u>\$ 67,703,433</u>	<u>\$ 107,988,321</u>	<u>\$ 102,824,462</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 a decrease in net position of (\$353,159) compared to a decrease in the prior year of (61,993). This decrease in net position from the prior year to the current year is primarily due to an increase in natural gas purchases.
- The City's Water Systems Fund had an increase of net position of \$4,377,133 compared to an increase in the prior year of \$1,381,268. The increase in net position from the prior year to the current year increased due to the City's ARPA grant for capital projects.
- The City's Electric Department had an increase in net position of \$1,508,347 compared to a decrease in the prior year of (551,701). The increase in net position from the prior year to the current year is due to an increase in charges for services.

The following table provides a summary of the City's operations for the year ended June 30, 2025, with comparative totals for the year ended June 30, 2024.

**CITY OF LEXINGTON'S CHANGES IN NET POSITION**

	Governmental Activities		Business Type Activities		TOTAL	
	2025	2024	2025	2024	2025	2024
<b>Revenues:</b>						
Program Revenues						
Fees, fines and charges for services	\$ 3,046,712	\$ 2,854,351	\$ 76,789,975	\$ 66,520,895	\$ 79,836,687	\$ 69,375,246
Operating grants and contributions	11,145,528	10,367,236	-	-	11,145,528	10,367,236
Capital grants and contributions	157,687	1,828,704	-	-	3,121,675	1,828,704
<b>General revenues:</b>						
Property taxes	3,171,471	2,812,081	-	-	3,171,471	2,812,081
In-lieu of property taxes	121,933	119,178	-	-	121,933	119,178
Public service taxes	87,999	109,972	-	-	87,999	109,972
Sales taxes	6,482,082	6,464,053	-	-	6,482,082	6,464,053
Investment earnings	423,117	424,569	1,064,730	1,185,552	1,487,847	1,610,121
Insurance recovery	-	62,622	29,654	8,659	29,654	71,281
Gain(loss) on sale of capital assets	79,023	(8,764)	32,380	-	111,403	(8,764)
Lease revenue	-	-	116,953	120,270	116,953	120,270
Miscellaneous	208,825	226,094	8,981	106,152	217,806	332,246
<b>Total revenues</b>	<b>24,924,377</b>	<b>25,260,096</b>	<b>78,042,673</b>	<b>67,941,528</b>	<b>105,931,038</b>	<b>93,201,624</b>
<b>Expenses:</b>						
General government and administration	2,273,925	2,310,555	-	-	2,273,925	2,310,555
Public safety	5,380,618	5,177,276	-	-	5,380,618	5,177,276
Public works	4,861,576	3,738,781	-	-	4,861,576	3,738,781
Health, Welfare and Recreation	13,261,637	12,898,453	-	-	13,261,637	12,898,453
Economic development	447,017	75,959	-	-	447,017	75,959
Internal School Fund	294,502	249,103	-	-	294,502	249,103
Interest on long-term debt	159,792	175,235	-	-	159,792	175,235
Water Systems	-	-	8,931,403	8,121,649	8,931,403	8,121,649
Natural Gas	-	-	7,254,152	6,774,410	7,254,152	6,774,410
Electric Department	-	-	57,911,298	51,720,223	57,911,298	51,720,223
<b>Total expenses</b>	<b>26,679,067</b>	<b>24,625,362</b>	<b>74,096,853</b>	<b>66,616,282</b>	<b>100,775,920</b>	<b>91,241,644</b>
Increase (decrease) in net position before transfers and contributions	(1,754,690)	634,734	3,945,820	1,325,246	2,191,130	1,959,980
Transfers	1,377,487	1,196,952	(1,377,487)	(1,196,952)	-	-
Capital contributions	-	-	2,963,988	639,280	2,963,988	639,280
<b>Increase (decrease) in net position</b>	<b>(377,203)</b>	<b>1,831,686</b>	<b>5,532,321</b>	<b>767,574</b>	<b>5,155,118</b>	<b>2,599,260</b>
Net position at beginning of year, as originally stated	35,121,029	33,285,756	67,703,433	66,935,859	102,824,462	100,221,615
Inventory adjustment	8,741	3,587	-	-	8,741	3,587
Net position at beginning of year, as restated	35,129,770	33,289,343	67,703,433	66,935,859	102,833,203	100,225,202
<b>Net position at end of year</b>	<b>\$ 34,752,567</b>	<b>\$ 35,121,029</b>	<b>\$ 73,235,754</b>	<b>\$ 67,703,433</b>	<b>\$ 107,988,321</b>	<b>\$ 102,824,462</b>

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$17,157,272, which is 12% above last year's total of \$15,366,489.

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, 2025, and the amount and percentage of increases and decreases in relation to the prior year.

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

<b>Expenditures</b>	<b>June 30, 2025</b>	<b>Percent of Total</b>	<b>June 30, 2024</b>
General government	\$ 1,618,945	6.56%	\$ 1,533,203
Public Safety	4,811,444	19.50%	4,590,098
Public Works	3,230,843	13.09%	3,125,680
Health, welfare, and recreation	12,379,322	50.16%	12,116,962
Economic development	447,017	1.81%	75,959
Internal school funds	294,502	1.19%	249,103
Capital outlay	794,320	3.22%	4,849,050
Debt Service	1,103,044	4.47%	913,827
<b>Total Expenditures</b>	<b>\$ 24,679,437</b>	<b>100.00%</b>	<b>\$ 27,453,882</b>

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

## COMPONENT UNIT

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

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

	<b>THE IDB OF THE CITY OF LEXINGTON</b>	
	<b>2025</b>	<b>2024</b>
Operating Grants and Contributions	\$ -	\$ 92,800
Capital Grants and Contributions	-	392,881
Investment earnings	15,586	16,488
Lease revenues	56,414	76,511
Miscellaneous	9,500	-
<b>Total Revenues</b>	<b>81,500</b>	<b>578,680</b>
Program expenses	30,985	125,684
Change in net position	50,515	452,996
Net Position At Beginning of Year	2,304,411	1,851,415
<b>Net Position at End of Year</b>	<b>\$ 2,354,926</b>	<b>\$ 2,304,411</b>

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

### **General Fund Budgetary Highlights**

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

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of June 2025, the City had \$154,207,162 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 \$16,564,573, or 12.03% over the prior year. Additional information on capital assets is in Note 3.C.

#### **Debt**

At year-end, the City had \$75,764,879 in outstanding long-term debt compared to \$58,553,024 last year. Of the total outstanding debt 9% belongs to the Governmental funds, 6% to the Gas Fund, 25% to the Water Systems Fund, and 60% to the Electric Department.

See Note 3.G for additional information.

### **ECONOMIC FACTORS**

The City expects higher revenues and operating costs in 2025-2026 as compared to 2024-2025.

### **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 1<sup>st</sup> Street, Lexington, Tennessee.

Cody Wood  
City Recorder

CITY OF LEXINGTON, TENNESSEE  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,361,486	\$ 22,641,956	\$ 37,003,442	\$ 238,474
Cash and cash equivalents - restricted	254,581	6,804,550	7,059,131	-
Investments	1,516,126	100,000	1,616,126	-
Receivables:				
Property taxes	3,244,741	-	3,244,741	-
Accounts receivable, net of allowance	14,773	4,187,200	4,201,973	-
Grant receivables	197,975	910,829	1,108,804	-
Lease receivable, current portion	-	113,748	113,748	53,728
Other receivables	37,375	3,024,891	3,062,266	-
Internal balances	(87,353)	87,353	-	-
Due from other governments	1,586,918	-	1,586,918	-
Inventory	47,250	1,806,346	1,853,596	-
Hybrid retirement stabilization funds	120,555	-	120,555	-
Natural gas storage	-	358,723	358,723	-
Prepaid expenses	223,481	204,720	428,201	-
Net pension asset	1,790,470	-	1,790,470	-
Other assets	-	877,837	877,837	-
Lease receivable, net of current portion	-	293,559	293,559	197,531
Capital assets:				
Land and construction in progress	2,422,299	33,002,469	35,424,768	1,853,905
Other capital assets, net of depreciation	26,840,006	91,942,388	118,782,394	796,291
<b>TOTAL ASSETS</b>	<b>52,570,683</b>	<b>166,356,569</b>	<b>218,927,252</b>	<b>3,139,929</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on bond refunding	-	20,041	20,041	-
Deferred outflows - employee benefits	1,522,451	1,870,304	3,392,755	-
Deferred outflows - OPEB	422,137	1,090,616	1,512,753	-
	<u>1,944,588</u>	<u>2,980,961</u>	<u>4,925,549</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	1,081,116	8,249,080	9,330,196	6,239
Retainage payable	-	5,200	5,200	-
Customer deposits	-	2,158,427	2,158,427	-
Unearned revenue	51,762	-	51,762	-
Compensated absences	-	240,998	240,998	-
Long-term liabilities:				
Advances from Home Installation Program	-	238,831	238,831	-
Net OPEB liability	1,932,983	5,690,540	7,623,523	-
Net Pension liability	2,782,588	5,826,744	8,609,332	-
Compensated absences	2,027,078	2,323,588	4,350,666	-
Landfill closure costs	1,217,125	-	1,217,125	-
Due within one year	964,831	3,271,169	4,236,000	527,505
Due in more than one year, net of unamortized premiums	4,837,042	65,474,712	70,311,754	-
<b>TOTAL LIABILITIES</b>	<b>14,894,525</b>	<b>93,479,289</b>	<b>108,373,814</b>	<b>533,744</b>
<b>DEFERRED INFLOWS OF REVENUES</b>				
Unavailable revenue - property taxes	3,094,696	-	3,094,696	-
Deferred inflows - pension	682,575	663,734	1,346,309	-
Deferred inflows - OPEB	1,090,908	1,551,446	2,642,354	-
Deferred inflows - lease receivable	-	407,307	407,307	251,259
<b>TOTAL DEFERRED INFLOWS OF REVENUES</b>	<b>4,868,179</b>	<b>2,622,487</b>	<b>7,490,666</b>	<b>\$ 251,259</b>
<b>NET POSITION</b>				
Net investment in capital assets	23,460,432	57,369,031	80,829,463	2,122,691
Restricted for:				
Capital projects	-	3,259,493	3,259,493	-
Opioid settlement	26,916	-	26,916	-
Tank/hydrant maintenance	-	790,500	790,500	-
Sex offender	17,892	-	17,892	-
State Street Aid Fund	280,321	-	280,321	-
E-citation	10,275	-	10,275	-
School Food Service	59,860	-	59,860	-
Hybrid retirement stabilization funds	120,555	-	120,555	-
Solid Waste Collection	590,824	-	590,824	-
Police Drug Fund	288,936	-	288,936	-
Federal Drug Fund	80,001	-	80,001	-
Pensions	1,790,470	-	1,790,470	-
Debt service	-	2,124,856	2,124,856	-
Internal school funds	215,814	-	215,814	-
Unrestricted	7,810,271	9,691,874	17,502,145	232,235
<b>TOTAL NET POSITION</b>	<b>\$ 34,752,567</b>	<b>\$ 73,235,754</b>	<b>\$ 107,988,321</b>	<b>\$ 2,354,926</b>

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, 2025

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			Component Unit Industrial Development Board
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental activities:</b>								
General Government	\$ 2,273,925	\$ 144,100	\$ 312,967	\$ 18,252	\$ (1,798,606)	\$ -	\$ (1,798,606)	-
Public Safety	5,380,618	420,973	503,615	10,957	(4,445,073)	-	(4,445,073)	-
Public Works	4,861,576	1,965,814	296,532	-	(2,599,230)	-	(2,599,230)	-
Health, Welfare and Recreation	13,261,637	276,720	9,978,903	55,910	(2,950,104)	-	(2,950,104)	-
Economic Development	447,017	-	-	72,568	(374,449)	-	(374,449)	-
Internal School Fund	294,502	239,105	53,511	-	(1,886)	-	(1,886)	-
Interest on long-term debt	159,792	-	-	-	(159,792)	-	(159,792)	-
<b>Business-type activities:</b>								
Gas Fund	7,254,152	6,876,587	-	8,031	-	(369,534)	(369,534)	-
Water Systems Fund	8,931,403	10,294,346	-	2,955,957	-	4,318,900	4,318,900	-
Electric Department	57,911,298	59,619,042	-	-	-	1,707,744	1,707,744	-
<b>Total business-type activities</b>	<b>74,096,853</b>	<b>76,789,975</b>	<b>-</b>	<b>2,963,988</b>	<b>-</b>	<b>5,657,110</b>	<b>5,657,110</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 100,775,920</b>	<b>\$ 79,836,687</b>	<b>\$ 11,145,528</b>	<b>\$ 3,121,675</b>	<b>(12,329,140)</b>	<b>5,657,110</b>	<b>(6,672,030)</b>	<b>\$ -</b>
<b>Component unit:</b>								
Industrial Development Corporation	105,985	-	75,000	-	-	-	-	(30,985)
<b>General revenues:</b>								
<b>Taxes:</b>								
Property					3,171,471	-	3,171,471	-
In-lieu of taxes					121,933	-	121,933	-
Public service taxes					87,999	-	87,999	-
Sales					6,482,082	-	6,482,082	-
Investment earnings					423,117	1,064,730	1,487,847	15,586
Insurance recovery					-	29,654	29,654	-
Gain (loss) on sale/retirement of capital assets					79,023	32,380	111,403	-
Lease revenue					-	116,953	116,953	56,414
Miscellaneous					208,825	8,981	217,806	9,500
Transfers in/(out)					1,377,487	(1,377,487)	-	-
					<b>11,951,937</b>	<b>(124,789)</b>	<b>11,827,148</b>	<b>81,500</b>
					<b>(377,203)</b>	<b>5,532,321</b>	<b>5,155,118</b>	<b>50,515</b>
Net position - beginning, as originally stated					35,121,029	67,703,433	102,824,462	2,304,411
Inventory adjustment - school food service fund					8,741	-	8,741	-
Net position - beginning, as restated					<b>35,129,770</b>	<b>67,703,433</b>	<b>102,833,203</b>	<b>2,304,411</b>
Net position - ending					<b>\$ 34,752,567</b>	<b>\$ 73,235,754</b>	<b>\$ 107,988,321</b>	<b>\$ 2,354,926</b>

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

CITY OF LEXINGTON, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025

	General	General Purpose School Fund	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,031,442	\$ 686,063	\$ 5,643,981	\$ 14,361,486
Certificates of deposit	-	1,516,126	-	1,516,126
Taxes receivable	3,244,741	-	-	3,244,741
Accounts receivable	14,773	-	-	14,773
Grant receivable	197,975	-	-	197,975
Other receivables	1,108	-	36,267	37,375
Inventory	-	-	47,250	47,250
Hybrid retirement stabilization funds	-	120,555	-	120,555
Due from other governments	753,556	400,104	433,258	1,586,918
Due from other funds	26,377	-	120,853	147,230
Prepaid expenses	196,527	-	26,954	223,481
Restricted assets - cash and cash equivalents	-	-	254,581	254,581
<b>TOTAL ASSETS</b>	<b>\$ 12,466,499</b>	<b>\$ 2,722,848</b>	<b>\$ 6,563,144</b>	<b>\$ 21,752,491</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 144,951	\$ 64,297	\$ 106,821	\$ 316,069
Grant payable due to subrecipient	129,617	-	-	129,617
Accrued expenses	451,570	123,196	12,390	587,156
Unearned revenue - other	-	-	51,762	51,762
Due to other funds	229,878	-	4,705	234,583
<b>TOTAL LIABILITIES</b>	<b>956,016</b>	<b>187,493</b>	<b>175,678</b>	<b>1,319,187</b>
<b>DEFERRED INFLOWS OF REVENUES</b>				
Deferred income	31,291	-	-	31,291
Unavailable revenue - property taxes	3,244,741	-	-	3,244,741
<b>TOTAL DEFERRED INFLOWS OF REVENUES</b>	<b>3,276,032</b>	<b>-</b>	<b>-</b>	<b>3,276,032</b>
<b>FUND BALANCE</b>				
Nonspendable:				
Inventory	-	-	47,250	47,250
Prepaid expenses	196,527	-	26,954	223,481
Restricted for:				
Opioid settlement	26,916	-	-	26,916
Sex offender	17,892	-	-	17,892
State street aid	-	-	280,321	280,321
E-citation	-	-	10,275	10,275
School food authority	-	-	59,860	59,860
Hybrid retirement stabilization funds	-	120,555	-	120,555
Drug fund	-	-	288,936	288,936
Federal drug fund	-	-	80,001	80,001
Solid Waste Collection	-	-	590,824	590,824
Internal School Funds	-	-	215,814	215,814
Committed:				
Rainy Day fund	979,485	-	-	979,485
Shop with Cops	46,059	-	-	46,059
Assigned:				
DARE fund	-	-	4,987	4,987
Special revenue funds	-	-	3,560,042	3,560,042
Capital projects	-	-	1,222,202	1,222,202
Unassigned:				
General fund	6,967,572	-	-	6,967,572
Education	-	-	-	-
General purpose school fund	-	2,414,800	-	2,414,800
<b>TOTAL FUND BALANCES</b>	<b>8,234,451</b>	<b>2,535,355</b>	<b>6,387,466</b>	<b>17,157,272</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES</b>	<b>\$ 12,466,499</b>	<b>\$ 2,722,848</b>	<b>\$ 6,563,144</b>	<b>\$ 21,752,491</b>

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, 2025**

Total fund balance - total governmental funds	\$ 17,157,272
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.	29,262,305
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	150,045
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	1,790,470
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	(2,782,588)
Net OPEB liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	(1,932,983)
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.	839,876
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.	(668,771)
Unearned revenues are not available to be recognized as current revenues and are deferred on the governmental balance sheet.	31,291
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.	(48,274)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	<u>(9,046,076)</u>
Net position of governmental activities	<u><u>\$ 34,752,567</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, 2025

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes				
Property taxes	\$ 3,155,155	\$ -	\$ -	\$ 3,155,155
Penalty and interest	22,567	-	-	22,567
In lieu of taxes	25,078	-	-	25,078
Sales	2,445,119	-	2,027,782	4,472,901
Beer tax	314,234	-	-	314,234
Business	319,063	-	-	319,063
Liquor tax	-	-	212,273	212,273
Franchise	87,999	-	-	87,999
Hotel/motel tax	52,382	-	-	52,382
Privilege	3,275	-	-	3,275
Intergovernmental revenues	2,239,752	9,588,797	722,646	12,551,195
Licenses and permits	36,848	-	-	36,848
Charges for services	179,324	-	2,042,535	2,221,859
Fines, forfeits, and penalties	251,985	-	158,360	410,345
Internal school funds	-	-	292,616	292,616
Other revenues	396,234	233,902	137,747	767,883
<b>Total revenues</b>	<u>9,529,015</u>	<u>9,822,699</u>	<u>5,593,959</u>	<u>24,945,673</u>
<b>Expenditures</b>				
Current:				
General government	1,618,945	-	-	1,618,945
Public safety	4,802,897	-	8,547	4,811,444
Public works	1,617,660	-	1,613,183	3,230,843
Health, welfare, and recreation	789,613	10,718,310	871,399	12,379,322
Economic development	381,342	-	65,675	447,017
Internal school funds	-	-	294,502	294,502
Capital outlay	253,345	64,297	476,678	794,320
Debt service:				
Principal payments	96,167	-	836,616	932,783
Interest payments	32,901	-	137,360	170,261
<b>Total expenditures</b>	<u>9,592,870</u>	<u>10,782,607</u>	<u>4,303,960</u>	<u>24,679,437</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(63,855)</u>	<u>(959,908)</u>	<u>1,289,999</u>	<u>266,236</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,377,487	1,063,000	886,984	3,327,471
Transfers out	(142,622)	(200,000)	(1,607,362)	(1,949,984)
Note proceeds	-	-	-	-
Insurance recoveries	86,126	-	47,500	133,626
Proceeds from sale of general capital assets	-	4,048	645	4,693
<b>Total other financing sources (uses)</b>	<u>1,320,991</u>	<u>867,048</u>	<u>(672,233)</u>	<u>1,515,806</u>
<b>Net Change in Fund Balances</b>	<u>1,257,136</u>	<u>(92,860)</u>	<u>617,766</u>	<u>1,782,042</u>
<b>FUND BALANCE AT BEGINNING OF YEAR, as originally stated</b>	6,977,315	2,628,215	5,760,959	15,366,489
<b>Inventory adjustment</b>	-	-	8,741	8,741
<b>FUND BALANCE AT BEGINNING OF YEAR, as restated</b>	<u>6,977,315</u>	<u>2,628,215</u>	<u>5,769,700</u>	<u>15,375,230</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 8,234,451</u>	<u>\$ 2,535,355</u>	<u>\$ 6,387,466</u>	<u>\$ 17,157,272</u>

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

**CITY OF LEXINGTON, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2025**

Net change in fund balances - total governmental funds	\$ 1,782,042
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.	
	794,320
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.	
	(2,096,237)
Net effect of asset disposal.	
	(59,296)
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.	
	(419,876)
The net proceeds from bond sales over repayments increases the current financial resources of governmental funds. However, it has no effect on net position.	
	932,783
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	
	(1,210,620)
Some revenues reported in the statement of activities were deferred in the current year on the governmental funds.	
	(116,635)
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.	
	<u>16,316</u>
Change in net position of governmental activities	<u>\$ (377,203)</u>

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

CITY OF LEXINGTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes</b>				
Property taxes - current	\$ 3,084,133	\$ 3,019,843	\$ 3,030,054	\$ 10,211
Property taxes - delinquent	74,861	124,606	125,101	495
Penalties and interest	15,000	22,006	22,567	561
In lieu of taxes:				
Lexington Housing Authority	21,478	21,478	21,478	-
Lexington Industrial Development Board	-	-	3,600	3,600
Local sales tax	2,467,975	2,411,894	2,445,119	33,225
Local beer tax	350,000	329,189	314,234	(14,955)
Business tax	318,290	319,057	319,063	6
Franchise tax	126,000	87,999	87,999	-
Hotel/motel tax	67,500	64,787	52,382	(12,405)
Privilege tax	3,000	3,225	3,275	50
<b>Total taxes</b>	<b>6,528,237</b>	<b>6,404,084</b>	<b>6,424,872</b>	<b>20,788</b>
<b>Intergovernmental</b>				
TVA payments in lieu of taxes	97,700	97,066	96,855	(211)
Police - vest grant	28,250	-	-	-
Police grant - network coordinator	19,771	9,866	9,866	-
Police grant - DUI traffic	55,000	55,843	74,897	19,054
Police grant - COPS grant	86,333	86,333	87,856	1,523
Police grant - OCJPDV investigator/STOP	60,000	60,000	59,999	(1)
ARPA Competitive (Pass Through)	-	312,967	312,967	-
Downtown sidewalk	184,447	150,492	150,492	-
TDOT STBG Huntingdon St grant	269,450	2,267	4,800	2,533
TDOT Main Street	551,298	1,128	1,128	-
State of Tennessee				
- Sales tax allocation	994,000	1,003,088	1,003,952	864
- Telecommunication tax	6,000	1	6,208	6,207
- Beer tax allocation	3,000	3,348	3,348	-
- Mixed drink tax	19,000	28,339	23,972	(4,367)
- Petroleum special	14,000	14,530	14,523	(7)
- Transportation modernization act	-	3,181	3,678	497
- Excise tax	-	52,614	52,614	-
- Online sportsbetting tax	15,000	17,383	17,860	477
- VCIF grant	1,000	1,000	1,000	-
- SRO grant	150,000	150,000	150,000	-
- TN Law Enforcement Hiring, Training, and Rec	40,000	22,000	22,000	-
- ECD 2021 Site Development	-	-	-	-
- State fire education	11,200	12,000	12,000	-
- State law enforcement grant	38,400	41,600	41,600	-
- State Volunteer fire equip and training grant	29,715	10,957	10,957	-
- Multimodal grant phase III	919,040	32,870	37,525	4,655
Grants from Local Governments				
- OCDETF	15,000	11,749	11,779	30
- DTF funds	45,772	8,005	8,004	(1)
- Opioid settlement funds	20,000	9,977	11,753	1,776
- Slot Homeland	15,000	-	8,119	8,119
- Other miscellaneous grants	33,250	-	-	-
<b>Total intergovernmental revenues</b>	<b>3,721,626</b>	<b>2,198,604</b>	<b>2,239,752</b>	<b>41,148</b>
<b>Licenses and permits</b>				
Beer licenses	1,875	750	750	-
Building permits	30,000	37,124	35,398	(1,726)
Other permits	1,000	650	700	50
<b>Total licenses and permits</b>	<b>32,875</b>	<b>38,524</b>	<b>36,848</b>	<b>(1,676)</b>

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, 2025

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues (continued)</b>				
<b>Charges for services</b>				
Clerk's fees - business tax	15,000	32,971	32,767	(204)
Maintenance charges for Caywood	85,000	85,000	85,000	-
SOR charges	1,200	1,200	1,200	-
Community policing	3,700	7,057	7,057	-
Mowing and lot cleanup	1,000	-	-	-
Street repair charges	55,000	31,383	34,297	2,914
Parks and recreation charges	13,000	23,592	19,003	(4,589)
<b>Total charges for services</b>	<b>173,900</b>	<b>181,203</b>	<b>179,324</b>	<b>(1,879)</b>
<b>City court fines and costs</b>	<b>207,600</b>	<b>268,755</b>	<b>251,985</b>	<b>(16,770)</b>
<b>Other revenues</b>				
Interest income	250,000	262,603	261,406	(1,197)
Donations	1,000	530	530	-
Shop with a cop donations	12,000	10,098	10,098	-
Community center revenue	1,560	1,690	1,560	(130)
Service contract	74,400	74,400	74,400	-
Sales of cemetery lots	15,000	24,400	24,400	-
Sale of land rights	-	8,500	8,500	-
Sales of other materials	8,500	5,512	4,458	(1,054)
Miscellaneous income	2,000	11,734	10,882	(852)
<b>Total other revenue</b>	<b>364,460</b>	<b>399,467</b>	<b>396,234</b>	<b>(3,233)</b>
<b>Total revenues</b>	<b>11,028,698</b>	<b>9,490,637</b>	<b>9,529,015</b>	<b>38,378</b>
<b>Expenditures</b>				
<b>General government</b>				
<b>General</b>				
Salaries	105,342	102,893	95,262	7,631
Employee benefits	474,104	515,820	512,809	3,011
Memberships	3,000	-	150	(150)
Legal services	1,680	5,349	6,920	(1,571)
Operating expenses	26,300	26,000	26,320	(320)
Other operating expenses	258,712	216,589	208,149	8,440
Insurance	276,830	206,415	199,250	7,165
Capital outlay	60,000	58,285	51,085	7,200
<b>Total general</b>	<b>1,205,968</b>	<b>1,131,351</b>	<b>1,099,945</b>	<b>31,406</b>
<b>Judicial</b>				
Salaries	12,000	12,000	12,000	-
<b>Total judicial</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>-</b>

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, 2025

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
<b>City recorder</b>				
Salaries	362,653	358,592	355,535	3,057
Employee benefits	47,500	44,095	40,340	3,755
Insurance	200	144	144	-
Office expense	19,000	13,598	13,783	(185)
Professional fees	207,360	106,104	111,785	(5,681)
Membership and dues	750	554	554	-
Repair and maintenance	17,400	18,712	18,983	(271)
Capital outlay	-	-	7,112	(7,112)
<b>Total city recorder</b>	<b>654,863</b>	<b>541,799</b>	<b>548,236</b>	<b>(6,437)</b>
<b>City Hall</b>				
Utilities	26,430	17,302	16,961	341
<b>Total general government</b>	<b>1,899,261</b>	<b>1,702,452</b>	<b>1,677,142</b>	<b>25,310</b>
<b>Public safety</b>				
<b>Police department</b>				
Salary	2,078,147	1,995,604	1,977,677	17,927
Employee benefits	280,500	333,971	298,050	35,921
Utilities	64,042	73,534	64,856	8,678
Repair and maintenance	27,500	22,068	21,689	379
Memberships and dues	43,400	26,298	23,433	2,865
Supplies	46,590	25,012	7,826	17,186
Travel	3,500	4,278	3,628	650
Uniforms and clothing	20,885	11,515	11,738	(223)
Gas, oil, and diesel	91,000	84,501	70,067	14,434
Insurance	1,000	14,505	11,982	2,523
Equipment rental	6,518	4,161	4,003	158
Office expense	249,356	251,669	247,699	3,970
Community - shop with a cop	12,000	10,908	10,908	-
School Resource Officer	150,000	161,511	158,832	4,679
COPS	151,176	151,542	155,168	(3,626)
DTF	45,772	7,094	7,094	-
STOP	80,000	88,206	89,735	(1,529)
SLOT	15,000	10,648	10,648	-
NETWORK COORDINATOR	25,000	14,307	11,747	2,560
DUI	55,000	45,045	52,601	(7,556)
VCIF	1,000	1,000	1,000	-
Other grant expenses	7,150	1,000	-	1,000
Capital outlay - 1033 equipment	7,000	-	-	-
Capital outlay	40,000	53,618	53,618	-
<b>Total police department</b>	<b>3,501,536</b>	<b>3,391,995</b>	<b>3,291,999</b>	<b>99,996</b>
<b>Fire department</b>				
Salaries	1,107,866	1,072,396	1,071,390	1,006
Employee benefits	134,500	170,710	157,291	13,419
Volunteer firemen benefits	4,000	7,984	6,252	1,732
Utilities	63,110	51,807	51,549	258
Memberships	720	170	170	-
Public relations	1,200	1,279	1,161	118
Data processing	71,530	75,890	73,422	2,468
Repair and maintenance	42,860	39,640	37,539	2,101
Supplies	63,220	23,207	24,737	(1,530)
Clothing and uniforms	17,000	12,298	10,381	1,917
Gas, oil, diesel	31,914	20,121	20,305	(184)
Insurance	600	493	491	2
Travel	4,300	1,436	1,436	-
Small equipment	31,000	12,589	6,034	6,555
Equipment service contracts	2,620	1,921	1,763	158
Capital outlay	96,715	14,199	10,957	3,242
<b>Total fire department</b>	<b>1,673,155</b>	<b>1,506,140</b>	<b>1,474,878</b>	<b>31,262</b>
<b>Building inspector</b>				
Salaries	76,492	78,981	78,229	752
Employee benefits	9,452	12,010	11,134	876
Utilities	600	473	474	(1)
Repairs and maintenance/demos	30,500	38,377	1,069	37,308
Other operating expenses	15,000	10,216	9,689	527
<b>Total building inspector</b>	<b>132,044</b>	<b>140,057</b>	<b>100,595</b>	<b>39,462</b>
<b>Total public safety</b>	<b>5,306,735</b>	<b>5,038,192</b>	<b>4,867,472</b>	<b>170,720</b>

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, 2025

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Public works</b>				
<b>Highways and streets</b>				
Salaries	614,893	698,047	678,237	19,810
Employee benefits	125,500	146,161	135,331	10,830
Utilities	18,500	18,117	18,106	11
Street lighting	13,000	3,371	3,418	(47)
Repair and maintenance	425,600	436,739	390,952	45,787
Repair and maintenance - equipment	34,500	44,517	49,823	(5,306)
Clothing and uniforms	8,000	7,376	7,376	-
Gas, oil, diesel	60,000	38,742	37,722	1,020
Small equipment	3,500	2,559	2,559	-
Operating supplies	43,450	39,329	35,172	4,157
Insurance	400	392	392	-
Travel	2,500	-	-	-
Capital outlay	36,000	39,955	39,955	-
<b>Total highways and streets</b>	<b>1,385,843</b>	<b>1,475,305</b>	<b>1,399,043</b>	<b>76,262</b>
<b>Garage</b>				
Salaries	195,065	174,619	172,461	2,158
Employee benefits	44,500	53,076	43,531	9,545
Repair and maintenance	6,500	1,123	1,196	(73)
Supplies	35,800	29,665	32,801	(3,136)
Utilities	8,360	7,229	7,145	84
Fuel	3,600	1,438	1,438	-
Capital outlay	-	-	-	-
<b>Total garage</b>	<b>293,825</b>	<b>267,150</b>	<b>258,572</b>	<b>8,578</b>
<b>Sanitation</b>				
Landfill costs	-	-	-	-
<b>Total public works</b>	<b>1,679,668</b>	<b>1,742,455</b>	<b>1,657,615</b>	<b>84,840</b>
<b>Health, welfare, and recreation</b>				
<b>Appropriations</b>				
Library	60,400	60,300	44,400	15,900
Library utilities	12,156	11,658	11,551	107
Senior Citizens	12,000	12,000	12,000	-
Senior Citizens - Utilities	6,865	7,967	6,834	1,133
Senior Citizens - Maint Bldg	286	123	985	(862)
Senior Citizens - Janitorial	1,083	312	312	-
Rescue Squad	2,500	2,500	2,500	-
Easter Seals	1,500	1,500	1,500	-
Community Beautification Committee (Cemetery)	20	20	20	-
Christmas parade	500	500	500	-
Carl Perkins Center	1,725	1,725	1,725	-
Henderson Co Chamber of Commerce	14,000	14,000	14,000	-
Hend Co JECD Board	18,000	17,642	17,642	-
Lexington Industrial Development Board	-	-	-	-
Lexington scholarship	500	500	500	-
Hope utilities	13,339	11,340	11,432	(92)
Project Graduation	1,200	-	-	-
West TN Basin	2,100	2,100	2,100	-
Animal Shelter	5,000	5,000	5,000	-
BRWDA	10,000	-	-	-
<b>Total appropriations</b>	<b>163,174</b>	<b>149,187</b>	<b>133,001</b>	<b>16,186</b>

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, 2025

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Health, welfare, and recreation (continued)</b>				
<b>Museum</b>				
Salaries	10,000	22,260	22,311	(51)
Employee benefits	-	1,703	1,707	(4)
Unemployment insurance	-	28	28	-
Utilities	-	6,298	6,066	232
Repair and maintenance	-	36	36	-
Telephone	-	2,276	2,267	9
Security system	-	420	420	-
Operating costs	33,000	179	179	-
<b>Total museum</b>	<b>43,000</b>	<b>33,200</b>	<b>33,014</b>	<b>186</b>
<b>Parks</b>				
Salaries	341,329	327,608	324,112	3,496
Employee benefits	48,116	54,728	52,495	2,233
Repair and maintenance	120,000	127,173	151,623	(24,450)
Utilities	56,220	54,101	55,090	(989)
Insurance	300	306	278	28
Other operating expenses	55,740	40,494	40,000	494
Capital outlay	47,400	-	5,984	(5,984)
<b>Total parks</b>	<b>669,105</b>	<b>604,410</b>	<b>629,582</b>	<b>(25,172)</b>
<b>Total health, welfare, and recreation</b>	<b>875,279</b>	<b>786,797</b>	<b>795,597</b>	<b>(8,800)</b>
<b>Economic development</b>				
State plan service	27,150	22,484	22,484	-
Professional fees	2,390	856	256	600
Architectural engineering and land	7,110	463	463	-
Miscellaneous	60,000	42,375	42,376	(1)
Small assets	14,000	2,696	2,796	(100)
ARPA competitive	-	312,967	312,967	-
Capital outlay	2,252,848	84,379	84,634	(255)
<b>Total economic development</b>	<b>2,363,498</b>	<b>466,220</b>	<b>465,976</b>	<b>244</b>
<b>Debt service</b>				
Principal payments	96,167	96,167	96,167	-
Interest payments	32,901	32,901	32,901	-
<b>Total debt service</b>	<b>129,068</b>	<b>129,068</b>	<b>129,068</b>	<b>-</b>
<b>Total expenditures</b>	<b>12,253,509</b>	<b>9,865,184</b>	<b>9,592,870</b>	<b>272,314</b>

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, 2025

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,224,811)	(374,547)	(63,855)	310,692
<b>Other financing sources (uses)</b>				
Transfers in	1,309,347	1,381,085	1,377,487	(3,598)
Transfers out	-	-	(142,622)	(142,622)
Insurance recoveries	80,800	85,465	86,126	661
Sale of general fixed assets	15,000	-	-	-
<b>Total other financing sources (uses)</b>	1,405,147	1,466,550	1,320,991	(145,559)
<b>Net change in fund balance</b>	180,336	1,092,003	1,257,136	165,133
<b>Fund Balance at Beginning of Year</b>	6,977,315	6,977,315	6,977,315	-
<b>Fund Balance at End of Year</b>	<u>\$ 7,157,651</u>	<u>\$ 8,069,318</u>	<u>\$ 8,234,451</u>	<u>\$ 165,133</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, 2025

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2024	Add: Encumbrances 6/30/2025	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Revenues</b>							
Intergovernmental revenues							
Local funds							
Henderson County							
Current year tax levy	\$ 200,000	\$ 200,000	\$ 86,329	\$ -	\$ -	\$ 86,329	\$ (113,671)
Prior year tax receipts	15,500	15,500	7,421	-	-	7,421	(8,079)
Mixed drink tax	100	100	157	-	-	157	57
Local sales tax	960,000	1,080,000	1,198,271	-	-	1,198,271	118,271
Bank excise tax	4,500	4,500	753	-	-	753	(3,747)
Marriage licenses	300	300	333	-	-	333	33
Payments in lieu of taxes	7,800	7,800	1,742	-	-	1,742	(6,058)
State funds							
Tennessee Investment in Student	6,539,630	6,679,630	6,698,047	-	-	6,698,047	18,417
Tennessee Investment in Student salary equity	76,985	76,985	76,983	-	-	76,983	(2)
Early childhood education	205,816	286,966	257,997	-	-	257,997	(28,969)
Safe schools & SRO	-	500,000	500,000	-	-	500,000	-
Camps - Bridge, Summer, Mini	-	134,701	106,549	-	-	106,549	(28,152)
Career ladder	15,000	15,000	10,257	-	-	10,257	(4,743)
Paid parental leave	-	12,185	12,185	-	-	12,185	-
Federal funds							
Title I grants	307,179	303,374	230,058	-	-	230,058	(73,316)
Title IIA grants	-	-	49,270	-	-	49,270	49,270
Title 4A grants	-	-	19,626	-	-	19,626	19,626
Title VI grants	25,832	34,034	27,265	-	-	27,265	(6,769)
Distance learning & telemedicine grant	-	-	55,910	-	-	55,910	55,910
English language acquisition grant	1,024	1,042	1,042	-	-	1,042	-
IDEA basic grant	214,330	223,171	221,086	-	-	221,086	(2,085)
IDEA preschool	6,076	6,116	6,084	-	-	6,084	(32)
Elementary Second School Emer Relief- ESSER ARP 3.0	-	20,811	20,811	-	-	20,811	-
ARP Homeless Children and Youth	-	621	621	-	-	621	-
Total Intergovernmental revenues	<u>8,580,072</u>	<u>9,602,836</u>	<u>9,588,797</u>	<u>-</u>	<u>-</u>	<u>9,588,797</u>	<u>(14,039)</u>
Other revenues	7,200	17,200	43,954	-	-	43,954	26,754
Interest income	1,000	111,729	114,300	-	-	114,300	2,571
Receipts from individual schools	-	50,000	66,357	-	-	66,357	16,357
On-behalf payments	2,500	2,500	9,291	-	-	9,291	6,791
Miscellaneous revenues	<u>10,700</u>	<u>181,429</u>	<u>233,902</u>	<u>-</u>	<u>-</u>	<u>233,902</u>	<u>52,473</u>
Total other revenues	<u>17,900</u>	<u>191,129</u>	<u>308,257</u>	<u>-</u>	<u>-</u>	<u>308,257</u>	<u>29,154</u>
<b>Total Revenues</b>	<u>8,590,772</u>	<u>9,784,265</u>	<u>9,822,699</u>	<u>-</u>	<u>-</u>	<u>9,822,699</u>	<u>38,434</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, 2025

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2024	Add: Encumbrances 6/30/2025	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Instruction</b>							
Regular instruction program							
Teachers	2,933,043	2,822,295	2,816,073	-	-	2,816,073	6,222
Career ladder program	9,000	6,000	6,000	-	-	6,000	-
Homebound teachers	-	771	771	-	-	771	-
Educational assistants	355,186	444,501	444,465	-	-	444,465	36
Bonus payments	100,000	264,700	264,700	-	-	264,700	-
Other salaries and wages	-	127,083	127,083	-	-	127,083	-
Certified substitute teachers	24,000	19,494	19,494	-	-	19,494	-
Non-certified substitute teachers	30,000	52,351	52,351	-	-	52,351	-
Social security	208,694	213,525	213,487	-	-	213,487	38
Administrative fees	2,750	50	-	-	-	-	50
State retirement	187,114	220,603	194,846	-	-	194,846	25,757
Life insurance	6,120	6,120	5,414	-	-	5,414	706
Medical insurance	484,614	621,575	579,577	-	-	579,577	41,998
Dental insurance	7,414	7,659	7,658	-	-	7,658	1
Unemployment compensation	4,150	112	(1,499)	-	-	(1,499)	1,611
Local retirement	18,911	16,925	16,919	-	-	16,919	6
Employer medicare	48,463	50,967	50,966	-	-	50,966	1
On-behalf payments	-	50,000	66,357	-	-	66,357	(16,357)
Retirement - hybrid stabilization	-	-	14,868	-	-	14,868	(14,868)
Maintenance and repair services - equipment	1,000	50	-	-	-	-	50
Other contracted services	4,000	4,000	3,923	-	-	3,923	77
Instructional supplies	36,325	48,335	48,202	-	-	48,202	133
Instructional supplies - ESL	1,024	1,042	1,042	-	-	1,042	-
Textbooks	30,000	94,482	94,482	-	-	94,482	-
Software	185,750	181,250	181,172	-	-	181,172	78
Other supplies and materials	9,000	9,000	8,830	-	-	8,830	170
Other charges	3,000	3,200	3,126	-	-	3,126	74
Regular instruction equipment	10,000	54,624	54,571	-	8,387	62,958	(8,334)
<b>Total regular instruction program</b>	<b>4,699,558</b>	<b>5,320,714</b>	<b>5,274,878</b>	<b>-</b>	<b>8,387</b>	<b>5,283,265</b>	<b>37,449</b>
<b>Alternative instruction</b>							
Contracts with other school systems	26,000	26,000	26,000	-	-	26,000	-
<b>Total alternative instruction</b>	<b>26,000</b>	<b>26,000</b>	<b>26,000</b>	<b>-</b>	<b>-</b>	<b>26,000</b>	<b>-</b>
<b>Special education</b>							
Teachers	389,980	458,510	434,748	-	-	434,748	23,762
Educational assistants	117,426	109,761	109,742	-	-	109,742	19
Speech pathology	61,900	61,900	61,900	-	-	61,900	-
Certified substitute teachers	2,000	180	180	-	-	180	-
Non-certified substitute teachers	2,000	4,880	4,880	-	-	4,880	-
Social security	35,242	37,849	36,345	-	-	36,345	1,504
State retirement	27,171	37,208	34,036	-	-	34,036	3,172
Medical insurance	41,339	55,755	53,241	-	-	53,241	2,514
Dental insurance	828	931	874	-	-	874	57
Unemployment compensation	670	564	552	-	-	552	12
Local retirement	7,001	6,585	6,585	-	-	6,585	-
Employer medicare	8,557	8,852	8,501	-	-	8,501	351
Instructional supplies	3,650	5,372	3,954	-	-	3,954	1,418
Other supplies and materials	500	879	879	-	-	879	-
<b>Total special education</b>	<b>698,264</b>	<b>789,226</b>	<b>756,417</b>	<b>-</b>	<b>-</b>	<b>756,417</b>	<b>32,809</b>

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, 2025

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2024	Add: Encumbrances 6/30/2025	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
Student body education							
Other salaries and wages	106,600	108,600	108,600	-	-	108,600	-
Social security	6,609	6,618	6,618	-	-	6,618	-
State retirement	6,780	9,774	8,643	-	-	8,643	1,131
Medical insurance	15,000	16,039	16,039	-	-	16,039	-
Dental insurance	276	138	138	-	-	138	-
Unemployment compensation	100	84	84	-	-	84	-
Employer medicare	1,546	1,548	1,548	-	-	1,548	-
Travel	500	-	-	-	-	-	-
Other contracted services	12,000	10,500	10,500	-	-	10,500	-
Other charges	6,000	5,000	5,000	-	-	5,000	-
<b>Total student body education</b>	<b>155,411</b>	<b>158,301</b>	<b>157,170</b>	<b>-</b>	<b>-</b>	<b>157,170</b>	<b>1,131</b>
<b>Total instruction</b>	<b>5,579,233</b>	<b>6,294,241</b>	<b>6,214,465</b>	<b>-</b>	<b>8,387</b>	<b>6,222,852</b>	<b>71,389</b>
Support services							
Attendance							
Postal charges	300	-	-	-	-	-	-
Other contracted services	3,500	5,214	5,214	-	-	5,214	-
Other supplies and materials	500	-	-	-	-	-	-
Inservice/staff development	2,000	1,719	1,719	-	-	1,719	-
Other charges	500	169	168	-	-	168	1
<b>Total attendance</b>	<b>6,800</b>	<b>7,102</b>	<b>7,101</b>	<b>-</b>	<b>-</b>	<b>7,101</b>	<b>1</b>
Health instruction program							
Supervisor/directors	69,229	70,380	70,380	-	-	70,380	-
Medical personnel	95,616	96,243	96,243	-	-	96,243	-
Other salaries	4,533	4,533	4,533	-	-	4,533	-
Social security	10,501	9,756	9,756	-	-	9,756	-
State retirement	4,403	4,476	4,476	-	-	4,476	-
Medical insurance	17,000	14,951	14,951	-	-	14,951	-
Dental insurance	414	414	270	-	-	270	144
Unemployment insurance	200	200	198	-	-	198	2
Local retirement	5,737	3,030	2,960	-	-	2,960	70
Employer medicare	2,455	2,500	2,282	-	-	2,282	218
Postal charges	100	100	88	-	-	88	12
Other contracted services	-	2,475	2,475	-	-	2,475	-
Other supplies and materials	2,900	4,135	4,135	-	-	4,135	-
Inservice/staff development	1,500	1,500	894	-	-	894	606
Other charges	-	248	248	-	-	248	-
<b>Total health instruction program</b>	<b>214,588</b>	<b>214,941</b>	<b>213,889</b>	<b>-</b>	<b>-</b>	<b>213,889</b>	<b>1,052</b>
Other student support							
Guidance personnel	61,200	61,200	61,200	-	-	61,200	-
Social workers	53,000	9,600	9,565	-	-	9,565	35
Assessment personnel	45,000	52,200	52,200	-	-	52,200	-
Social security	7,080	4,080	4,024	-	-	4,024	56
State retirement	7,263	5,360	4,658	-	-	4,658	702
Medical insurance	23,405	12,905	12,816	-	-	12,816	89
Dental insurance	276	279	25	-	-	25	254
Unemployment compensation	200	200	84	-	-	84	116
Employer medicare	2,380	2,380	1,698	-	-	1,698	682
Contracts with government agencies	-	12,620	12,620	-	-	12,620	-
Evaluation and testing	2,000	500	-	-	-	-	500
Other charges	950	950	864	-	-	864	86
Other contracted services	5,505	5,700	5,700	-	-	5,700	-
Other supplies and materials	-	3,103	3,103	-	-	3,103	-
Other equipment	1,000	1,000	-	-	-	-	1,000
<b>Total other student support</b>	<b>209,259</b>	<b>172,077</b>	<b>168,557</b>	<b>-</b>	<b>-</b>	<b>168,557</b>	<b>3,520</b>

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, 2025

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2024	Encumbrances 6/30/2025		
<b>Expenditures(continued)</b>							
<b>Support services(continued)</b>							
<b>Regular instruction program</b>							
Supervisor/Director	85,268	90,069	90,069	-	-	90,069	-
Career ladder program	2,090	2,000	2,000	-	-	2,000	-
Libraries	119,780	119,457	119,457	-	-	119,457	-
Instructional coaches	84,059	193,970	187,890	-	-	187,890	6,080
Other salaries	195,147	213,691	213,691	-	-	213,691	-
Social security	30,767	35,218	34,777	-	-	34,777	441
State retirement	31,986	41,231	39,914	-	-	39,914	1,317
Medical insurance	66,775	101,670	100,016	-	-	100,016	1,654
Dental insurance	887	1,047	1,024	-	-	1,024	23
Unemployment compensation	272	337	322	-	-	322	15
Employer medicare	7,195	8,214	8,133	-	-	8,133	81
Consultants	2,500	575	-	-	-	-	575
Dues and memberships	1,000	157	157	-	-	157	-
Travel	500	50	-	-	-	-	50
Other contracted services	35,000	103,206	101,924	-	-	101,924	1,282
Library books and media	9,000	10,841	10,841	-	-	10,841	-
Other supplies and materials	11,000	9,698	9,697	-	-	9,697	1
Inservice/staff development	17,744	27,547	25,946	-	-	25,946	1,601
Other equipment	-	-	17,534	-	-	17,534	(17,534)
<b>Total regular instruction program</b>	<b>710,880</b>	<b>958,978</b>	<b>963,392</b>	<b>-</b>	<b>-</b>	<b>963,392</b>	<b>(4,414)</b>
<b>Special Education</b>							
Supervisor/directors	31,405	27,405	27,405	-	-	27,405	-
Social security	1,647	1,642	1,642	-	-	1,642	-
State retirement	1,997	1,743	1,743	-	-	1,743	-
Medical insurance	3,500	2,713	2,713	-	-	2,713	-
Dental insurance	138	45	45	-	-	45	-
Unemployment compensation	50	14	14	-	-	14	-
Employer medicare	455	384	384	-	-	384	-
Other contracted services	10,000	16,642	16,642	-	-	16,642	-
Inservice/staff development	3,600	3,080	3,080	-	-	3,080	-
<b>Total special education</b>	<b>52,792</b>	<b>53,668</b>	<b>53,668</b>	<b>-</b>	<b>-</b>	<b>53,668</b>	<b>-</b>
<b>Technology</b>							
Supervisor/directors	63,821	63,871	63,871	-	-	63,871	-
Data processing personnel	92,172	91,721	91,192	-	-	91,192	529
Social security	9,671	8,871	8,871	-	-	8,871	-
Medical insurance	21,916	23,107	23,107	-	-	23,107	-
Dental insurance	276	287	287	-	-	287	-
Unemployment compensation	100	121	121	-	-	121	-
Local retirement	9,360	9,267	9,266	-	-	9,266	1
Employer medicare	2,261	2,075	2,075	-	-	2,075	-
Dues and memberships	200	50	-	-	-	-	50
Repair and maintenance - equipment	7,000	1,000	-	-	-	-	1,000
Internet connectivity	27,672	27,672	27,672	-	-	27,672	-
Travel	1,000	227	227	-	-	227	-
Other contracted services	52,328	29,328	29,231	-	-	29,231	97
Software	-	21,670	21,670	-	-	21,670	-
Other supplies and materials	17,000	20,739	20,739	-	-	20,739	-
Inservice/staff development	3,000	2,039	2,039	-	-	2,039	-
Other charges	1,000	6,964	6,964	-	-	6,964	-
Other equipment	8,000	38,452	38,452	-	55,910	94,362	(55,910)
<b>Total technology</b>	<b>316,777</b>	<b>347,461</b>	<b>345,784</b>	<b>-</b>	<b>55,910</b>	<b>401,694</b>	<b>(54,233)</b>
<b>Total support services</b>	<b>1,511,096</b>	<b>1,754,227</b>	<b>1,752,391</b>	<b>-</b>	<b>55,910</b>	<b>1,808,301</b>	<b>(54,074)</b>
<b>General administration</b>							
<b>Board of education</b>							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,823	1,857	1,857	-	-	1,857	-
Medical insurance	30,000	42,199	42,199	-	-	42,199	-
Dental insurance	414	552	552	-	-	552	-
Unemployment compensation	-	176	176	-	-	176	-
Employer medicare	426	387	387	-	-	387	-
Audit services	25,750	26,000	26,000	-	-	26,000	-
Dues and subscriptions	9,345	7,794	7,794	-	-	7,794	-
Legal services	6,000	4,200	4,200	-	-	4,200	-
Printing, stationery, etc...	1,000	2,141	2,141	-	-	2,141	-
Travel	1,000	-	-	-	-	-	-
Other contracted services	5,000	10,458	10,453	-	-	10,453	5
Other supplies and materials	100	-	-	-	-	-	-
Liability insurance	18,000	20,293	20,293	-	-	20,293	-
Surety bonds	800	899	899	-	-	899	-
Trustee's commission	18,000	13,423	13,423	-	-	13,423	-
Workmans compensation	24,000	26,110	26,110	-	-	26,110	-
Inservice/staff development	3,000	1,462	1,462	-	-	1,462	-
Refunds to applicants	500	953	953	-	-	953	-
Other charges	8,000	18,454	18,454	-	-	18,454	-
<b>Total board of education</b>	<b>182,558</b>	<b>206,558</b>	<b>206,553</b>	<b>-</b>	<b>-</b>	<b>206,553</b>	<b>5</b>

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, 2025**

	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures/ (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2024	Encumbrances 6/30/2025		
<b>Expenditures(continued)</b>							
General administration(continued)							
Office of education							
County officials	105,000	105,000	105,000	-	-	105,000	-
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	6,510	6,403	6,139	-	-	6,139	264
State retirement	6,678	6,742	6,742	-	-	6,742	-
Medical insurance	11,994	13,992	13,992	-	-	13,992	-
Dental insurance	138	138	138	-	-	138	-
Unemployment compensation	60	60	42	-	-	42	18
Employer medicare	1,522	1,522	1,436	-	-	1,436	86
Communication	16,000	3,762	3,762	-	-	3,762	-
Dues and memberships	1,750	100	100	-	-	100	-
Postage	1,500	248	247	-	-	247	1
Travel	2,000	176	175	-	-	175	1
Other contracted services	1,000	25	-	-	-	-	25
Office supplies	3,000	1,300	1,269	-	-	1,269	31
Inservice/staff development	2,000	2,000	1,950	-	-	1,950	50
Other charges	2,500	3,984	3,984	-	-	3,984	-
Administrative equipment	1,000	200	200	-	-	200	-
<b>Total office of education</b>	<b>163,652</b>	<b>146,652</b>	<b>146,176</b>	<b>-</b>	<b>-</b>	<b>146,176</b>	<b>476</b>
Office of principal							
Principals	169,656	169,656	169,656	-	-	169,656	-
Accountants and bookkeepers	62,320	62,320	62,320	-	-	62,320	-
Assistant principal	145,637	153,137	153,137	-	-	153,137	-
Clerical personnel	63,478	66,581	66,581	-	-	66,581	-
Part time personnel	-	9,250	9,250	-	-	9,250	-
Social security	27,347	26,947	26,837	-	-	26,837	110
State retirement	20,052	22,722	21,865	-	-	21,865	857
Medical insurance	67,221	83,803	83,378	-	-	83,378	425
Dental insurance	1,104	1,104	1,103	-	-	1,103	1
Unemployment compensation	500	500	387	-	-	387	113
Local retirement	7,548	7,548	7,430	-	-	7,430	118
Employer medicare	6,396	6,396	6,276	-	-	6,276	120
Dues and memberships	2,000	1,600	1,500	-	-	1,500	100
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	100	-	-	-	-	100
Other contracted services	1,200	3,518	3,518	-	-	3,518	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	900	780	-	-	780	120
Other charges	1,325	36,925	36,859	-	-	36,859	66
Administrative equipment	1,000	8,777	3,668	-	5,109	8,777	-
<b>Total office of principal</b>	<b>581,784</b>	<b>664,784</b>	<b>657,545</b>	<b>-</b>	<b>5,109</b>	<b>662,654</b>	<b>2,130</b>
Fiscal services							
Accountants and bookkeepers	115,495	120,688	120,688	-	-	120,688	-
Purchasing personnel	57,443	57,493	57,493	-	-	57,493	-
Clerical personnel	38,600	38,600	38,600	-	-	38,600	-
Other salaries and wages	1,000	100	-	-	-	-	100
Social security	13,177	12,762	12,528	-	-	12,528	234
Medical insurance	43,371	41,571	41,474	-	-	41,474	97
Dental insurance	552	552	552	-	-	552	-
Unemployment compensation	300	300	188	-	-	188	112
Local retirement	8,632	8,736	8,736	-	-	8,736	-
Employer medicare	3,082	3,082	2,930	-	-	2,930	152
Dues and memberships	300	300	-	-	-	-	300
Other contracted services	12,500	14,168	14,168	-	-	14,168	-
Data processing supplies	1,000	300	298	-	-	298	2
Office supplies	2,300	800	752	-	-	752	48
Inservice/staff development	3,000	1,300	1,228	-	-	1,228	72
<b>Total fiscal services</b>	<b>300,752</b>	<b>300,752</b>	<b>299,635</b>	<b>-</b>	<b>-</b>	<b>299,635</b>	<b>1,117</b>

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, 2025

Expenditures(continued)	Budgeted Amounts		Actual (GAAP Basis)	Less:	Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		Encumbrances 7/1/2024	Encumbrances 6/30/2025		
General administration(continued)							
Plant operations							
Janitorial services	336,920	336,920	336,918	-	-	336,918	2
Disposal fees	4,000	8,676	8,676	-	-	8,676	-
Permits	500	350	165	-	-	165	185
Other contracted services	25,000	22,700	22,654	-	-	22,654	46
Electricity	385,000	375,800	375,751	-	-	375,751	49
Natural gas	40,000	31,100	31,077	-	-	31,077	23
Water	35,000	47,200	47,108	-	-	47,108	92
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	2,000	2,000	1,987	-	-	1,987	13
Building and contents insurance	40,000	56,638	56,638	-	-	56,638	-
Vehicle and equipment	11,000	13,036	13,036	-	-	13,036	-
<b>Total plant operations</b>	<b>879,520</b>	<b>894,520</b>	<b>894,010</b>	<b>-</b>	<b>-</b>	<b>894,010</b>	<b>510</b>
Plant maintenance							
Part time personnel	6,000	3,500	3,200	-	-	3,200	300
Social security	434	434	199	-	-	199	235
Unemployment compensation	25	25	19	-	-	19	6
Employer medicare	102	102	47	-	-	47	55
Contracts with government agencies	90,000	85,000	85,000	-	-	85,000	-
Maintenance and repair - buildings	25,000	39,000	67,754	(51,289)	4,928	21,393	17,607
Maintenance and repair - equipment	5,000	400	305	-	-	305	95
Maintenance and repair - vehicle	500	500	81	-	-	81	419
Other contracted services	77,000	98,057	98,057	-	-	98,057	-
Gasoline	3,000	1,700	1,685	-	-	1,685	15
Vehicle parts	1,000	308	280	-	-	280	28
Other supplies and materials	40,000	54,035	54,035	-	-	54,035	-
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	-	-	-	-	500
<b>Total plant maintenance</b>	<b>249,361</b>	<b>284,361</b>	<b>310,662</b>	<b>(51,289)</b>	<b>4,928</b>	<b>264,301</b>	<b>20,060</b>
<b>Total general administration</b>	<b>2,357,627</b>	<b>2,497,627</b>	<b>2,514,581</b>	<b>(51,289)</b>	<b>10,037</b>	<b>2,473,329</b>	<b>24,298</b>
Early childhood education							
Teachers	122,337	116,778	116,778	-	-	116,778	-
Educational assistants	57,184	56,899	56,899	-	-	56,899	-
Social security	10,130	10,292	10,292	-	-	10,292	-
State retirement	7,781	7,427	7,427	-	-	7,427	-
Medical insurance	-	36,756	36,756	-	-	36,756	-
Dental insurance	276	333	333	-	-	333	-
Unemployment compensation	200	171	171	-	-	171	-
Local retirement	3,431	3,410	3,410	-	-	3,410	-
Employer medicare	2,559	2,407	2,407	-	-	2,407	-
Instructional supplies	500	644	644	-	-	644	-
Other supplies and materials	500	458	458	-	-	458	-
Inservice/staff development	418	104	104	-	-	104	-
Other charges	500	1,194	1,194	-	-	1,194	-
<b>Total early childhood education</b>	<b>205,816</b>	<b>236,873</b>	<b>236,873</b>	<b>-</b>	<b>-</b>	<b>236,873</b>	<b>-</b>

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, 2025

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2024	Add: Encumbrances 6/30/2025	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
<b>Debt service</b>							
Principal payments	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	-
Total debt service	-	-	-	-	-	-	-
<b>Capital outlay</b>							
Technology equipment	-	64,297	64,297	-	-	64,297	-
Total capital outlay	-	64,297	64,297	-	-	64,297	-
<b>Total Expenditures</b>	<b>9,653,772</b>	<b>10,847,265</b>	<b>10,782,607</b>	<b>(51,289)</b>	<b>74,334</b>	<b>10,805,652</b>	<b>41,613</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,063,000)</b>	<b>(1,063,000)</b>	<b>(959,908)</b>	<b>51,289</b>	<b>(74,334)</b>	<b>(982,953)</b>	<b>80,047</b>
<b>Other financing sources and (uses)</b>							
Transfers in	1,063,000	1,063,000	1,063,000	-	-	1,063,000	-
Transfers out	-	-	(200,000)	-	-	(200,000)	(200,000)
Sale of equipment	-	-	4,048	-	-	4,048	4,048
<b>Total other financing sources and (uses)</b>	<b>1,063,000</b>	<b>1,063,000</b>	<b>867,048</b>	<b>-</b>	<b>-</b>	<b>867,048</b>	<b>(195,952)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(92,860)</b>	<b>51,289</b>	<b>(74,334)</b>	<b>(115,905)</b>	<b>(115,905)</b>
<b>Fund balance - beginning of year</b>	<b>2,628,215</b>	<b>2,628,215</b>	<b>2,628,215</b>	<b>-</b>	<b>-</b>	<b>2,628,215</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 2,628,215</b>	<b>\$ 2,628,215</b>	<b>\$ 2,535,355</b>	<b>\$ 51,289</b>	<b>\$ (74,334)</b>	<b>\$ 2,512,310</b>	<b>\$ (115,905)</b>

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

CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2025

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 5,762,248	\$ 2,501,213	\$ 14,378,495	\$ 22,641,956
Cash and cash equivalents - restricted	-	4,049,993	2,754,557	6,804,550
Investments - restricted	-	-	100,000	100,000
Accounts receivable, net of allowance	1,159,783	-	3,027,417	4,187,200
Grant receivables	-	910,829	-	910,829
Other receivables	-	(2,269)	3,027,160	3,024,891
Lease receivable, current portion	-	113,748	-	113,748
Due from other funds	135,646	1,066,327	-	1,201,973
Inventory	558,362	713,967	534,017	1,806,346
Natural gas storage	358,723	-	-	358,723
Prepaid expenses	34,355	95,233	75,132	204,720
<b>TOTAL CURRENT ASSETS</b>	<b>8,009,117</b>	<b>9,449,041</b>	<b>23,896,778</b>	<b>41,354,936</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	890,367	453,238	-	1,343,605
Buildings	3,937,398	2,967,245	-	6,904,643
Equipment	3,187,863	3,677,856	-	6,865,719
General plant	-	-	9,166,159	9,166,159
Distribution plant	18,594,243	54,281,062	81,719,094	154,594,399
Construction in progress	735,425	4,889,657	26,033,782	31,658,864
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>27,345,296</b>	<b>66,269,058</b>	<b>116,919,035</b>	<b>210,533,389</b>
Less accumulated depreciation	(14,368,218)	(29,698,599)	(41,521,715)	(85,588,532)
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>12,977,078</b>	<b>36,570,459</b>	<b>75,397,320</b>	<b>124,944,857</b>
<b>OTHER ASSETS</b>				
Note receivable - TVA Home Insulation Program	-	-	238,831	238,831
Deposits	-	65	-	65
Lease receivable	-	293,559	-	293,559
Other deferred costs	-	-	30,000	30,000
Bond issue costs, net of accumulated amortization	-	-	608,941	608,941
<b>TOTAL OTHER ASSETS</b>	<b>-</b>	<b>293,624</b>	<b>877,772</b>	<b>1,171,396</b>
<b>TOTAL ASSETS</b>	<b>20,986,195</b>	<b>46,313,124</b>	<b>100,171,870</b>	<b>167,471,189</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on bond refunding	-	-	20,041	20,041
Deferred outflows related to pensions	196,959	298,234	1,375,111	1,870,304
Deferred outflows related to OPEB	57,366	66,943	966,307	1,090,616
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>254,325</b>	<b>365,177</b>	<b>2,361,459</b>	<b>2,980,961</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable	275,036	1,376,267	5,086,737	6,738,040
Retainage payable	-	5,200	-	5,200
Accrued expenses	223,736	342,529	60,986	627,251
Accrued interest	31,476	122,612	729,701	883,789
Compensated absences	-	-	240,998	240,998
Customer deposits	483,791	294,299	1,380,337	2,158,427
Due to other funds	1,091,982	22,638	-	1,114,620
Current portion of long-term debt	331,771	1,499,398	1,440,000	3,271,169
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,437,792</b>	<b>3,662,943</b>	<b>8,938,759</b>	<b>15,039,494</b>
<b>LONG-TERM LIABILITIES</b>				
Compensated absences	331,424	491,271	1,500,893	2,323,588
Bonds and notes payable (net of unamortized bond premiums)	4,327,203	17,302,454	43,845,055	65,474,712
Net pension liability	878,712	1,220,434	3,727,598	5,826,744
Net OPEB Liability	318,771	413,208	4,958,561	5,690,540
Advances from Home Installation Program	-	-	238,831	238,831
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>5,856,110</b>	<b>19,427,367</b>	<b>54,270,938</b>	<b>79,554,415</b>
<b>TOTAL LIABILITIES</b>	<b>8,293,902</b>	<b>23,090,310</b>	<b>63,209,697</b>	<b>94,593,909</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	88,836	123,383	451,515	663,734
Deferred inflows - OPEB	241,216	218,487	1,091,743	1,551,446
Deferred inflows - lease receivable	-	407,307	-	407,307
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>330,052</b>	<b>749,177</b>	<b>1,543,258</b>	<b>2,622,487</b>
<b>NET POSITION</b>				
Net investment in capital assets	8,318,104	17,768,607	31,282,320	57,369,031
Restricted for capital projects	-	3,259,493	-	3,259,493
Restricted for tank/hydrant maintenance	-	790,500	-	790,500
Restricted for debt service	-	-	2,124,856	2,124,856
Unrestricted net position	4,298,462	1,020,214	4,373,198	9,691,874
<b>TOTAL NET POSITION</b>	<b>\$ 12,616,566</b>	<b>\$ 22,838,814</b>	<b>\$ 37,780,374</b>	<b>\$ 73,235,754</b>

CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2025

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
<b>OPERATING REVENUES</b>				
Charges for services	\$ 6,872,959	\$ 10,293,513	\$ 57,116,238	\$ 74,282,710
Miscellaneous	3,628	833	2,502,804	2,507,265
<b>TOTAL OPERATING REVENUES</b>	<u>6,876,587</u>	<u>10,294,346</u>	<u>59,619,042</u>	<u>76,789,975</u>
<b>OPERATING EXPENSES</b>				
Natural gas purchases	2,867,436	-	-	2,867,436
Water purchases	-	160,831	-	160,831
Purchased for resale	-	-	40,191,311	40,191,311
Personnel expenses	2,470,115	3,516,058	-	5,986,173
Economic development	25,000	-	-	25,000
Supplies	-	657,692	-	657,692
Utilities	56,080	538,876	-	594,956
Repairs and maintenance	429,196	1,223,915	3,160,900	4,814,011
Professional fees	60,122	90,868	-	150,990
Operating expenses	157,392	69,672	9,371,067	9,598,131
Service Contract	42,000	110,100	-	152,100
Office expense	273,571	232,146	-	505,717
Transportation expense	56,729	95,204	-	151,933
Insurance	35,773	190,286	-	226,059
Taxes and tax equivalents	-	-	314,894	314,894
Memberships and subscriptions	-	13,993	-	13,993
Miscellaneous	-	6,999	-	6,999
Depreciation and amortization	705,238	1,536,240	3,032,464	5,273,942
<b>TOTAL OPERATING EXPENSES</b>	<u>7,178,652</u>	<u>8,442,880</u>	<u>56,070,636</u>	<u>71,692,168</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(302,065)</u>	<u>1,851,466</u>	<u>3,548,406</u>	<u>5,097,807</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	152,135	106,275	806,320	1,064,730
Sale of materials	-	14,935	-	14,935
Service contract	72,900	-	-	72,900
Amortization of debt expense	-	-	7,548	7,548
Accretion of debt premiums	-	22,985	-	22,985
Miscellaneous expense	-	-	(66,155)	(66,155)
Insurance recoveries	-	14,719	-	14,719
Gain (loss) on sale of asset	9,476	22,904	-	32,380
Bond issue cost/premium	3,097	(90,001)	-	(86,904)
Lease revenue	-	116,953	-	116,953
Interest expense	(75,500)	(488,523)	(1,782,055)	(2,346,078)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>162,108</u>	<u>(279,753)</u>	<u>(1,034,342)</u>	<u>(1,151,987)</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(139,957)</u>	<u>1,571,713</u>	<u>2,514,064</u>	<u>3,945,820</u>
Transfers to other funds	(221,233)	(150,537)	(1,005,717)	(1,377,487)
Capital contributions	8,031	2,955,957	-	2,963,988
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(213,202)</u>	<u>2,805,420</u>	<u>(1,005,717)</u>	<u>1,586,501</u>
<b>CHANGE IN NET POSITION</b>	<u>(353,159)</u>	<u>4,377,133</u>	<u>1,508,347</u>	<u>5,532,321</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>12,969,725</u>	<u>18,461,681</u>	<u>36,272,027</u>	<u>67,703,433</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,616,566</u>	<u>\$ 22,838,814</u>	<u>\$ 37,780,374</u>	<u>\$ 73,235,754</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, 2025**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>GAS FUND</b>	<b>WATER SYSTEMS FUND</b>	<b>ELECTRIC DEPARTMENT</b>	<b>TOTALS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 6,953,401	\$ 10,352,484	\$ 59,191,544	\$ 76,497,429
Cash received from other funds for services	48,151	(53,008)	-	(4,857)
Cash received from rent	72,900	-	-	72,900
Other operating cash receipts	3,628	833	-	4,461
Cash payments to city - tax equivalents	-	-	(1,005,717)	(1,005,717)
Cash payments to suppliers for goods and services	(4,095,297)	(3,359,163)	(50,117,773)	(57,572,233)
Cash payments to employees for services	(2,299,717)	(3,339,020)	(2,411,989)	(8,050,726)
Other operating cash payments	-	-	(66,155)	(66,155)
Customer deposits received	-	-	295,359	295,359
Customer deposits refunded	-	-	(150,122)	(150,122)
Cash payments to other funds for services	-	133	-	133
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>683,066</b>	<b>3,602,259</b>	<b>5,735,147</b>	<b>10,020,472</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Amounts paid to other funds	(221,233)	(150,537)	-	(371,770)
Sale of materials	-	14,935	-	14,935
Advances from Home Insulation Program	-	-	(12,813)	(12,813)
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(221,233)</b>	<b>(135,602)</b>	<b>(12,813)</b>	<b>(369,648)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of fixed assets	(284,315)	(5,275,020)	(12,210,949)	(17,770,284)
Gain on sale of fixed assets	9,476	22,904	-	32,380
Grant proceeds	8,031	-	-	8,031
Plant removal cost	-	-	(327,211)	(327,211)
Materials salvaged from retirements	-	-	1,150,015	1,150,015
Insurance recoveries	-	14,719	-	14,719
Debt/bond issue costs	-	(90,001)	(118,587)	(208,588)
Loss on refunding of bonds	-	-	3,006	3,006
Premium on issuance of bonds	46,825	73,239	310,351	430,415
Principal payments on long-term debt	(196,699)	(1,235,517)	(1,210,000)	(2,642,216)
Advances from (repayment of) revenue bonds	-	-	12,000,000	12,000,000
Loan proceeds	2,005,000	5,408,075	-	7,413,075
Capital contributions	-	2,568,860	-	2,568,860
Lease revenue	-	116,953	-	116,953
Interest paid on long-term debt	(75,500)	(447,389)	-	(522,889)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>1,512,818</b>	<b>1,156,823</b>	<b>(403,375)</b>	<b>2,266,266</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	-	(100,000)	(100,000)
Proceeds from sale of investments	-	-	100,000	100,000
Notes receivable - TVA Home Insulation Program	-	-	12,813	12,813
Interest paid	-	-	(1,574,629)	(1,574,629)
Interest on cash and investments	152,135	106,275	806,320	1,064,730
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>152,135</b>	<b>106,275</b>	<b>(755,496)</b>	<b>(497,066)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,126,786</b>	<b>4,729,755</b>	<b>4,563,463</b>	<b>11,420,004</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>3,635,462</b>	<b>1,821,451</b>	<b>12,569,589</b>	<b>18,026,502</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 5,762,248</b>	<b>\$ 6,551,206</b>	<b>\$ 17,133,052</b>	<b>\$ 29,446,506</b>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Income (loss) from operating activities	\$ (302,065)	\$ 1,851,466	\$ 3,548,406	\$ 5,097,807
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	705,238	1,536,240	3,032,464	5,273,942
Amounts paid to City - tax equivalents	-	-	(1,005,717)	(1,005,717)
Miscellaneous expense	-	-	(66,155)	(66,155)
Change in pension	44,030	47,267	(283,192)	(191,895)
Change in OPEB	70,590	54,975	(209,210)	(83,645)
Service contract	72,900	-	-	72,900
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	77,834	-	(427,498)	(349,664)
(Increase) decrease in other receivables	-	12,024	-	12,024
(Increase) decrease in inventory	(239,802)	(401,916)	(73,775)	(715,493)
(Increase) decrease in prepaid assets	174	(62,085)	433,489	371,578
(Increase) decrease in due from other funds	1,164	(53,008)	-	(51,844)
(Increase) decrease in natural gas storage	49,169	-	-	49,169
Increase (decrease) in accounts payable	98,461	456,598	191,673	746,732
Increase (decrease) in retainage payable	-	(50,664)	-	(50,664)
Increase (decrease) in due to other funds	46,987	133	-	47,120
Increase (decrease) in net pension liability	-	-	132,661	132,661
Increase (decrease) in net OPEB liability	-	-	228,424	228,424
Increase (decrease) in customer deposits	2,608	46,947	145,237	194,792
Increase (decrease) in compensated absences	26,481	74,796	88,340	189,617
Increase (decrease) in accrued liabilities	29,297	89,486	-	118,783
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 683,066</b>	<b>\$ 3,602,259</b>	<b>\$ 5,735,147</b>	<b>\$ 10,020,472</b>
<b>NONCASH TRANSACTIONS</b>				
Capital Contributions per Statement of Revenues, Expenses, and Changes in Net Position	-	2,955,957	-	2,955,957
Add: Prior year grants receivable	-	523,732	-	523,732
Less: Current year grants receivable	-	(910,829)	-	(910,829)
Capital Contributions per Statement of Cash Flows	-	2,568,860	-	2,568,860

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

**CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2025**

	<b>Pension Trust Funds</b>	
	<b>Municipal Employees</b>	<b>Electric Employees</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ -
Investments:		
Mutual funds (market value)	13,209,199	12,493,773
Annuities (market value)	-	-
<b>TOTAL ASSETS</b>	<b>13,209,199</b>	<b>12,493,773</b>
 <b>LIABILITIES</b>		
Accrued liabilities	-	-
 <b>NET POSITION</b>		
Held in trust for pension benefits	13,209,199	12,493,773
<b>TOTAL NET POSITION</b>	<b>\$ 13,209,199</b>	<b>\$ 12,493,773</b>

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, 2025

	Pension Trust Funds		Total
	Municipal Employees	Electric Employees	
<b>Additions</b>			
Contributions and other additions	\$ 478,455	\$ 541,032	\$ 1,019,487
Net investment gain/(loss)	1,552,674	1,445,085	2,997,759
<b>Total Additions</b>	<u>2,031,129</u>	<u>1,986,117</u>	<u>4,017,246</u>
<b>Deductions</b>			
Fees (refunds)	118,192	1,246	119,438
Benefits	843,032	303,543	1,146,575
<b>Total Deductions</b>	<u>961,224</u>	<u>304,789</u>	<u>1,266,013</u>
<b>Net increase (decrease) in net position</b>	1,069,905	1,681,328	2,751,233
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>12,139,294</u>	<u>10,812,445</u>	<u>22,951,739</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 13,209,199</u></u>	<u><u>\$ 12,493,773</u></u>	<u><u>\$ 25,702,972</u></u>

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity comprises the following:

Primary Government:	City of Lexington
Blended Component Units:	None

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

*Blended Component Units*

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

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The Industrial Development Board of the City of Lexington, Tennessee (LIDB) is a nonprofit organization located in Lexington, Tennessee. Its purpose is to increase employment opportunities by promoting industry, trade, commerce, tourism and recreation in Henderson County, Tennessee. LIDB is a component unit of the City of Lexington since (1) board members are appointed by the City Commission and (2) it receives a significant portion of its funding from the City of Lexington. This financial data is incorporated into the City's financial statements as of June 30, 2024.

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

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**1. B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

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

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

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

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

*Fund Financial Statements:*

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

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

The funds of the financial reporting entity are described below:

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**Governmental Funds**

*General Fund*

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

*Special Revenue Funds*

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

*Capital Project Fund*

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

*Debt Service*

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

**Proprietary Fund**

*Enterprise Fund*

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

**Fiduciary Funds (Not included in government-wide statements)**

*Agency Funds*

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

*Pension Trust Funds*

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
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**Major and Nonmajor Funds**

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

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

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**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

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

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

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

**Cash and Investments**

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

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

**Interfund Receivables and Payables**

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

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**Bond Discounts / Issuance Costs**

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

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

**Capital Assets**

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

*Government-wide Statements*

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

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

The capitalization policy is as listed below:

		Useful Life:
1.	Land	
	a. Land – non depreciable	\$1 Not Depreciated
	b. Land Improvements—groundwork	\$10,000 25-30 or life of note
	c. Land Improvements—structures	\$10,000 20-25 or life of note
2.	Infrastructure	
	a. Drainage Systems	\$1 25-30
	b. Water Systems	\$1 25-30
	c. Sewer Systems	\$1 40-50
	d. Lift Stations	\$1 20-30
	e. Dam-Concrete	\$1 40-50
	f. Dam-Steel, sheet pile	\$1 25-30
	g. Dams-Earthen Embankment	\$1 None
	h. Roads-Paved	\$1 35-45
	i. Roads-Gravel	\$1 45-55
	j. Bridges-Wood	\$1 20-25
	k. Bridges-Concrete	\$1 35-45
	l. Utility Lines and Storage	\$1 40-50
3.	Buildings	
	a. Buildings	\$10,000 40-50 or life of note
	b. Buildings-Temporary	\$10,000 20-25
	c. Building Improvements	\$10,000 20-30
4.	Improvements other than Buildings	
	a. Traffic Control	\$5,000 10-15
	b. Landscaping	\$5,000 5-10
	c. Parking Areas	\$5,000 5-10
	d. Other Improvements	\$5,000 5-10

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5. Equipment		
a. Heavy Equipment	\$10,000	10-15
b. Portable Utility Meters	\$5,000	10-15
c. Pumps and Treatment Equipment(Utility)	\$5,000	10-15
d. Telephone Equipment	\$5,000	5-10
e. Kitchen Equipment	\$5,000	10-15
f. Firefighting Equipment	\$5,000	5-10
g. Police Special Equipment	\$5,000	5-10
h. Medical Equipment	\$5,000	5-10
i. Traffic Control Equipment	\$5,000	5-10
j. Radio Control Equipment	\$5,000	5-10
k. Outdoor Park Equipment	\$5,000	10-15
l. Grounds Equipment	\$5,000	10-15
m. Office Equipment	\$5,000	5-10
n. Computer Equipment	\$5,000	5-10
o. Misc. Equipment	\$5,000	5-10
p. Leased Machinery and Equipment	\$5,000 (lease amt)	Life of lease
6. Vehicles		
a. Cars/Trucks/Jeeps	\$5,000	5-10
b. Heavy Trucks-sanitation	\$10,000	5-10
c. Heavy Trucks-non-sanitation	\$10,000	10-15
d. Buses	\$10,000	15-20
e. Vans	\$5,000	5-10
7. Intangibles		
a. Computer Software		5-10

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.

*Fund Financial Statements*

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

**Deferred Outflows/Inflows of Resources**

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

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

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**Long-term Debt**

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

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

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

**Compensated Absences**

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

*Electric System*

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

*School System*

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

**Net Position Flow Assumption**

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

Net position is displayed in three components:

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

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- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance Policies**

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

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

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

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

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

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

**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.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**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.

**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.

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**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**

<b>Fund</b>	<b>Required By</b>
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 amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

**Pension Plan Investments**

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

**2.C. REVENUE RESTRICTIONS**

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

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

**CITY OF LEXINGTON, TENNESSEE  
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**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, 2025.

**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's funds expenditures were within appropriations for the year ended June 30, 2025.

**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.

**General Government**

As of June 30, 2025, 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, 2025, 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, 2025, 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, 2025, the System's bank deposits were fully collateralized or insured.

**School System**

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

**CITY OF LEXINGTON, TENNESSEE  
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**Investment-Fiduciary Fund**

The following is the asset allocation as of June 30, 2025:

	<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	\$ 2,284,274	17.29%	\$ 4,019,946	32.18%	\$ 6,304,220
Equities	10,924,925	82.71%	8,473,827	67.82%	19,398,752
	<u>\$ 13,209,199</u>	<u>100.00%</u>	<u>\$ 12,493,773</u>	<u>100.00%</u>	<u>\$ 25,702,972</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, 2025.

	<u>City of Lexington</u>	<u>Lexington Electric</u>
American Funds Investment Fund of America	\$ 867,423	\$ 792,816
500 Index Fund	1,427,789	-
Columbia Diversified Fixed Income	830,188	737,993
Vanguard 500 Index	-	1,297,796
MFS Growth Fund	794,497	754,343
DC INTL ST	849,792	790,373
Contra	743,920	691,902
BlackRock EAFE Equity Index	682,126	792,292

For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.39 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2025.

	<u>Fair Value Measurements Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Debt securities				
Pooled and separate accounts	\$ 6,304,220	\$ 2,284,274	\$ 4,019,946	\$ -
Equity securities				
Pooled and separate accounts	19,398,752	10,924,925	8,473,827	-
Total	<u>\$ 25,702,972</u>	<u>\$ 13,209,199</u>	<u>\$ 12,493,773</u>	<u>-</u>

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

**3.B. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of amounts due from the various local sources. Receivables detail at June 30, 2025, is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 56,194	\$ 4,251,476	\$ 4,307,670
Allowance for doubtful accounts	(41,421)	(64,276)	(105,697)
Net accounts receivable	<u>\$ 14,773</u>	<u>\$ 4,187,200</u>	<u>\$ 4,201,973</u>

**3.C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025, was as follows:

	<u>Balance 7/1/24</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/25</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 2,061,805	\$ -	\$ -	\$ 2,061,805
Construction in Progress	1,195,343	143,606	978,455	360,494
Total Capital assets not being depreciated	<u>3,257,148</u>	<u>143,606</u>	<u>978,455</u>	<u>2,422,299</u>
Capital assets being depreciated				
Buildings	25,192,297	-	-	25,192,297
Equipment	16,714,088	490,565	822,225	16,382,428
Infrastructure	18,863,931	1,082,964	-	19,946,895
Improvements	8,829,282	55,640	-	8,884,922
Total Capital assets being depreciated	<u>69,599,598</u>	<u>1,629,169</u>	<u>822,225</u>	<u>70,406,542</u>
Less accumulated depreciation for:				
Buildings	14,111,669	371,826	-	14,483,495
Equipment	9,714,635	1,277,182	762,929	10,228,888
Infrastructure	12,319,494	187,026	-	12,506,520
Improvements	6,087,430	260,203	-	6,347,633
Total accumulated depreciation	<u>42,233,228</u>	<u>2,096,237</u>	<u>762,929</u>	<u>43,566,536</u>
Total capital assets, being depreciated, net	<u>27,366,370</u>			<u>26,840,006</u>
Governmental activities capital assets, net	<u>\$ 30,623,518</u>			<u>\$ 29,262,305</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 1,343,605	\$ -	\$ -	\$ 1,343,605
Construction in Progress	16,805,506	16,523,582	1,670,224	31,658,864
Total Capital assets not being depreciated	<u>18,149,111</u>	<u>16,523,582</u>	<u>1,670,224</u>	<u>33,002,469</u>
Capital assets being depreciated				
Buildings	6,904,643	-	-	6,904,643
Equipment	5,977,580	999,634	111,494	6,865,720
Plant	156,959,943	7,750,214	949,600	163,760,557
Total Capital assets being depreciated	<u>169,842,166</u>	<u>8,749,848</u>	<u>1,061,094</u>	<u>177,530,920</u>
Less accumulated depreciation for:				
Buildings	1,105,822	150,747	-	1,256,569
Equipment	4,534,098	439,930	111,494	4,862,534
Plant	75,332,286	5,085,726	948,583	79,469,429
Total accumulated depreciation	<u>80,972,206</u>	<u>5,676,403</u>	<u>1,060,077</u>	<u>85,588,532</u>
Total capital assets, being depreciated, net	<u>88,869,960</u>			<u>91,942,388</u>
Business-type activities capital assets, net	<u>\$ 107,019,071</u>			<u>\$ 124,944,857</u>

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

Governmental Function	
General and administrative	\$ 179,854
Public safety	569,174
Public works	650,076
Health, recreation and welfare	697,133
Total depreciation expense	<u>\$2,096,237</u>

**3.D. ACCOUNTS PAYABLE**

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

**3.E. SERVICE CONTRACTS**

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

**3.F. PREPAID MEALS**

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

**3.G. LONG-TERM LIABILITIES**

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

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority of the government. General obligation bonds were issued for original terms of up to 19 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2025, 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, 2025, will be retired from the General Purpose School Fund, the Solid Waste Collection Fund, and the Water System Fund.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**Governmental Activities**

As of June 30, 2025, 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%.	\$	70,161
2019 Public Works Refund Bonds, dated February 7, 2019, due March 1, 2034 interest 2% to 3%.		675,000
2020 General Obligation School Refunding Bonds, dated June 30, 2020, due November 1, 2020 through May 1, 2031, interest 1% to 2%.		2,535,000
2020 Public Works Improvements Bonds, dated April 30, 2020, due April 30, 2021 through April 1, 2040, interest 2% to 2.35%.		1,200,000
<b>Total General Obligations Bonds</b>		<u>4,480,161</u>

**Direct Borrowing and Direct Placements**

2023 Capital Outlay Note, dated September 17, 2023 due 8/14/2023 through 8/1/2026, interest 5.910%.		411,000
2023 Capital Outlay Note, dated September 8, 2023 due 9/8/2023 through 8/1/2028, interest 5.450%.		821,000
<b>Total Direct Borrowing and Direct Placements</b>		<u>1,232,000</u>

**Total Governmental Activities Bonds and Direct Borrowings**

5,712,161

**Other Liabilities**

Compensated absences		2,027,078
Unamortized debt premiums		89,712
Net pension liability		2,782,588
Net OPEB liability		1,932,983
Landfill closure costs		1,217,125
<b>Total Other Liabilities</b>		<u>8,049,486</u>

**Total Government Activity Long-Term Liabilities**

\$ 13,761,647

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**Business-type Activities**

**Revenue Bonds**

2019 Water Refunding Bonds, dated September 1, 2019, through March 1, 2034, interest 2.00% to 3.00%.	\$ 3,045,000
Electric Plant Revenue Refunding Bonds, Series 2017, interest of 2.00% to 2.75% due serially through 2032.	3,400,000
Electric Plant Revenue Bonds, Series 2018, interest at 3.00% to 4.00%% due serially through 2038	2,175,000
Electric Plant Revenue Refunding Bonds, Series 2019, interest of .05% to 5.00% due serially through 2037.	4,870,000
Electric Plant Revenue Refunding Bonds, Series 2023, interest of 4.625% to 5.00% due serially through 2054.	21,670,000
Electric Plant Revenue Refunding Bonds, Series 2024, interest of 4.00% to 5.00% due serially through 2054.	12,000,000
2019 Gas Refunding Bonds, dated February 7, 2019, due March 1, 2020 through March 1, 2034, interest 2.00% to 3.00%	835,000
<b>Total Business-Type Revenue Bonds</b>	<u>47,995,000</u>

**Direct Borrowing and Direct Placements**

Local Government Loan Program Bond, Series 2015, variable interest	1,115,000
Local Government Loan Program Bond, Series 2024, variable interest	2,573,281
2025 Gas Capital Outlay Note, dated April 3, 2025 due 10/1/2025 through 4/1/2037, interest 4.00%	2,005,000
2025 Water Capital Outlay Note, dated April 3, 2025 due 10/1/2025 through 4/1/2037, interest 4.00%	3,275,000
<b>Total Business-Type Direct Borrowing and Direct Placements</b>	<u>8,968,281</u>

**General Obligation Bonds**

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	934,838
2017 General Obligation Bonds, dated July 20, 2017, due July 15, 2018 through July 15, 2037, interest 1.30% to 3.25%.	3,045,000
2020 Public Works Improvements General dated April 30, 2020, through April 1, 2040 interest 2.00% to 3.00%	6,255,000
<b>Total Business-Type General Obligation Bonds</b>	<u>10,234,838</u>

**Other liabilities**

Compensated absences	2,564,586
Advances from Home Installation Program	238,831
Net pension liability	5,826,744
Net OPEB liability	5,690,540
Unamortized debt premiums	1,547,762
<b>Total Other Liabilities</b>	<u>15,868,463</u>

<b>Total Business-type Activities</b>	<u><u>\$ 83,066,582</u></u>
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**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**Changes in Long-Term Liabilities**

The following is a summary of changes in long-term debt for the year ended June 30, 2025:

	<u>Balance 7/1/2024</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2025</u>	<u>Due within one year</u>
<b><u>Governmental Type Activities</u></b>					
General Obligation Bonds	\$ 5,044,944	\$ -	\$ 564,783	\$ 4,480,161	\$ 575,831
Direct Borrowing and Direct Placements	1,600,000	-	368,000	1,232,000	389,000
Landfill Closure Costs	236,468	980,657	-	1,217,125	-
Unamortized debt premiums	100,923	-	11,211	89,712	-
Total governmental type activities	<u>6,982,335</u>	<u>980,657</u>	<u>943,994</u>	<u>7,018,998</u>	<u>964,831</u>
<b><u>Business Type Activities</u></b>					
Revenue Bonds	37,575,000	12,000,000	1,580,000	47,995,000	1,820,000
Direct Borrowing and Direct Placements	1,752,206	7,413,075	197,000	8,968,281	557,000
General Obligation Bonds	11,100,054	-	865,216	10,234,838	894,169
Unamortized debt premiums	1,143,429	427,914	23,581	1,547,762	-
Total business type activities	<u>51,570,689</u>	<u>19,840,989</u>	<u>2,665,797</u>	<u>68,745,881</u>	<u>3,271,169</u>
Total government	<u>\$ 58,553,024</u>	<u>\$ 20,821,646</u>	<u>\$ 3,609,791</u>	<u>\$ 75,764,879</u>	<u>\$ 4,236,000</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, 2025**

**Annual Requirements to Retire Debt Outstanding**

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2025 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	
2026	\$ 575,831	\$ 163,842	\$ 894,169	\$ 240,815	\$ 1,874,657
2027	581,878	155,275	923,122	222,778	1,883,053
2028	577,452	144,606	812,547	200,249	1,734,854
2029	570,000	133,844	600,000	179,609	1,483,453
2030	585,000	133,352	610,000	162,838	1,491,190
2031-2035	1,150,000	523,936	3,270,000	603,084	5,547,020
2036-2040	440,000	470,610	3,125,000	200,478	4,236,088
Total	<u>\$ 4,480,161</u>	<u>\$ 1,725,465</u>	<u>\$ 10,234,838</u>	<u>\$ 1,809,851</u>	<u>\$ 18,250,315</u>

Year Ending June 30,	<u>Direct Placement and Direct Borrowings</u>				Principal and Interest Total
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		
	Principal	Interest	Principal	Interest	
2026	\$ 389,000	\$ 446,974	\$ 557,000	\$ 458,456	\$ 1,851,430
2027	411,000	446,229	574,000	445,646	1,876,875
2028	210,000	227,822	596,000	430,095	1,463,917
2029	222,000	228,049	618,000	414,751	1,482,800
2030	-	-	646,000	398,615	1,044,615
2031-2035	-	-	3,599,000	1,731,778	5,330,778
2036-2040	-	-	1,968,000	1,372,676	3,340,676
2041-2045	-	-	410,281	653,109	1,063,390
	<u>\$ 1,232,000</u>	<u>\$ 1,349,074</u>	<u>\$ 8,968,281</u>	<u>\$ 5,905,126</u>	<u>\$ 17,454,481</u>

Year Ending June 30,	<u>Revenue Bonds</u>	
	<u>Business-type Activities</u>	
	Principal	Interest
2026	\$ 1,820,000	\$ 1,846,085
2027	1,890,000	1,884,159
2028	1,970,000	1,812,134
2029	2,040,000	1,735,609
2030	2,120,000	1,656,034
2031-2035	9,725,000	7,063,348
2036-2040	6,350,000	5,587,665
2041-2045	6,190,000	4,217,890
2046-2050	7,700,000	2,715,325
2051-2055	8,190,000	869,640
	<u>\$ 47,995,000</u>	<u>\$ 29,387,889</u>

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**3.H. INTERFUND TRANSACTIONS AND BALANCES**

**Operating Transfers**

	TRANSFER FROM							Totals
	General	Drug	School Tax Fund	Lexington Electric	Water	Gas	General Purpose School	
<b>TRANSFER TO</b>								
General	\$ -	\$ -	\$ -	\$ 1,005,717	\$ 150,537	\$ 221,233	\$ -	\$ 1,377,487
Drug Fund	72,622	-	-	-	-	-	-	72,622
Federal Drug Fund	-	63,728	-	-	-	-	-	63,728
Capital Projects Fund	70,000	-	-	-	-	-	-	70,000
DARE Fund	-	3,500	-	-	-	-	-	3,500
School Debt	-	-	477,134	-	-	-	-	477,134
School Food Service	-	-	-	-	-	-	200,000	200,000
General Purpose School	-	-	1,063,000	-	-	-	-	1,063,000
<b>GRAND TOTALS</b>	<u>\$ 142,622</u>	<u>\$ 67,228</u>	<u>\$ 1,540,134</u>	<u>\$ 1,005,717</u>	<u>\$ 150,537</u>	<u>\$ 221,233</u>	<u>\$ 200,000</u>	<u>\$ 3,327,471</u>

The transfers from General Fund to other various funds are all for operating expenses. The transfers from the Water, Natural Gas, and Electric Funds to the General Fund are for in-lieu of taxes. Transfers from the Sales Tax Fund to the School Debt Fund are for debt payments and capital outlay expenditures. In the current year a one-time transfer was made from the General Purpose School Fund to the School Food Service Fund in the amount of \$200,000 for operational expenses.

**Interfund Receivables and Payables**

<b>DUE TO:</b>	General	Solid Waste	Water	Gas	Totals
<b>DUE FROM:</b>					
General	\$ -	\$ -	\$ 95,185	\$ 134,693	\$ 229,878
Federal Drug	4,705	-	-	-	4,705
Solid Waste	-	-	-	-	-
Gas	-	120,841	971,142	-	1,091,983
Water Systems	21,672	12	-	954	22,638
	<u>\$ 26,377</u>	<u>\$ 120,853</u>	<u>\$ 1,066,327</u>	<u>\$ 135,647</u>	<u>\$ 1,349,204</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 State Street Aid, Drug, Solid Waste, and Water 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, 2025 were \$60,726 and \$5,631, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 4. OTHER NOTES**

**4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

**Pension Plan Obligations**

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

**Plan Description**

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

**Actuarial Cost Method**

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

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

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

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

**Attribution Parameters**

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

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**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, 2024:

Retirees and beneficiaries currently receiving benefits	23
Terminated employees entitled to deferred benefits	33
Disabled employees entitled to deferred benefits	<u>0</u>
Total	56

Active Plan Participants as of January 1, 2024:

Vested	40
Partially-vested	0
Non-vested	<u>0</u>
Total	40

**Summary of Plan Provisions**

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/24

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

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

Normal Retirement Benefit Formula:

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

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

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

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

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

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

Maximum Annual Benefit: \$275,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

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

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

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

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

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

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

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

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

The percentage is determined as follows:

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

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

Unused Sick Leave

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

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

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

**Investments**

Investment information has been provided by John Hancock.

Investment Policy: The following was the City's adopted asset allocation policy as of June 30, 2024:

<b>Asset Class</b>	<b>Target Allocation</b>
US Equity - Large Cap	40%
US Equity - Small/Mid Cap	15%
Non-US Equity - Developed	16%
Non-US Equity - Emerging	4%
US Corporate Bonds - Core	15%
US Corporate Bonds - Long Duration	3%
US Corporate Bonds - High Yield	3%
Non-US Debt - Developed	2%
US Treasuries (Cash Equivalents)	2%
Total	<u>100%</u>

Rate of Return: For the year ended June 30, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.32%. 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, 2024 is \$4,881,734. 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, 2024

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Valuation Date  
January 1, 2024

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

Discount Rate  
7.25% per annum

Inflation  
2.44% 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%. Service purchase employees, 100% at Age 57.

Cost of Living Increase  
2.05% per annum of the participant's original benefit

Disability Rates  
See disability rates below.

Withdrawal rates  
See withdrawal rates below.

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

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

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Liabilities were valued as of January 1, 2024 using data as of January 1, 2024 and provisions and assumptions as of June 30, 2024. This liability was then increased by service cost and interest cost (for the period January 1, 2024 – June 30, 2024) 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, 2024 are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>	<u>Weighting</u>
US Equity - Large Cap	40%	5.67%	2.27%
US Equity - Small/Mid Cap	15%	6.89%	1.03%
Non-US Equity - Developed	16%	6.48%	1.04%
Non-US Equity - Emerging	4%	8.36%	0.33%
US Corporate Bonds - Core	15%	2.54%	0.38%
US Corporate Bonds - Long Duration	3%	3.19%	0.10%
US Corporate Bonds - High Yield	3%	4.31%	0.13%
Non-US Debt - Developed	2%	1.52%	0.03%
US Treasuries (Cash Equivalents)	2%	0.98%	0.02%
<b>Total</b>	<b>100%</b>		<b>5.33%</b>
Long-Term Inflation Assumption			<u>2.44%</u>
<b>Long-Term Expected Nominal Rate of Return</b>			<b>7.90%</b>

\*Long-term real rates of return were provided by 2024 Horizon Study. Returns are arithmetic means.

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

**Discount Rate**

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

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

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

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	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Plan's net pension liability	\$ 6,893,660	\$ 4,881,734	\$ 3,173,678

**Change in City's Net Pension Liability**

Changes in the City's net pension liability for the year ended June 30, 2024 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	Balances at 6/30/23	\$ 16,892,567	\$ 12,187,742
Changes for the year:			
Service cost	257,872	-	257,872
Interest	1,170,693	-	1,170,693
Changes in benefit terms	-	-	-
Differences between expected and actual experience	688,316	-	688,316
Changes of assumptions	-	-	-
Contributions - employer	-	237,354	(237,354)
Contributions - employee	-	147,490	(147,490)
Net investment income	-	823,380	(823,380)
Difference between projected and actual earnings	-	817,502	(817,502)
Benefit payments	(1,988,420)	(1,988,420)	-
Administrative expense	-	(85,754)	85,754
Net changes	128,461	(48,448)	176,909
Balances at 6/30/24	\$ 17,021,028	\$ 12,139,294	\$ 4,881,734

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

For the year ended June 30, 2025, the City recognized pension expense of \$496,045. At June 30, 2025, 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	\$ 912,440	\$ 175,420
Change in assumptions	-	124,564
Net difference between projected and actual earnings on pension plan investments	-	193,549
Contributions subsequent to the measurement date of June 30, 2024	336,950	-
Total	\$ 1,249,390	\$ 493,533

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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:**

2025	\$	22,636
2026	\$	662,860
2027	\$	(103,087)
2028	\$	(163,502)
2029	\$	-
Thereafter	\$	-

**Payable to the Pension Plan**

At June 30, 2025, the City reported \$0 payable for outstanding amount of contributions to the pension plan required at the year ended June 30, 2025.

**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	\$198,968
Water System	\$ 97,945
Gas System	\$ 78,593
School System	\$ 69,111

**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.

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

*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%.

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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, 2024 and 2023 membership consisted of:

	<u>2024</u>	<u>2023</u>
Retirees and beneficiaries currently receiving benefits	11	10
Terminated employees entitled to benefits	3	3
Active employees:		
Fully or partially vested	23	25
Total	<u>37</u>	<u>38</u>

*Funded status and funding progress:* As of June 30, 2024, the total pension liability for benefits was \$14,540,043 and the net pension liability was \$3,727,598. Total covered payroll was \$1,630,582 and the ratio of net pension liability to covered payroll was 228.61%. As of June 30, 2023, the total pension liability for benefits was \$13,574,552 and the net pension liability was \$3,594,937. Total covered payroll was \$1,715,768 and the ratio of net pension liability to covered payroll was 209.52%. As of June 30, 2022, the total pension liability for benefits was \$12,836,523 and the net pension liability was \$4,034,111. Total covered payroll was \$1,636,592 and the ratio of net pension liability to covered payroll was 246.49%.

*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, 2024 and 2023 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, 2024 in order to be in compliance with GASB Statement No. 67. The second table shows the net pension liability as of June 30, 2023, which is what is reported in the proprietary financial statements in accordance with GASB Statement No. 68.

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	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (a) - (b)
Balances at 6/30/23	\$ 13,574,552	\$ 9,979,615	\$ 3,594,937
Changes for the year:			
Service cost	161,378	-	161,378
Interest	953,960	-	953,960
Changes of benefit terms	-	-	-
Differences between expected and actual experience	463,748	-	463,748
Change of assumptions	583,398	-	583,398
Contributions - employer	-	486,791	(486,791)
Contributions - employee	-	101,077	(101,077)
Net investment income	-	1,439,067	(1,439,067)
Benefit payments	(1,196,993)	(1,196,993)	-
Administrative expense	-	(3,549)	3,549
Other	-	6,437	(6,437)
Net changes	<u>965,491</u>	<u>832,830</u>	<u>132,661</u>
Balances at 6/30/24	<u>\$ 14,540,043</u>	<u>\$ 10,812,445</u>	<u>\$ 3,727,598</u>

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (a) - (b)
Balances at 6/30/22	\$ 12,836,523	\$ 8,802,412	\$ 4,034,111
Changes for the year:			
Service cost	159,425	-	159,425
Interest	928,966	-	928,966
Changes of benefit items	-	-	-
Differences between expected and actual experience	(9,802)	-	(9,802)
Change of assumptions	-	-	-
Contributions - employer	-	348,791	(348,791)
Contributions - employee	-	99,183	(99,183)
Net investment income	-	1,066,530	(1,066,530)
Benefit payments	(340,560)	(340,560)	-
Administrative expense	-	(3,907)	3,907
Other	-	7,166	(7,166)
Net changes	<u>738,029</u>	<u>1,177,203</u>	<u>(439,174)</u>
Balances at 6/30/23	<u>\$ 13,574,552</u>	<u>\$ 9,979,615</u>	<u>\$ 3,594,937</u>

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

	<b>2024</b>		
	<b>Current</b>		
	<b>1% Decrease 6.25%</b>	<b>Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
Net pension liability	\$ 5,222,382	\$ 3,727,598	\$ 2,461,927
	<b>2023</b>		
Net pension liability	\$ 4,673,900	\$ 3,594,937	\$ 2,666,675

*Net Pension Liability.* The System's net pension liability was measured as of June 30, 2024, 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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Individual Entry Age Normal, level percentage of pay
Amortization Method	Level dollar, closed
Remaining Amortization period	30 years as of 7/1/20
Asset valuation method	Market value of plan assets adjusted to phase in gains and losses over a five-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value.
Salary increases	3.00% per annum
Cost of living increases	2.05%
Investment rate of return	7.25% per annum
Retirement age assumption	100% at age 60
Mortality	RP-2006 Blue Collar Mortality Generational with Improvement Scale MP-2021
Disability mortality	RP-2006 Disabled Retiree Mortality Generational with Improvement Scale MP-2021

The actuarial assumptions used in the July 1, 2024 and 2023 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, 2024 and 2023, the System recognized pension expense (negative pension expense) of \$427,584 and \$327,694. At June 30, 2024 and 2023, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 479,606	\$ 113,150
Change of assumptions	455,390	5,460
Net difference between projected and actual earnings on pension plan investments	-	332,905
Contributions subsequent to the measurement date of June 30, 2024	440,115	-
Total	<u>\$ 1,375,111</u>	<u>\$ 451,515</u>
Differences between expected and actual experience	\$ 211,501	\$ 249,579
Change of assumptions	19,270	64,980
Net difference between projected and actual earnings on pension plan investments	375,401	-
Contributions subsequent to the measurement date of June 30, 2023	348,791	-
Total	<u>\$ 954,963</u>	<u>\$ 314,559</u>

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

**Year ended June 30:**

2025	\$	83,902
2026	\$	466,032
2027	\$	5,673
2028	\$	(72,126)
2029	\$	-
Thereafter	\$	-

**Electric System**

The System began offering a 403(b) defined contribution plan, titled the Lexington Electric System 403(b) plan, to their eligible employees hired after April 1, 2012. The System matches their employee's contributions, which can be up to 6% of the employee's annual compensation as determined by the Retirement Committee. The employer's contributions are not vested until after five annual periods in the plan. If an employee leaves the System before the five year vesting period, the amount of unvested contributions reduce the System's cash outlay in the following period. The System made contributions of \$154,656 to the plan in the current year and \$5,142 in 2024. 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.* The Tennessee Consolidated Retirement System (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>.

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Teachers employed by Lexington City Schools with membership in the TCRS before July 1, 2014 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 to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees.

The Teacher Retirement Plan became effective July 1, 2014 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.

**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 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2024 to the Teacher Legacy Pension Plan were \$229,961 which is 6.81 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, 2025, the Lexington City Schools reported a liability (asset) of (\$1,756,918) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, 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, 2024 Lexington City Schools' proportion was 0.101977 percent. The proportion measured as of June 30, 2023 was 0.099244 percent.

*Pension expense (negative pension expense).* For the year ended June 30, 2025, Lexington City Schools recognized pension expense (negative pension expense) of \$358,972.

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*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2025, 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	\$ 468,523	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	342,176
Changes in proportion of Net Pension Liability (Asset)	4,216	38,512
LEA's contribution subsequent to the measurement date of June 30, 2024	<u>225,808</u>	<u>n/a</u>
<b>Total</b>	<u><u>\$ 698,547</u></u>	<u><u>\$ 380,688</u></u>

Lexington City Schools employer contribution of \$225,808, 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, 2026. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2026	\$ (214,754)
2027	\$ 665,486
2028	\$ (178,524)
2029	\$ (180,158)
2030	\$ -
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, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

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	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 2,231,894	\$ (1,756,918)	\$ (5,065,093)

*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, 2025, 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, 2025.

**2. Teacher Retirement Plan**

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2024 to the Teacher Retirement Plan were \$32,629, which is 2.95 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

*Pension liabilities (assets).* At June 30, 2025, Lexington City Schools reported an liability (asset) of (\$33,552) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, 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, 2024 Lexington City Schools' proportion was 0.047084 percent. The proportion measured at June 30, 2023 was 0.053360 percent.

*Pension expense (negative pension expense).* For the year ended June 30, 2025, Lexington City Schools recognized pension expense (negative pension expense) of \$28,731.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2025, Lexington City Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,772	\$ 10,308
Net difference between projected and actual earnings on pension plan investments	-	5,660
Changes in assumptions	13,333	-
Changes in proportion of Net Pension Liability (Asset)	9,189	4,605
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2023	<u>44,413</u>	<u>(not applicable)</u>
Total	<u>\$ 69,707</u>	<u>\$ 20,573</u>

Lexington City Schools employer contributions of \$44,413 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, 2026. Other amounts reported as deferred outflows of resources or deferred inflows or resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>		
2026	\$	(2,583)
2027	\$	5,248
2028	\$	(1,391)
2029	\$	(1,360)
2030	\$	1,323
Thereafter	\$	3,482

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

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*Actuarial assumptions.* The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 88,488	\$ (33,552)	\$ (124,376)

*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, 2025, 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, 2025.

**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, 2024, represents the price that would be received to sell an

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asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

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

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

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

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

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, 2025, the System had the following investments held by the trust on its behalf. These funds are recognized as restricted assets in the General Purpose School Fund.

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Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 37,372
Developed Market International Equity	N/A	N/A	16,878
Emerging Market International Equity	N/A	N/A	4,822
U. S. Fixed Income	N/A	N/A	24,111
Real Estate	N/A	N/A	12,056
Short-term Securities	N/A	N/A	1,205
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>24,111</u>
<b>Total</b>			<u>\$ 120,555</u>

	Fair Value	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)	
Investments by Fair Value Level	6/30/2025				NAV
U. S. Equity	\$ 37,372	\$ 37,372	\$ -	\$ -	\$ -
Developed Market International Equity	16,878	16,878	-	-	-
Emerging Market International Equity	4,822	4,822	-	-	-
U. S. Fixed Income	24,111	-	24,111	-	-
Real Estate	12,056	-	-	12,056	-
Short-term Securities	1,205	-	1,205	-	-
Private Equity and Strategic Lending	24,111	-	-	-	24,111
<b>Total</b>	<u>\$ 120,555</u>	<u>\$ 59,072</u>	<u>\$ 25,316</u>	<u>\$ 12,056</u>	<u>\$ 24,111</u>

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

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

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

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

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

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

#### **4.B. POST EMPLOYMENT HEALTHCARE PLAN**

##### **CITY GOVERNMENT FUNDS**

**Plan Description** – The City sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, as the rest of the operations of the City. The City's total OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date.

##### **Plan Provisions**

*Plan Type:* Fully Insured

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

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



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

1% Decrease (4.20%)	Discount Rate (5.20%)	1% Increase (6.20%)
\$ 1,941,524	\$ 1,694,710	\$ 1,478,600

1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.00% decreasing to 5.00%)	1% Increase (7.00% decreasing to 6.00%)
\$ 1,370,874	\$ 1,694,710	\$ 2,106,755

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$411,250. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ 27,945	\$ 753,264
Changes of assumptions/inputs	127,885	556,984
Contributions subsequent to the measurement date	130,000	(not applicable)
<b>Total</b>	<b>\$ 285,830</b>	<b>\$ 1,310,248</b>

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:**

2026	\$	(70,350)
2027	\$	(70,350)
2028	\$	(70,350)
2029	\$	(70,350)
2030	\$	(70,350)
Thereafter	\$	(802,668)

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

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

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

**Discount Rate:** A discount rate of 5.20% was used in estimating the GASB 75 financial information for fiscal year ending June 30, 2025.

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

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

**Disability Rates:** None assumed

**Termination Rates:** Based on age and service:

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

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

<u>Year</u>	<u>Trend Rates</u>
2023	7.0%
2024	6.5%
2025	6.0%
2026	5.5%
2027+	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	\$ 10,160	\$ 11,720
55	12,336	12,800
60	14,878	14,261
65	8,470	7,930
70	9,353	8,763
75	10,327	9,676
80	10,856	10,163
85	11,411	10,685
90	11,990	11,229
95	12,602	11,807
100	13,245	12,408

**Administrative expenses:** Included in premiums used.

**Participant Salary Increase:** 3.50% annually

**Payroll Growth Rate:** 2.50% annually

**ELECTRIC SYSTEM**

**1. Lexington Electric System OPEB Plan**

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

**Annual OPEB Cost and Net OPEB Obligation** – Changes in the System's net OPEB liability measured at June 30, 2025 and 2024 are detailed in the following tables. The table below shows the net OPEB liability as of June 30, 2025, 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, 2024	\$ 3,762,316
Service Cost	187,545
Interest	150,639
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(235,902)
Other changes	-
Net changes	<u>102,282</u>
Total OPEB Liability June 30, 2025	<u><u>\$ 3,864,598</u></u>

Total OPEB Liability June 30, 2023	\$ 3,392,014
Service Cost	192,857
Interest	139,011
Difference between expected and actual experience	(60,642)
Changes of assumptions	320,478
Benefit payments	(192,811)
Other changes	(28,591)
Net changes	<u>370,302</u>
Total OPEB Liability June 30, 2024	<u><u>\$ 3,762,316</u></u>

**Actuarial Methods and Assumptions**

The valuation was based on information provided by Lexington Electric System as of July 1, 2023 and only those not frozen in the defined benefit plan.

**Plan Membership -2024**

Number of participants	
Active	51
Inactives not receiving benefits	-
Inactives receiving benefits	<u>10</u>
Total participants	<u><u>61</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.

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**Actuarial Assumptions**

The Total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.93% based on S & P Municipal Bond 20 Year High Grade Index for June 2024
Health trend rate	Health Trend rate 8.0% starting in 2023 reduced each year by 0.5% until 5.0% is reached
Mortality	The sex distinct mortality rates are from the PUB-2010 Headcount-weighted Fully Generational Mortality Table with projection scale MP-2021.
Coverage assumptions	It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period ending July 1, 2023. 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, 2025 and 2024, respectively:

<b>1% Decrease</b> (6.0% decreasing .5% until 4% is reached)	<b>Current</b> (7.0% decreasing .5% until 5% is reached)	<b>1% Increase</b> (8.0% decreasing .5% until 6% is reached)
\$ 3,424,794	\$ 3,864,598	\$ 4,389,105
<b>1% Decrease</b> (6.5% decreasing .5% until 4% is reached)	<b>Current</b> (7.5% decreasing .5% until 5% is reached)	<b>1% Increase</b> (8.5% decreasing .5% until 6% is reached)
\$ 3,367,312	\$ 3,762,316	\$ 4,230,690

**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, 2025 and 2024, respectively:

<b>1% Decrease</b> 2.93%	<b>Current</b> 3.93%	<b>1% Increase</b> 4.93%
\$ 4,200,598	\$ 3,864,598	\$ 3,559,627

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<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
2.93%	3.93%	4.93%
<u>\$ 4,087,167</u>	<u>\$ 3,762,316</u>	<u>\$ 3,467,115</u>

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

Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2025 no benefits were payable and not paid. Qualified Plan administrative expenses are paid by the Plan. During the years ended June 30, 2025 and 2024, administrative expenses paid were \$0.

For the measurement periods ended June 30, 2025 and 2024, the System recognized OPEB expense of \$312,605 and \$306,289. At June 30, 2025 and 2024, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the follow sources:

**2025**

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ 61,309	\$ 454,262
Changes of assumptions	458,804	216,915
Total	\$ 520,113	\$ 671,177

**2024**

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ 81,882	\$ 542,825
Changes of assumptions	549,456	265,156
Total	\$ 631,338	\$ 807,981

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

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**Year ended June 30:**

2026	\$	(25,579)
2027		(25,579)
2028		(19,825)
2029		(56,288)
2030		(86,988)
Thereafter		63,195

**2. Lexington Electric System – State LGOP OPEB Plan**

**Plan Description**

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

**Benefits provided**

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

Employees covered by benefit terms – At July 1, 2024 and 2023, the following employees of the System were covered by the benefit terms of the plan:

	<u>2024</u>	<u>2023</u>
Inactive employees currently receiving benefit payments	11	9
Inactive employees entitled to but not receiving benefit payments	0	0
Active employees	<u>52</u>	<u>51</u>
	<u>63</u>	<u>60</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2024, the System paid \$57,197 to the LGOP for OPEB benefits as they came due.

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**Total OPEB Liability**

**Actuarial assumptions**

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rate	10.68% for pre-65 in 2025, decreasing annually over a 10 year period to an ultimate rate of 4.5%. 13.44% for post-65 in 2025, decreasing annually over a 10 year period to an ultimate rate of 4.5%.
Mortality	Pre-retirement tables are PUB-2010 Headcount-Weighted Employee mortality table for General Employees projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Disabled: Reflected those used by TCRS and are taken from the gender distinct table published in the IRS Revenue Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2022, Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2021. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disables pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Health Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

**Discount rate**

The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt obligations municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

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**Changes in the Total OPEB Liability**

<b>Balance July 1, 2024</b>	\$ 967,821
<b>Changes for the year:</b>	
Service cost	35,196
Interest	35,576
Differences between expected and actual experience	91,163
Changes in assumptions and other inputs	21,404
Benefit Payments	<u>(57,197)</u>
<b>Net changes</b>	126,142
 <b>Balance June 30, 2025</b>	 <u><u>\$ 1,093,963</u></u>
 <b>Balance July 1, 2023</b>	 \$ 912,020
<b>Changes for the year:</b>	
Service cost	29,850
Interest	31,730
Differences between expected and actual experience	(13,591)
Changes in assumptions and other inputs	99,713
Benefit Payments	<u>(91,901)</u>
<b>Net changes</b>	55,801
 <b>Balance June 30, 2024</b>	 <u><u>\$ 967,821</u></u>

**Changes of Assumptions**

The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2025. This change in assumption increased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of total OPEB liability to changes in the discount rate - The following presents the total OPEB liability related to the plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate for the fiscal years ended June 30, 2025, and 2024, respectively

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**2025**

	<b>1% Decrease (2.93%)</b>	<b>Current Discount Rate (3.93%)</b>	<b>1% Increase (4.93%)</b>
Total OPEB Liability	\$ 1,169,653	\$ 1,093,963	\$ 1,024,024

**2024**

	<b>1% Decrease (2.65%)</b>	<b>Current Discount Rate (3.65%)</b>	<b>1% Increase (4.65%)</b>
Total OPEB Liability	\$ 1,038,097	\$ 967,821	\$ 902,755

Sensitivity of total OPEB liability to changes in the healthcare trend rate - The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate for the years ended June 30, 2025 and 2024, respectively:

**2025**

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 1,009,529	\$ 1,093,963	\$ 1,192,350

**2024**

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 888,409	\$ 967,821	\$ 1,060,090

OPEB expense – For the fiscal years ended June 30, 2025 and 2024, the System recognized OPEB expense of \$40,891 and \$17,022, respectively.

Deferred outflows of resources and deferred inflows of resources – For the fiscal years ended June 30, 2025 and 2024, the System reported the following deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the plan:

**2025**

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ 216,742	\$ 106,839
Changes of assumptions/inputs	131,072	313,727
Contributions subsequent to the measurement date	98,380	(not applicable)
Total	\$ 446,194	\$ 420,566

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2024

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual experience	\$ 200,015	\$ 146,830
Changes of assumptions/inputs	143,352	411,737
Contributions subsequent to the measurement date	57,197	(not applicable)
Total	\$ 400,564	\$ 558,567

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

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

<b>Year Ending June 30</b>		
2026	\$	(29,881)
2027	\$	(44,170)
2028	\$	(38,014)
2029	\$	(7,283)
2030	\$	16,567
Thereafter	\$	30,029

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

**SCHOOL SYSTEM**

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

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

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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, 2024, the following employees of the System were covered by the benefit terms of the TGOP:

Inactive employees receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>70</u> <u>70</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 \$4,714 to the TGOP for OPEB benefits as they came due.

**Total OPEB Liability**

**Actuarial assumptions** – The collective total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	10.3% for pre-65 in 2024, decreasing annually over a 12 year period to an ultimate rate of 4.50%. 12.4% for post-65 in 2024, decreasing over a 12 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

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Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

**Discount rate** – The discount rate used to measure the total OPEB liability was 3.93%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

**Changes in Collective Total OPEB Liability**

	<b>Total OPEB Liability (a)</b>
<b>TGOP - (expressed in thousands)</b>	
Total OPEB liability - beginning balance	\$ 1,440
Changes for the year:	
Service costs	78
Interest	55
Changes in benefit terms	-
Differences between expected and actual experience	(29)
Changes in assumptions	43
Benefit payments	(6)
Net changes	141
Total OPEB liability - ending balance	\$ 1,581
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 611
Employer's proportionate share of the collective total OPEB liability	\$ 970
Employer's proportion of the collective total OPEB liability	61.36%

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The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The proportion changed -.99% from the prior measurement date. The System recognized \$60,726 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGOP for the System retirees.

**Changes in assumptions** – The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability.

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

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
Proportionate share of collective total OPEB liability	\$ 1,053	\$ 970	\$ 892

**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 (9.68%/12.44% decreasing to 3.50%)	Healthcare Cost Trend Rates (10.68%/13.44% decreasing to 4.50%)	(11.68%/14.44% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 853	\$ 970	\$ 1,107

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

**OPEB expense** – For the fiscal year ended June 30, 2025, the System recognized OPEB expense of \$144,352.

**Deferred outflows of resources and deferred inflows of resources** – For the fiscal year ended June 30, 2025, 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	\$ 23	\$ 114
Changes in assumptions	223	85
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.	10	42
Employer payments subsequent to the measurement date	5	-
	<u>\$ 261</u>	<u>\$ 240</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:

2026	\$	1.7
2027	\$	1.7
2028	\$	3.5
2029	\$	5.1
2030	\$	6.7
Thereafter	\$	(3.2)

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

## 2. Closed Tennessee Plan

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

**Benefits provided** – The State offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN Plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the State, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the TCRS may participate in this plan. All plan members receive the same benefits at the same benefit rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The System does not subsidize for post-65 retiree insurance. The State, as a governmental

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non-employer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 or more years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by the benefit terms** – At June 30, 2024, the following employees of the System were covered by the benefit terms of the TNP:

Inactive employees receiving benefit payments	33
Inactive employees entitled to but not yet receiving benefit payments	5
Active employees	<u>57</u>
	<u>95</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 polices. 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, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2021.

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**Discount rate** – The discount rate used to measure the total OPEB liability was 3.93%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

**Changes in Collective Total OPEB Liability**

TNP - (expressed in thousands)	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 307
Changes for the year:	
Service costs	4
Interest	11
Changes of benefit terms	-
Differences between expected and actual experience	(3)
Changes in assumptions	(9)
Benefit payments	(20)
Net changes	(17)
Total OPEB liability - ending balance	\$ 290
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 290
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 \$5,631 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 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. 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, 2025, the System recognized OPEB expense of \$5,631.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**4.C. SELF-INSURANCE CLAIMS PAYABLE**

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

	<b>Balance at 7/1/2024</b>	<b>Incurred Claims</b>	<b>Claims Payments</b>	<b>Balance at 6/30/2025</b>
Gas	\$ 6,483	\$ 99,302	\$ 66,709	\$ 39,076
Water	22,532	137,517	101,867	58,182
City	45,778	332,461	275,882	102,357
<b>Total</b>	<b>\$ 74,793</b>	<b>\$ 569,280</b>	<b>\$ 444,458</b>	<b>\$ 199,615</b>

**4.D. RISK MANAGEMENT**

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

*School System*

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

*Electric System*

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2025 and 2024, 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.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2025**

**4.E. LANDFILL POSTCLOSURE COSTS**

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. In addition, an additional City operated landfill has also closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$1,217,125 (\$115,916 City-only landfill and \$1,101,209 City and County jointed operated landfill) as a long-term liability in the statement of net position. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

**4.F. COMMITMENTS AND CONTINGENCIES**

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

**Electric System**

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

**4.G. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

**Lexington Gas System**

The System has several construction projects in process as of June 30, 2025. The commitments for these projects are described below.

The system plans to construct an aggregate storage facility to store gravel, sand, and other aggregates. As of June 30, 2024, the System has incurred engineering costs of \$16,483 for this project. The project is expected to be bid on in the fiscal year 2025 and we are working on an updated cost.

The system plans to construct an aggregate storage facility to store gravel, sand, and other aggregates. As of June 30, 2025, the System has incurred engineering costs of \$28,318 for this project. The cost left to finish the project is estimated to be \$400,000.

The System plans to install a SCADA system to continuously monitor system conditions. As of June 30, 2025, the System has incurred costs of \$707,107. The project is currently under construction with an anticipated cost of \$226,400 for completion.

The system plans to install new gas meters throughout the entire distribution system to replace the current aging metering system. The project will be a multiphase process and has an estimated cost of \$5,000,000 between FY2026-2028.

**Lexington Water System**

The System has several construction projects in process as of June 30, 2025. Commitments for these projects are described below.

The system has incurred \$98,825 for improvements for the Sewer system on Old Huntington Road as of June 30, 2025. The project should be completed with an estimated total cost of \$837,000.

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

The System has incurred \$105,931 for project design and planning costs to replace the Dixon Street/West Lift Station Interceptor Line of June 30, 2025. The Project will be bid out and completed in FY26.

As of June 30, 2025, the System has incurred \$1,397,091 in costs for a new elevated storage tank at the Timberlake Industrial Park.

As of June 30, 2025, the System has incurred \$224,988 in costs for the new Water Tower located in the Southern part of the county (Guy Hart Road-Reagan).

As of June 30,2025, the System has incurred \$886,496 in costs for the Hwy 114 Water Line Regionalization project.

As of June 30,2025, the System has incurred\$1,258,995 in costs for the Hwy 22 South Water Line Upsizing project.

The system plans to install new water meters throughout the entire distribution system to replace the current aging metering system. The project will be a multiphase process and has an estimated cost of \$1,600,000 between FY 2026-2029.

**City of Lexington**

The City received a TDEC LPRF 50/50 grant to fund Phase II of the Depot park. The grant funds, \$688,778, will be used to construct a train themed playground. As of June 30,2025, the city has expended \$105,656 in professional fees with a remaining balance of \$1,277,368. Construction is projected to start in FY2026.

The City received a TDOT STBG 80/20 grant in the amount of \$600,057.60 for improvements to North Main Street. As of June 30,2025, the city has expended \$71,194 on engineering and design. The project is expected to bid in FY2025 but due to design revisions it is planned to bid in FY2026 with an estimated cost of \$907,050.

The City received a TDOT STBG 80/20 grant in the amount of \$282,250 for improvements to Huntingdon Street. As of June 30, 2025, \$22,230 has been expended on project design and engineering. Construction is projected to start in FY2026 with an estimated cost of \$976,300.

The City received a TDOT Multimodal Phase III 95/05 grant in the amount of \$950,000 for sidewalk/ADA accessibility improvements along Natchez Trace Drive. As of June 30, 2025, \$74,616 has expended on design and environmental evaluations. The project is expected to be bid on in FY2026 with an expected cost of \$1,099,000.

The City received a DRA Connector Road 95/05 grant in the amount of \$292,643 for TCAT connector road between Hwy 22 and Timberlake Industrial Park. As of June 30, 2025, \$6,294 has expended on design and environmental evaluations. The project is expected to be bid on in FY2026 with an expected cost of \$324,397.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2025**

**General Government/Water System/Gas System**

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>	<b>\$ 405,452</b>	<b>\$ 414,963</b>	<b>\$ 325,896</b>	<b>\$ 401,549</b>	<b>\$ 286,820</b>	<b>\$ 239,305</b>	<b>\$ 161,711</b>	<b>\$ 165,949</b>
Service cost	76,148	56,073	60,129	35,282	27,950	29,208	23,822	16,367
Interest	-	-	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(628,907)	-	(111,883)	-	(111,403)	-	-
Changes of assumptions	(319,056)	(33,972)	(26,075)	(245,537)	9,064	146,320	35,034	(19,702)
Benefit payments and refunds	-	-	(17,009)	-	-	-	-	-
Net change in total OPEB liability	162,544	(191,843)	342,941	79,411	323,834	303,430	220,567	162,614
Total OPEB liability - beginning of year	1,532,166	1,724,009	1,381,068	1,301,657	977,823	674,393	453,826	291,212
Total OPEB liability - end of year	<u>\$ 1,694,710</u>	<u>\$ 1,532,166</u>	<u>\$ 1,724,009</u>	<u>\$ 1,381,068</u>	<u>\$ 1,301,657</u>	<u>\$ 977,823</u>	<u>\$ 674,393</u>	<u>\$ 453,826</u>
Covered-employee payroll	\$ 6,290,484	\$ 6,137,058	\$ 3,508,224	\$ 3,422,658	\$ 2,258,377	\$ 2,203,295	\$ 1,613,439	\$ 1,574,087
OPEB liability as a percentage of covered-employee payroll	26.94%	24.97%	49.14%	40.35%	57.64%	44.38%	41.80%	28.83%

**Notes:**

Note 1: Plan changes - None

Note 2: Assumption changes - The discount rate was 3.93% as of June 30, 2024 and 5.20% as of June 30, 2025.

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

Note 4: \$130,000 of assets are accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan. Since the contribution was after the measurement date, this amount is shown in Deferred Outflows for FY2025.

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, 2025**

**LES Plan**

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>								
Service cost	\$ 187,545	\$ 192,857	\$ 149,970	\$ 187,514	\$ 188,791	\$ 186,886	\$ 144,058	\$ 160,992
Interest	150,639	139,011	120,734	82,676	140,015	135,614	132,283	108,224
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(60,642)	-	(734,990)	-	184,747	-	-
Changes of assumptions	-	320,478	-	(314,926)	409,991	77,316	(198,516)	-
Benefit payments and refunds	(235,902)	(192,811)	(276,123)	(268,277)	(208,245)	(163,422)	(111,924)	(75,047)
Other changes	-	(28,591)	-	-	-	-	-	-
Net change in total OPEB liability	102,282	370,302	(5,419)	(1,048,003)	530,552	420,941	(34,099)	194,169
Total OPEB liability - beginning of year	3,762,316	3,392,014	3,397,433	4,445,436	3,914,884	3,493,943	3,528,042	3,333,873
<b>Total OPEB liability - end of year</b>	<b>\$ 3,864,598</b>	<b>\$ 3,762,316</b>	<b>\$ 3,392,014</b>	<b>\$ 3,397,433</b>	<b>\$ 4,445,436</b>	<b>\$ 3,914,884</b>	<b>\$ 3,493,943</b>	<b>\$ 3,528,042</b>
<b>Covered-employee payroll</b>	<b>\$ 3,551,187</b>	<b>\$ 3,464,573</b>	<b>\$ 2,929,964</b>	<b>\$ 2,858,501</b>	<b>\$ 3,184,897</b>	<b>\$ 3,107,217</b>	<b>\$ 3,070,151</b>	<b>\$ 2,995,269</b>
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>108.83%</b>	<b>108.59%</b>	<b>115.77%</b>	<b>118.85%</b>	<b>139.58%</b>	<b>125.99%</b>	<b>113.80%</b>	<b>117.79%</b>

**LGOP Plan**

	25	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>								
Service cost	\$ 35,196	\$ 29,850	\$ 38,450	\$ 54,280	\$ 41,240	\$ 48,646	\$ 52,367	\$ 56,714
Interest	35,576	31,730	23,865	29,531	50,997	45,234	43,133	35,654
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	91,183	(13,591)	(18,108)	181,382	(264,756)	176,325	118,949	-
Changes of assumptions	21,404	99,713	(155,911)	(416,883)	111,023	18,774	(120,880)	(57,076)
Benefit payments and refunds	(57,197)	(91,901)	(84,897)	(43,064)	(92,810)	(63,860)	(40,487)	(40,282)
Net change in total OPEB liability	128,142	55,801	(198,601)	(194,754)	(154,306)	225,119	53,102	(4,980)
Total OPEB liability - beginning of year	967,821	912,020	1,108,621	1,303,375	1,457,681	1,232,562	1,179,480	1,184,450
<b>Total OPEB liability - end of year</b>	<b>\$ 1,093,963</b>	<b>\$ 967,821</b>	<b>\$ 912,020</b>	<b>\$ 1,108,621</b>	<b>\$ 1,303,375</b>	<b>\$ 1,457,681</b>	<b>\$ 1,232,562</b>	<b>\$ 1,179,460</b>
<b>Covered-employee payroll</b>	<b>\$ 3,551,187</b>	<b>\$ 3,464,573</b>	<b>\$ 2,929,964</b>	<b>\$ 2,858,501</b>	<b>\$ 3,184,897</b>	<b>\$ 3,107,217</b>	<b>\$ 3,070,151</b>	<b>\$ 2,995,269</b>
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>30.81%</b>	<b>27.93%</b>	<b>31.13%</b>	<b>38.78%</b>	<b>40.92%</b>	<b>46.91%</b>	<b>40.15%</b>	<b>39.38%</b>

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.

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, 2025

	City 2015	City 2016	City 2017	City 2018	City 2019	City 2020	City 2021	City 2022	City 2023	City 2024
<b>Total pension liability</b>										
Service Cost	\$ 423,129	\$ 434,972	\$ 390,808	\$ 379,860	\$ 424,604	\$ 408,865	\$ 384,474	\$ 377,507	\$ 335,614	\$ 257,872
Interest	923,786	971,567	923,056	1,139,237	1,139,237	1,046,380	1,142,297	1,214,127	1,225,103	1,170,693
Changes in benefit terms	-	-	-	2,305,226	-	-	-	304,578	-	-
Differences between actual and expected experience	237,578	(98,825)	(368,339)	(85,512)	(1,823)	533,701	51,287	(440,936)	553,210	688,316
Change of assumptions	-	(503,521)	-	-	(2,144,482)	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(107,243)	(353,715)	(1,402,432)	(513,384)	(790,604)	(631,370)	(740,450)	(330,732)	(2,863,767)	(1,988,420)
Net change in total pension liability	1,426,250	450,478	(456,890)	3,009,246	(1,373,068)	1,357,576	837,608	1,124,544	(749,840)	128,461
Total pension liability - beginning	11,266,663	12,692,913	13,143,391	12,686,501	15,695,747	14,322,679	15,680,255	16,517,863	17,642,407	16,892,567
Total pension liability - ending (a)	\$ 12,692,913	\$ 13,143,391	\$ 12,686,501	\$ 15,695,747	\$ 14,322,679	\$ 15,680,255	\$ 16,517,863	\$ 17,642,407	\$ 16,892,567	\$ 17,021,028

<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 510,282	\$ 501,481	\$ 380,037	\$ 338,238	\$ 330,342	\$ 312,986	\$ 294,810	\$ 278,489	\$ 258,033	\$ 237,354
Contributions - employee	263,830	252,445	229,686	211,399	206,464	195,617	184,257	174,056	161,271	147,490
Net investment income	193,153	(555)	1,454,142	943,442	521,328	123,215	3,804,873	(2,313,763)	1,450,847	1,640,882
Benefit payments, including refunds of employee contributions	(107,243)	(353,715)	(1,402,432)	(513,384)	(790,604)	(631,370)	(740,450)	(330,732)	(2,863,767)	(1,988,420)
Administrative expense	(33,279)	(86,278)	(67,140)	(85,980)	(37,578)	(69,921)	(124,449)	(69,951)	(123,174)	(65,754)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	826,743	313,378	594,293	893,715	229,952	(69,473)	3,419,041	(2,261,901)	(1,116,790)	(48,448)
Plan fiduciary net position - beginning	9,358,784	10,185,527	10,498,905	11,093,198	11,896,913	12,216,865	12,147,392	15,566,433	13,304,532	12,187,742
Plan fiduciary net position - ending (b)	\$ 10,185,527	\$ 10,498,905	\$ 11,093,198	\$ 11,986,913	\$ 12,216,865	\$ 12,147,392	\$ 15,566,433	\$ 13,304,532	\$ 12,187,742	\$ 12,139,294

Net pension liability (asset) - ending (a) - (b) \$ 2,507,386 \$ 2,644,486 \$ 1,593,303 \$ 3,708,834 \$ 2,105,814 \$ 3,532,863 \$ 951,430 \$ 4,337,875 \$ 4,704,825 \$ 4,881,734

Plan fiduciary net position as a percentage of total pension liability 80.25% 79.88% 87.44% 76.37% 85.30% 77.47% 94.24% 75.41% 72.15% 71.32%

Covered-employee payroll \$ 4,251,846 \$ 3,942,250 \$ 3,581,195 \$ 3,423,453 \$ 3,441,910 \$ 3,288,122 \$ 3,272,760 \$ 2,922,774 \$ 2,411,933 \$ 2,314,654

Net pension liability (asset) as a percentage of covered-employee payroll 58.97% 67.08% 44.48% 108.34% 61.18% 107.44% 29.07% 148.42% 195.06% 210.91%

	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019	LES 2020	LES 2021	LES 2022	LES 2023	LES 2024
<b>Total pension liability</b>										
Service Cost	\$ 215,316	\$ 212,645	\$ 230,698	\$ 224,008	\$ 207,244	\$ 188,353	\$ 192,049	\$ 191,155	\$ 159,425	\$ 161,378
Interest	706,762	771,286	781,193	922,895	825,492	892,035	862,569	855,906	928,966	953,960
Changes in benefit terms	-	-	-	780,756	-	-	-	233,002	-	-
Differences between actual and expected experience	819,077	32,345	(335,078)	(325,344)	(373,305)	69,222	418,622	(200,265)	(9,802)	463,748
Change of assumptions	159,411	-	-	(481,164)	68,445	(12,173)	(14,610)	6,547	-	583,398
Benefit payments, including refunds of employee contributions	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)	(856,610)	(146,696)	(1,343,678)	(340,560)	(1,196,993)
Net change in total pension liability	1,667,027	(131,980)	319,830	930,967	(558,582)	221,827	1,311,934	(247,333)	738,029	965,491
Total pension liability - beginning	9,322,833	10,989,860	10,857,880	11,177,710	12,108,677	11,550,095	11,771,922	13,083,856	12,836,523	13,574,552
Total pension liability - ending (a)	\$ 10,989,860	\$ 10,857,880	\$ 11,177,710	\$ 12,108,677	\$ 11,550,095	\$ 11,771,922	\$ 13,083,856	\$ 12,836,523	\$ 13,574,552	\$ 14,540,043

<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 663,487	\$ 663,487	\$ 305,704	\$ 225,475	\$ 204,174	\$ 202,081	\$ 359,290	\$ 359,326	\$ 348,791	\$ 486,791
Contributions - employee	138,780	137,893	133,538	131,456	124,285	121,016	114,708	101,344	99,183	101,077
Net investment income	135,350	15,848	1,037,995	717,418	497,713	(107,583)	2,625,513	(1,538,989)	1,086,530	1,439,067
Benefit payments, including refunds of employee contributions	(233,539)	(1,148,256)	(356,983)	(90,184)	(1,286,458)	(856,610)	(146,696)	(1,343,678)	(340,560)	(1,196,993)
Administrative expense	(295)	(425)	(3,410)	(2,878)	(3,853)	(3,945)	(4,296)	(4,510)	(3,907)	(3,549)
Other	-	-	-	-	-	6,105	6,122	6,754	7,166	6,437
Net change in plan fiduciary net position	703,783	(331,453)	1,116,844	981,287	(464,139)	(638,936)	2,954,641	(2,419,753)	1,177,203	832,830
Plan fiduciary net position - beginning	6,900,138	7,603,921	7,272,468	8,389,312	9,370,599	8,906,460	8,267,524	11,222,165	8,802,412	9,979,615
Plan fiduciary net position - ending (b)	\$ 7,603,921	\$ 7,272,468	\$ 8,389,312	\$ 9,370,599	\$ 8,906,460	\$ 8,267,524	\$ 11,222,165	\$ 8,802,412	\$ 9,979,615	\$ 10,812,445

Net pension liability (asset) - ending (a) - (b) \$ 3,385,939 \$ 3,585,412 \$ 2,788,398 \$ 2,738,078 \$ 2,643,635 \$ 3,504,398 \$ 1,861,691 \$ 4,034,111 \$ 3,594,937 \$ 3,727,598

Plan fiduciary net position as a percentage of total pension liability 69.19% 66.98% 75.05% 77.39% 77.11% 70.23% 85.77% 68.57% 73.52% 74.36%

Covered-employee payroll \$ 2,341,064 \$ 2,378,246 \$ 2,310,481 \$ 2,266,450 \$ 2,012,123 \$ 2,014,329 \$ 1,952,796 \$ 1,636,592 \$ 1,715,768 \$ 1,630,582

Net pension liability (asset) as a percentage of covered-employee payroll 144.63% 150.76% 120.68% 120.81% 131.39% 173.97% 95.33% 246.49% 209.52% 228.61%

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, 2025

	City 2015	City 2016	City 2017	City 2018	City 2019	City 2020	City 2021	City 2022	City 2023	City 2024
Actuarially determined contribution	\$ 486,860	\$ 401,377	\$ 292,712	\$ 229,917	\$ 258,426	\$ 366,992	\$ 386,398	\$ 272,635	\$ 204,808	\$ 59,273
Contributions in relation to the actuarially determined contribution	510,282	501,481	380,037	338,238	330,342	312,986	294,810	278,489	219,657	344,043
Contribution deficiency (excess)	<u>\$ (23,422)</u>	<u>\$ (100,104)</u>	<u>\$ (87,325)</u>	<u>\$ (108,321)</u>	<u>\$ (71,916)</u>	<u>\$ 54,006</u>	<u>\$ 91,588</u>	<u>\$ (5,854)</u>	<u>\$ (14,849)</u>	<u>\$ (284,770)</u>
Covered-employee payroll	\$ 4,251,846	\$ 3,942,250	\$ 3,581,195	\$ 3,423,453	\$ 3,441,910	\$ 3,288,122	\$ 3,272,760	\$ 2,922,774	\$ 2,411,933	\$ 2,314,654
Contributions as a percentage to covered payroll	12.00%	12.72%	10.61%	9.88%	9.60%	9.52%	9.01%	9.53%	9.11%	14.86%
	LES 2015	LES 2016	LES 2017	LES 2018	LES 2019	LES 2020	LES 2021	LES 2022	LES 2023	LES 2024
Actuarially determined contribution	\$ 366,403	\$ 305,704	\$ 241,669	\$ 170,322	\$ 190,885	\$ 202,081	\$ 359,490	\$ 266,503	\$ 273,548	\$ 350,045
Contributions in relation to the actuarially determined contribution	663,487	663,487	305,704	225,475	204,174	202,081	359,290	359,326	348,791	486,791
Contribution deficiency (excess)	<u>\$ (297,084)</u>	<u>\$ (357,783)</u>	<u>\$ (64,035)</u>	<u>\$ (55,153)</u>	<u>\$ (13,289)</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ (92,823)</u>	<u>\$ (75,243)</u>	<u>\$ (136,746)</u>
Covered-employee payroll	\$ 2,341,064	\$ 2,341,064	\$ 2,310,481	\$ 2,266,450	\$ 2,012,123	\$ 2,014,329	\$ 1,637,000	\$ 1,636,592	\$ 1,715,768	\$ 1,630,582
Contributions as a percentage to covered payroll	28.34%	27.90%	13.23%	9.95%	10.15%	10.03%	21.95%	21.96%	20.33%	29.85%

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, 2025

	<u>City 2015</u>	<u>City 2016</u>	<u>City 2017</u>	<u>City 2018</u>	<u>City 2019</u>	<u>City 2020</u>	<u>City 2021</u>	<u>City 2022</u>	<u>City 2023</u>	<u>City 2024</u>
Annual money-weighted rate of return, net of investment expense	2.02%	-0.01%	14.61%	8.57%	4.41%	1.02%	31.58%	-14.82%	11.59%	14.32%
	<u>LES 2015</u>	<u>LES 2016</u>	<u>LES 2017</u>	<u>LES 2018</u>	<u>LES 2019</u>	<u>LES 2020</u>	<u>LES 2021</u>	<u>LES 2022</u>	<u>LES 2023</u>	<u>LES 2024</u>
Annual money-weighted rate of return, net of investment expense	1.91%	0.23%	14.48%	8.42%	5.75%	-1.22%	31.25%	-14.89%	12.07%	13.87%

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, 2025**

**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	21 years as of 1/1/2024
Asset valuation	Market value adjusted to phase in gains/losses over five-years. Assets further limited to a 20% corridor around market value.
Salary increases	Ages 20-29 5.00%, Ages 30-39 3.50%, Ages 40+ 2.75%
Cost of living increases:	2.05%
Investment Rate of Return	7.25%
Retirement age	Age 60 35%, Ages 61-64 5%, Age 65 40%, Ages 66-69 30%, Ages 70+ 100%
Mortality	SOA PubG-2010(B), Scale MP-2018 Fully Generational
Disabled Mortality	SOA PubG-2010 Disabled, Scale MP-2018 Fully Generational

\*This is a summary of the methods and assumptions for the 1/1/24 Actuarial Valuation

**Notes to Schedule - LES OPEB - LES PLAN**

*Valuation date:* Actuarially determined contribution rates for 2025 were calculated based on July 1, 2023 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Total OPEB Liability (TOL)	The TOL is determined by calculating the Present Value of Projected Benefits at that date, and subtracting the Present Value of future Service Cost.
Interest	Rate if trust fund is not established - 3.50% per year compounded annually, net of expenses.
Salary Increase	3.50% per year
Health Trend	Health Trend rate is 8.00% starting in 2023 reduced each year by 0.5% until 5.0% in years 2029 and later. Mortality tables were updated to the PUB-2010 tables.
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	PUB-2010 Headcount weighted Fully Generational mortality table with projection scale MP-2021

There was a change in assumptions related to a change in discount rate from 3.65% to 3.93%.

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

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

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2025**

**Notes to Schedule - LES OPEB - LGOP PLAN**

Valuation Date	July 1, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Discount Rate	3.93% based on Bond Buyer GO 20-Bond Municipal Bond Index
Salary Increases	Assumed salary increases are the same as used by TCRS: 8.72% at age 20 graded to 3.44% at age 70 (with 4% weighted average)
Retirement Age	Retirement rates used in the July 1, 2024 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Demographic Assumptions	Demographic assumptions used in the July 1, 2024 actuarial evaluation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 10.68 for pre-65 retirees in the 2025 calendar year, and gradually decreasing over a 10 year period to an ultimate trend rate of 4.5 percent
Other Information:	
Notes	See the Actuarial Valuation Report as of July 1, 2024 There were no benefit changes during the measurement period. There have been no method changes since the prior year.
Assumption Changes	The discount rate increased from 3.65% to 3.93%.

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

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

CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSETS  
TEACHER LEGACY PENSION PLAN of TCRS  
JUNE 30, 2025

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Lexington City School's proportion of the net pension asset	0.102809%	0.104496%	0.099332%	0.093599%	0.094885%	0.097489%	0.099143%	0.098663%	0.099244%	0.101977%
Lexington City School's proportionate share of the net pension liability (asset)	\$ 42,114	\$ 653,043	\$ (32,500)	\$ (329,365)	\$ (975,587)	\$ (743,422)	\$ (4,276,269)	\$ (1,222,277)	\$ (1,770,060)	\$ (1,756,918)
Lexington City School's covered payroll	\$ 3,848,655	\$ 3,772,098	\$ 3,511,338	\$ 3,277,516	\$ 3,181,623	\$ 3,244,671	\$ 3,254,034	\$ 3,279,856	\$ 3,220,513	\$ 3,376,807
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	1.094254%	17.310000%	-0.93%	-10.05%	-30.66%	-22.91%	-131.41%	-37.27%	-38.33%	-52.03%
Plan fiduciary net position as a percentage of the total pension liability	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%	104.42%	104.11%	105.76%

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, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution (ADC)	\$ 340,998	\$ 317,564	\$ 297,598	\$ 332,798	\$ 344,908	\$ 334,970	\$ 337,826	\$ 279,863	\$ 229,961	\$ 225,808
Contribution in relation to the actuarially determined contribution	340,998	317,564	297,598	332,798	344,908	334,970	337,826	279,863	229,961	225,808
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lexington City School's covered payroll	\$ 3,772,098	\$ 3,512,880	\$ 3,277,515	\$ 3,181,623	\$ 3,244,671	\$ 3,261,634	\$ 3,279,856	\$ 3,220,513	\$ 3,376,807	\$ 3,550,435
Contributions as a percentage of Lexington City School's covered payroll	9.04%	9.04%	9.08%	10.46%	10.63%	10.27%	10.30%	8.69%	6.81%	6.36%

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 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent, and modified mortality 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 graded 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, 2025

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Lexington City School's proportion of the net pension asset	0.103052%	0.070969%	0.007589%	0.053504%	0.052229%	0.047882%	0.044563%	0.050275%	0.053360%	0.047084%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (4,146)	\$ (7,388)	\$ (20,024)	\$ (24,265)	\$ (29,483)	\$ (27,228)	\$ (48,271)	\$ (15,230)	\$ (22,626)	\$ (33,552)
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 604,236	\$ 643,138	\$ 858,538	\$ 1,061,347	\$ 1,106,068
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%	-2.37%	-4.02%	-5.19%	-5.33%	-4.51%	-7.51%	-1.77%	-2.13%	-3.03%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%	104.55%	104.97%	106.49%

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

CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
TEACHER RETIREMENT PLAN of TCRS  
JUNE 30, 2025

	2016	2017	2018	2019*	2020**	2021***	2022****	2023*****	2024*****	2025*****
Actuarially Determined Contribution (ADC)	\$ 7,817	\$ 19,924	\$ 7,625	\$ 10,772	\$ 12,266	\$ 12,991	\$ 17,257	\$ 30,461	\$ 32,629	\$ 44,413
Contribution in relation to the actuarially determined contribution	12,491	19,924	18,702	10,772	12,266	12,991	17,257	30,461	32,629	44,413
Contribution deficiency (excess)	\$ (4,674)	\$ -	\$ (11,077)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lexington City School's covered payroll	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 604,236	\$ 643,138	\$ 858,538	\$ 1,061,347	\$ 1,106,068	\$ 1,482,047
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%	4.00%	1.94%	2.03%	2.02%	2.01%	2.87%	2.95%	3.00%

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 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent, and modified mortality 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 graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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

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

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

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

\*\*\*\*\*In FY 2023 the School System placed the actuarially determined contributed rate (2.87%) of covered payroll into the pension plan and placed 1.13% of covered payroll into the Pension Stabilization Reserve Trust.

\*\*\*\*\*In FY 2024 the School System placed the actuarially determined contributed rate (2.95%) of covered payroll into the pension plan and placed 1.05% of covered payroll into the Pension Stabilization Reserve Trust.

\*\*\*\*\*In FY 2025 the School System placed the actuarially determined contributed rate (3.00%) of covered payroll into the pension plan and placed 1.71% of covered payroll into the Pension Stabilization Reserve Trust.

CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE OPEB LIABILITY AND RELATED RATIOS - SCHOOL SYSTEM  
(dollar amounts in thousands)  
JUNE 30, 2025

	TGOP 2018	TNP 2018	TGOP 2019	TNP 2019	TGOP 2020	TNP 2020	TGOP 2021	TNP 2021	TGOP 2022	TNP 2022	TGOP 2023	TNP 2023	TGOP 2024	TNP 2024	TGOP 2025	TNP 2025
<b>Total OPEB Liability</b>																
Service cost	\$ 72	\$ 6	\$ 67	\$ 5	\$ 56	\$ 4	\$ 51	\$ 4	\$ 72	\$ 7	\$ 95	\$ 5	\$ 74	\$ 3	\$ 78	\$ 4
Interest	28	10	34	12	31	12	31	12	25	9	32	6	48	10	55	11
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(166)	(6)	30	22	55	8	(24)	(4)	(34)	(9)	(80)	18	(29)	(3)
Changes of assumptions	(48)	(28)	18	(3)	(64)	6	135	66	271	(54)	(156)	(54)	130	(3)	43	(9)
Benefit payments	(41)	(15)	(44)	(16)	(26)	(17)	(39)	(18)	(25)	(19)	(33)	(19)	(27)	(18)	(6)	(20)
Net change in total OPEB liability	10	(26)	(91)	(8)	26	26	232	73	319	(61)	(98)	(68)	146	11	141	(17)
Total OPEB Liability - beginning	896	359	906	333	815	325	841	351	1,073	424	1,392	364	1,294	296	1,440	307
Total OPEB Liability - ending	\$ 906	\$ 333	\$ 815	\$ 325	\$ 841	\$ 351	\$ 1,073	\$ 424	\$ 1,392	\$ 364	\$ 1,294	\$ 296	\$ 1,440	\$ 307	\$ 1,581	\$ 290
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 319	\$ 333	\$ 285	\$ 325	\$ 300	\$ 351	\$ 361	\$ 424	\$ 488	\$ 364	\$ 482	\$ 296	\$ 551	\$ 307	\$ 611	\$ 290
Employer's proportionate share of the collective total OPEB liability	\$ 587	\$ -	\$ 530	\$ -	\$ 541	\$ -	\$ 713	\$ -	\$ 904	\$ -	\$ 812	\$ -	\$ 889	\$ -	\$ 970	\$ -
Covered-employee payroll	\$ 2,976	\$ -	2,976	-	2,976	-	2,976	-	2,976	-	2,976	-	2,976	-	2,976	-
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	20%	n/a	18%	n/a	18%	n/a	24%	n/a	30%	n/a	27%	n/a	30%	n/a	33%	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: 2018 - 3.56%; 2019 - 3.62%; 2020 - 3.51%; 2021 - 2.21%; 2022 - 2.16%; 2023 - 3.65% , 2024 - 3.93%, 2025 - 3.65%

CITY OF LEXINGTON, TENNESSEE  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2025

	Special Revenue							Debt Service			Capital Projects	Total Other	
	State Street Aid	School Tax Fund	School Food Service Fund	Internal School Funds	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Federal Drug Fund	General Sinking Fund	School Debt Fund	Post Office Fund	Governmental Funds
<b>ASSETS</b>													
Cash and cash equivalents	\$ 232,395	\$ 3,238,156	\$ -	\$ -	\$ 499,897	\$ 4,987	\$ 10,275	\$ 332,480	\$ 84,706	\$ 2,343	\$ -	\$ 1,238,742	\$ 5,643,981
Other receivables	-	-	-	4,917	15,789	-	-	-	-	-	-	15,561	36,267
Due from other funds	-	-	-	-	120,853	-	-	-	-	-	-	-	120,853
Prepaid insurance	-	-	-	-	26,954	-	-	-	-	-	-	-	26,954
Inventory	-	-	47,250	-	-	-	-	-	-	-	-	-	47,250
Due from other governments	47,926	355,057	30,275	-	-	-	-	-	-	-	-	-	433,258
Restricted assets - cash and cash equivalents	-	-	37,803	216,778	-	-	-	-	-	-	-	-	254,581
<b>TOTAL ASSETS</b>	<u>\$ 280,321</u>	<u>\$ 3,593,213</u>	<u>\$ 115,328</u>	<u>\$ 221,695</u>	<u>\$ 663,493</u>	<u>\$ 4,987</u>	<u>\$ 10,275</u>	<u>\$ 332,480</u>	<u>\$ 84,706</u>	<u>\$ 2,343</u>	<u>\$ -</u>	<u>\$ 1,254,303</u>	<u>\$ 6,563,144</u>
<b>LIABILITIES AND FUND BALANCES</b>													
<b>LIABILITIES</b>													
Accounts payable	\$ -	\$ 35,514	\$ -	\$ 5,881	\$ 33,325	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,101	\$ 106,821
Accrued liabilities	-	-	-	-	12,390	-	-	-	-	-	-	-	12,390
Unearned revenues	-	-	8,218	-	-	-	-	43,544	-	-	-	-	51,762
Due to other funds	-	-	-	-	-	-	-	-	4,705	-	-	-	4,705
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>35,514</u>	<u>8,218</u>	<u>5,881</u>	<u>45,715</u>	<u>-</u>	<u>-</u>	<u>43,544</u>	<u>4,705</u>	<u>-</u>	<u>-</u>	<u>32,101</u>	<u>175,678</u>
<b>FUND BALANCES</b>													
<b>Nonspendable</b>													
Inventory	-	-	47,250	-	-	-	-	-	-	-	-	-	47,250
Prepaid expenses	-	-	-	-	26,954	-	-	-	-	-	-	-	26,954
<b>Restricted</b>													
State street aid	280,321	-	-	-	-	-	-	-	-	-	-	-	280,321
School food authority	-	-	59,860	-	-	-	-	-	-	-	-	-	59,860
E-citation fund	-	-	-	-	-	-	10,275	-	-	-	-	-	10,275
Drug fund	-	-	-	-	-	-	-	288,936	-	-	-	-	288,936
Federal drug fund	-	-	-	-	-	-	-	-	80,001	-	-	-	80,001
Solid waste	-	-	-	-	590,824	-	-	-	-	-	-	-	590,824
Internal school funds	-	-	-	215,814	-	-	-	-	-	-	-	-	215,814
<b>Assigned</b>													
DARE fund	-	-	-	-	-	4,987	-	-	-	-	-	-	4,987
Debt service	-	3,557,699	-	-	-	-	-	-	-	2,343	-	-	3,560,042
Capital projects	-	-	-	-	-	-	-	-	-	-	-	1,222,202	1,222,202
<b>TOTAL FUND BALANCES</b>	<u>280,321</u>	<u>3,557,699</u>	<u>107,110</u>	<u>215,814</u>	<u>617,778</u>	<u>4,987</u>	<u>10,275</u>	<u>288,936</u>	<u>80,001</u>	<u>2,343</u>	<u>-</u>	<u>1,222,202</u>	<u>6,387,466</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 280,321</u>	<u>\$ 3,593,213</u>	<u>\$ 115,328</u>	<u>\$ 221,695</u>	<u>\$ 663,493</u>	<u>\$ 4,987</u>	<u>\$ 10,275</u>	<u>\$ 332,480</u>	<u>\$ 84,706</u>	<u>\$ 2,343</u>	<u>\$ -</u>	<u>\$ 1,254,303</u>	<u>\$ 6,563,144</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, 2025

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Internal School Funds	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Federal Drug Fund	Debt Service		Capital Projects	Total Other Governmental Funds
										General City Sinking Fund	School Debt Fund	Post Office Fund	
<b>Revenues:</b>													
Taxes	\$ -	\$ 2,027,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,273	\$ 2,240,055
Intergovernmental	278,331	-	426,063	-	-	-	-	-	-	-	-	18,252	722,646
Charges for services	-	-	148,376	-	1,894,159	-	-	-	-	-	-	-	2,042,535
Fines, forfeitures, and penalties	-	-	-	-	-	-	5,016	137,093	16,251	-	-	-	158,360
Internal school funds	-	-	-	292,616	-	-	-	-	-	-	-	-	292,616
Other revenue	13,909	20,663	43,128	-	11	-	375	2,276	22	107	-	57,256	137,747
<b>Total Revenues</b>	<u>292,240</u>	<u>2,048,445</u>	<u>617,567</u>	<u>292,616</u>	<u>1,894,170</u>	<u>-</u>	<u>5,391</u>	<u>139,369</u>	<u>16,273</u>	<u>107</u>	<u>-</u>	<u>287,781</u>	<u>5,593,959</u>
<b>Expenditures:</b>													
<b>Current:</b>													
Public works	418,605	-	-	-	1,194,578	-	-	-	-	-	-	-	1,613,183
Public safety	-	-	-	-	-	1,731	-	6,816	-	-	-	-	8,547
Health, welfare and recreation	-	15,685	841,381	-	-	-	-	-	-	-	-	14,333	871,399
Economic and community development	-	-	-	-	-	-	-	-	-	-	-	65,675	65,675
Internal school funds	-	-	-	294,502	-	-	-	-	-	-	-	-	294,502
Capital outlay	-	48,242	-	-	83,045	-	-	124,530	-	-	-	220,861	476,678
Debt Service	-	-	-	-	496,842	-	-	-	-	-	477,134	-	973,976
<b>Total Expenditures</b>	<u>418,605</u>	<u>63,927</u>	<u>841,381</u>	<u>294,502</u>	<u>1,774,465</u>	<u>1,731</u>	<u>-</u>	<u>131,346</u>	<u>-</u>	<u>-</u>	<u>477,134</u>	<u>300,869</u>	<u>4,303,960</u>
<b>Revenues over Expenditures</b>	<u>(126,365)</u>	<u>1,984,518</u>	<u>(223,814)</u>	<u>(1,886)</u>	<u>119,705</u>	<u>(1,731)</u>	<u>5,391</u>	<u>8,023</u>	<u>16,273</u>	<u>107</u>	<u>(477,134)</u>	<u>(13,088)</u>	<u>1,289,999</u>
<b>Other Financing Sources (Uses)</b>													
Insurance recovery	-	-	-	-	-	-	-	47,500	-	-	-	-	47,500
Sale of capital assets	-	-	645	-	-	-	-	-	-	-	-	-	645
Operating transfer in (out)	-	(1,540,134)	200,000	-	-	3,500	-	5,394	63,728	-	477,134	70,000	(720,378)
<b>Total Other Financing Sources and (Uses)</b>	<u>-</u>	<u>(1,540,134)</u>	<u>200,645</u>	<u>-</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>52,894</u>	<u>63,728</u>	<u>-</u>	<u>477,134</u>	<u>70,000</u>	<u>(672,233)</u>
<b>Net Change in Fund Balances</b>	<u>(126,365)</u>	<u>444,384</u>	<u>(23,169)</u>	<u>(1,886)</u>	<u>119,705</u>	<u>1,769</u>	<u>5,391</u>	<u>60,917</u>	<u>80,001</u>	<u>107</u>	<u>-</u>	<u>56,912</u>	<u>617,766</u>
<b>Fund Balance at Beginning of Year, as previously reported</b>	<u>406,686</u>	<u>3,113,315</u>	<u>121,538</u>	<u>217,700</u>	<u>498,073</u>	<u>3,218</u>	<u>4,884</u>	<u>228,019</u>	<u>-</u>	<u>2,236</u>	<u>-</u>	<u>1,165,290</u>	<u>5,760,959</u>
<b>Change in reserve for inventory</b>	<u>-</u>	<u>-</u>	<u>8,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,741</u>
<b>Fund Balance at Beginning of Year, as restated</b>	<u>406,686</u>	<u>3,113,315</u>	<u>130,279</u>	<u>217,700</u>	<u>498,073</u>	<u>3,218</u>	<u>4,884</u>	<u>228,019</u>	<u>-</u>	<u>2,236</u>	<u>-</u>	<u>1,165,290</u>	<u>5,769,700</u>
<b>Fund Balance at End of Year</b>	<u>\$ 280,321</u>	<u>\$ 3,557,699</u>	<u>\$ 107,110</u>	<u>\$ 215,814</u>	<u>\$ 617,778</u>	<u>\$ 4,987</u>	<u>\$ 10,275</u>	<u>\$ 288,936</u>	<u>\$ 80,001</u>	<u>\$ 2,343</u>	<u>\$ -</u>	<u>\$ 1,222,202</u>	<u>\$ 6,387,466</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, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
State gas and motor fuel tax	\$ 152,425	\$ 143,366	\$ 142,758	\$ (608)
State gas 1989 tax	23,267	22,427	22,364	(63)
State 2017 gas tax	75,054	72,242	71,914	(328)
State gas three cent tax	42,969	41,410	41,295	(115)
Transportation modernization act	406	-	-	-
<b>Other revenues</b>				
Interest income	15,990	14,285	13,909	(376)
<b>Total revenues</b>	<u>310,111</u>	<u>293,730</u>	<u>292,240</u>	<u>(1,490)</u>
<b>Expenditures:</b>				
Public Works:				
Street lighting	228,336	233,615	231,947	1,668
Repairs and maintenance	25,000	38,172	186,658	(148,486)
Capital Outlay	167,825	150,000	-	150,000
<b>Total expenditures</b>	<u>421,161</u>	<u>421,787</u>	<u>418,605</u>	<u>3,182</u>
<b>Revenues over (under) Expenditures</b>	<u>(111,050)</u>	<u>(128,057)</u>	<u>(126,365)</u>	<u>1,692</u>
<b>Other financing sources and uses:</b>				
Transfers out	-	-	-	-
<b>Total Other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(111,050)	(128,057)	(126,365)	1,692
<b>Fund Balance at Beginning of Year</b>	406,686	406,686	406,686	-
<b>Fund Balance at End of Year</b>	<u>\$ 295,636</u>	<u>\$ 278,629</u>	<u>\$ 280,321</u>	<u>\$ 1,692</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, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Local option sales tax	\$ 2,056,646	\$ 2,009,911	\$ 2,027,782	\$ 17,871
Other revenues:				
Interest income	18,336	20,561	20,663	102
<b>Total Revenues</b>	2,074,982	2,030,472	2,048,445	17,973
<b>Expenditures:</b>				
Health, Welfare and Recreation:				
Operating costs	19,545	11,347	14,935	(3,588)
Paying agent fees	2,500	750	750	-
Capital projects	2,000	86,178	48,242	37,936
<b>Total Expenditures</b>	24,045	98,275	63,927	34,348
<b>Revenues over (under) Expenditures</b>	2,050,937	1,932,197	1,984,518	52,321
<b>Other financing sources and uses:</b>				
Transfers out	(1,540,135)	(1,544,212)	(1,540,134)	4,078
<b>Total Other financing sources and uses</b>	(1,540,135)	(1,544,212)	(1,540,134)	4,078
<b>Net Change in Fund Balances</b>	510,802	387,985	444,384	56,399
<b>Fund Balance at Beginning of Year</b>	3,113,315	3,113,315	3,113,315	-
<b>Fund Balance at End of Year</b>	\$ 3,624,117	\$ 3,501,300	\$ 3,557,699	\$ 56,399

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, 2025**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Revenues</b>							
Payment for lunches							
Student	\$ 75,000	\$ 75,416	\$ 73,800	\$ -	\$ -	\$ 73,800	\$ (1,616)
Adult	10,000	14,808	13,790	-	-	13,790	(1,018)
Payment for breakfast							
Student	30,000	42,055	40,833	-	-	40,833	(1,222)
Federal Fund							
USDA - lunch programs	270,000	261,945	261,945	-	-	261,945	-
USDA - breakfast programs	135,000	126,308	126,308	-	-	126,308	-
USDA - commodities	41,344	37,810	37,810	-	-	37,810	-
USDA - other	15,000	19,953	19,953	-	-	19,953	-
State funds							
State matching funds	4,500	3,972	3,972	-	-	3,972	-
A La Carte sales	30,000	33,666	33,310	-	-	33,310	(356)
Revenues from individual schools	2,000	8,501	1,167	-	-	1,167	(7,334)
Interest income	600	619	656	-	-	656	37
Other revenues	-	4,023	4,023	-	-	4,023	-
<b>Total Revenues</b>	<b>613,444</b>	<b>629,076</b>	<b>617,567</b>	<b>-</b>	<b>-</b>	<b>617,567</b>	<b>(11,509)</b>
<b>Expenditures</b>							
Food supplies	194,279	291,441	291,127	-	-	291,127	314
Personnel expenditures							
Supervisor/director	48,120	48,350	48,350	-	-	48,350	-
Accountants and bookkeepers	38,937	37,431	37,431	-	-	37,431	-
Cafeteria personnel	266,000	266,826	266,826	-	-	266,826	-
Bonus payments	-	21,000	21,000	-	-	21,000	-
Other salaries and wages	4,000	-	-	-	-	-	-
Inservice training	1,650	-	-	-	-	-	-
Social security	21,889	21,798	21,798	-	-	21,798	-
Medical insurance	71,000	85,747	85,747	-	-	85,747	-
Dental insurance	1,200	1,241	1,241	-	-	1,241	-
Unemployment compensation	650	521	521	-	-	521	-
Retirement	19,000	19,571	19,571	-	-	19,571	-
Employer medicare	5,119	5,098	5,098	-	-	5,098	-
Dues and memberships	250	-	-	-	-	-	-
Operations and maintenance							
Maintenance and repair	5,000	2,065	2,065	-	-	2,065	-
Nonfood supplies							
Food preparation supplies	10,000	16,550	16,550	-	-	16,550	-
Office supplies	500	-	-	-	-	-	-
Printing, stationery and forms	400	-	-	-	-	-	-
Uniforms	800	-	-	-	-	-	-
Other supplies and materials	4,000	9,817	9,817	-	-	9,817	-
Other							
Postal charges	100	73	73	-	-	73	-
Other contracted services	10,000	7,859	7,859	-	-	7,859	-
Other transportation	3,000	1,650	1,650	-	-	1,650	-
Travel	50	-	-	-	-	-	-
Inservice/staff development	5,000	4,657	4,657	-	-	4,657	-
Other charges	500	-	-	-	-	-	-
Food service equipment	2,000	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>713,444</b>	<b>841,695</b>	<b>841,381</b>	<b>-</b>	<b>-</b>	<b>841,381</b>	<b>314</b>
<b>Other financing sources and (uses)</b>							
Sale of equipment	-	645	645	-	-	645	-
Transfers in	100,000	200,000	200,000	-	-	200,000	-
<b>Total other financing sources and (uses)</b>	<b>100,000</b>	<b>200,645</b>	<b>200,645</b>	<b>-</b>	<b>-</b>	<b>200,645</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(11,974)</b>	<b>(23,169)</b>	<b>-</b>	<b>-</b>	<b>(23,169)</b>	<b>(11,195)</b>
<b>Fund balance - beginning of year, as previously reported</b>	<b>121,538</b>	<b>121,538</b>	<b>121,538</b>	<b>-</b>	<b>-</b>	<b>121,538</b>	<b>-</b>
<b>Change in reserve for inventory</b>	<b>-</b>	<b>-</b>	<b>8,741</b>	<b>-</b>	<b>-</b>	<b>8,741</b>	<b>8,741</b>
<b>Fund balance - beginning of year, as restated</b>	<b>121,538</b>	<b>121,538</b>	<b>130,279</b>	<b>-</b>	<b>-</b>	<b>130,279</b>	<b>8,741</b>
<b>Fund balance - end of year</b>	<b>\$ 121,538</b>	<b>\$ 109,564</b>	<b>\$ 107,110</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,110</b>	<b>\$ (2,454)</b>

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, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Charges for Services:</b>				
Collection charges	\$ 1,512,000	\$ 1,512,000	\$ 1,451,694	\$ (60,306)
Transfer stations use charge	456,000	456,000	420,414	(35,586)
Tire disposal charges	6,000	6,000	11,058	5,058
Sale recyclables	3,800	3,600	8,373	4,773
Sale of trash receptacles	600	600	300	(300)
Recovery of bad debts	1,200	1,200	2,320	1,120
<b>Other revenues:</b>				
Interest revenue	200	200	11	(189)
<b>Total revenues</b>	<u>1,979,600</u>	<u>1,979,600</u>	<u>1,894,170</u>	<u>(85,430)</u>
<b>Expenditures</b>				
<b>Public Works:</b>				
Salaries	493,321	438,985	442,017	(3,032)
Payroll taxes	40,594	34,117	33,097	1,020
Hospital and health insurance	74,269	71,686	71,686	-
Retirement	31,637	25,003	25,939	(936)
Other benefits	6,850	9,075	8,794	281
Workers compensation insurance	23,000	21,935	21,892	43
Unemployment insurance	325	245	233	12
Employee education and benefits	4,000	1,270	1,270	-
Memberships	20	-	-	-
Legal	650	211	194	17
Data processing	8,600	7,717	7,230	487
Utilities	5,750	4,927	4,907	20
Telephone	2,400	2,674	2,603	71
Compensation for damages	10,100	-	-	-
Tires, flats, etc.	20,000	22,611	20,726	1,885
R&M vehicles	25,000	22,347	22,981	(634)
R&M machinery and equipment	16,000	15,035	14,950	85
R&M grounds	11,500	25,102	23,011	2,091
R&M buildings	5,000	724	675	49
R&M other	62,120	229	210	19
Travel	1,250	-	-	-
Office supplies	2,690	730	669	61
Operating supplies	3,900	5,561	4,493	1,068
Janitorial supplies	900	376	344	32
Clothing and uniforms	6,050	4,941	4,530	411
Fuel supplies	100,000	73,503	74,097	(594)
Consumable tools	2,200	-	-	-
Small items of equipment	2,200	1,852	11,554	(9,702)
Safety supplies	1,950	123	112	11
Insurance	21,390	15,985	16,182	(197)
Tipping fees	350,000	360,819	355,197	5,622
Permit fees	9,000	6,709	6,150	559
Soil testing	10,000	8,372	7,674	698
Medical costs	410	518	575	(57)
Bad debt expense	6,500	11,417	10,586	831
Bond sales expense	1,200	-	-	-
Notes principal	368,000	368,000	368,000	-
Interest on notes	79,497	79,497	79,497	-
Interest on bonds	14,345	14,345	14,345	-
Bond principal	35,000	35,000	35,000	-
Capital outlay	100,000	92,901	83,045	9,856
<b>Total expenditures</b>	<u>1,957,618</u>	<u>1,784,542</u>	<u>1,774,465</u>	<u>10,077</u>
<b>Revenues over (under) expenditures</b>	<u>21,982</u>	<u>195,058</u>	<u>119,705</u>	<u>(75,353)</u>
<b>Other financing sources and uses:</b>				
Note proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers in (out)	-	-	-	-
<b>Total other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>21,982</u>	<u>195,058</u>	<u>119,705</u>	<u>(75,353)</u>
<b>Fund Balance at Beginning of Year</b>	<u>498,073</u>	<u>498,073</u>	<u>498,073</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 520,055</u>	<u>\$ 693,131</u>	<u>\$ 617,778</u>	<u>\$ (75,353)</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, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Public Safety:				
Public relations	1,778	1,250	1,100	150
Education program operating supplies	668	900	631	269
<b>Total expenditures</b>	<u>2,446</u>	<u>2,150</u>	<u>1,731</u>	<u>419</u>
<b>Revenues over (under) expenditures</b>	<u>(2,446)</u>	<u>(2,150)</u>	<u>(1,731)</u>	<u>419</u>
<b>Other financing sources and uses:</b>				
Transfers in	3,500	3,500	3,500	-
<b>Net change in fund balances</b>	1,054	1,350	1,769	419
<b>Fund Balance at Beginning of Year</b>	<u>3,218</u>	<u>3,218</u>	<u>3,218</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 4,272</u>	<u>\$ 4,568</u>	<u>\$ 4,987</u>	<u>\$ 419</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, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines, forfeitures, and penalties:				
Police fines and fees	\$ 4,490	\$ 4,762	\$ 5,016	\$ 254
Other revenues:				
Interest income	460	339	375	36
<b>Total revenues</b>	<u>4,950</u>	<u>5,101</u>	<u>5,391</u>	<u>290</u>
<b>Expenditures:</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>4,950</u>	<u>5,101</u>	<u>5,391</u>	<u>290</u>
<b>Other financing sources and uses:</b>				
Transfer in	-	-	-	-
<b>Total other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	4,950	5,101	5,391	290
<b>Fund Balance at Beginning of Year</b>	<u>4,884</u>	<u>4,884</u>	<u>4,884</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 9,834</u>	<u>\$ 9,985</u>	<u>\$ 10,275</u>	<u>\$ 290</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, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines, forfeitures, and penalties:				
Drug related fines	\$ 18,016	\$ 31,043	\$ 18,855	\$ (12,188)
Forfeitures	18,063	8,474	8,474	-
Equitable sharing	60,000	-	-	-
Sale of seized property	-	109,764	109,764	-
Other revenues:				
Donation	-	-	-	-
Miscellaneous	258	46,045	-	(46,045)
Interest income	1,576	2,064	2,276	212
<b>Total revenues</b>	<u>97,913</u>	<u>197,390</u>	<u>139,369</u>	<u>(58,021)</u>
<b>Expenditures:</b>				
Public Safety:				
Vehicle licenses and titles	-	-	-	-
Ammunition	5,000	-	-	-
Vehicle tow (seized property)	500	1,231	1,231	-
Repair and maintenance	2,300	1,122	872	250
Operating costs	15,000	1,069	69	1,000
Educational costs	2,000	-	-	-
Small items of equipment	5,000	1,200	4,644	(3,444)
Capital outlay	283,000	243,000	124,530	118,470
<b>Total expenditures</b>	<u>312,800</u>	<u>247,622</u>	<u>131,346</u>	<u>116,276</u>
<b>Revenues over (under) expenditures</b>	<u>(214,887)</u>	<u>(50,232)</u>	<u>8,023</u>	<u>58,255</u>
<b>Other financing sources and uses:</b>				
Transfer out	(66,620)	(67,228)	(67,228)	-
Transfer in	-	-	72,622	72,622
Insurance recovery	-	-	47,500	47,500
<b>Total other financing sources and uses</b>	<u>(66,620)</u>	<u>(67,228)</u>	<u>52,894</u>	<u>120,122</u>
<b>Net change in fund balances</b>	<u>(281,507)</u>	<u>(117,460)</u>	<u>60,917</u>	<u>178,377</u>
<b>Fund Balance at Beginning of Year</b>	<u>228,019</u>	<u>228,019</u>	<u>228,019</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ (53,488)</u>	<u>\$ 110,559</u>	<u>\$ 288,936</u>	<u>\$ 178,377</u>

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

CITY OF LEXINGTON, TENNESSEE  
 FEDERAL DRUG FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines, forfeitures, and penalties:				
Equitable sharing	\$ 15,696	\$ 16,251	\$ 16,251	\$ -
Other revenues:				
Interest income	-	-	22	22
<b>Total revenues</b>	<u>15,696</u>	<u>16,251</u>	<u>16,273</u>	<u>22</u>
<b>Expenditures:</b>				
Public Safety:				
Operating costs	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>15,696</u>	<u>16,251</u>	<u>16,273</u>	<u>22</u>
<b>Other financing sources and uses:</b>				
Transfer in	63,120	63,728	63,728	-
<b>Total other financing sources and uses</b>	<u>63,120</u>	<u>63,728</u>	<u>63,728</u>	<u>-</u>
<b>Net change in fund balances</b>	78,816	79,979	80,001	22
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 78,816</u>	<u>\$ 79,979</u>	<u>\$ 80,001</u>	<u>\$ 22</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, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues:				
Interest income	\$ 101	\$ 90	\$ 107	\$ 17
<b>Total revenues</b>	<u>101</u>	<u>90</u>	<u>107</u>	<u>17</u>
<b>Expenditures:</b>				
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>101</u>	<u>90</u>	<u>107</u>	<u>17</u>
<b>Net change in fund balances</b>	101	90	107	17
<b>Fund Balance at Beginning of Year</b>	<u>2,236</u>	<u>2,236</u>	<u>2,236</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 2,337</u>	<u>\$ 2,326</u>	<u>\$ 2,343</u>	<u>\$ 17</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, 2025

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Revenues</b>							
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	-	-	-	-	-	-	-
<b>Expenditures</b>							
Debt Service							
Principal	450,000	450,000	433,616	-	-	433,616	16,384
Interest	50,000	50,000	43,518	-	-	43,518	6,482
<b>Total Expenditures</b>	500,000	500,000	477,134	-	-	477,134	22,866
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(500,000)	(500,000)	(477,134)	-	-	(477,134)	22,866
<b>Other financing sources and (uses)</b>							
Transfers in	500,000	500,000	477,134	-	-	477,134	(22,866)
<b>Total other financing sources and (uses)</b>	500,000	500,000	477,134	-	-	477,134	(22,866)
<b>Net change in fund balance</b>	-	-	-	-	-	-	-
<b>Fund balance - beginning of year</b>	-	-	-	-	-	-	-
<b>Fund balance - end of year</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2025**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Liquor taxes	\$ 290,432	\$ 268,785	\$ 212,273	\$ (56,512)
Intergovernmental:				
Federal Grant - TEMA	-	4,582	4,582	-
Federal Grant - TDEC LPRF - Depot Park	688,788	13,670	13,670	-
Grant - DRA- TCAT Access Road	317,540	317,540	-	(317,540)
Other revenues:				
Donations - museum	500	85	85	-
Interest income	81,992	57,632	57,171	(461)
<b>Total Revenues</b>	<u>1,379,252</u>	<u>662,294</u>	<u>287,781</u>	<u>(374,513)</u>
<b>Expenditures:</b>				
Economic development:				
IDB industrial development projects	25,000	25,000	25,000	-
Henderson Co industrial development projects	60,000	60,000	40,675	19,325
Health, welfare and recreation:				
Operating costs	20,000	-	-	-
Professional services	58,763	11,923	9,333	2,590
Fireworks	5,000	5,000	5,000	-
Capital projects	1,950,813	573,634	220,861	352,773
<b>Total Expenditures</b>	<u>2,119,576</u>	<u>675,557</u>	<u>300,869</u>	<u>374,688</u>
<b>Revenues over (under) Expenditures</b>	<u>(740,324)</u>	<u>(13,263)</u>	<u>(13,088)</u>	<u>175</u>
<b>Other financing sources and uses:</b>				
Transfers in (out)	70,000	70,000	70,000	-
<b>Total other financing sources and uses</b>	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(670,324)	56,737	56,912	175
<b>Fund Balance at Beginning of Year</b>	<u>1,165,290</u>	<u>1,165,290</u>	<u>1,165,290</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 494,966</u>	<u>\$ 1,222,027</u>	<u>\$ 1,222,202</u>	<u>\$ 175</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, 2026**

<b>Levy for Year</b>	<b>Tax Rate</b>	<b>Assessed Value</b>	<b>Original Tax Levy</b>	<b>Outstanding Taxes Beginning</b>	<b>Taxes Levied</b>	<b>Releases and Adjustments</b>	<b>Collections</b>	<b>Outstanding Taxes Ending</b>
2025	1.19	\$ 259,424,083	\$ 3,094,696	\$ -	\$ 3,094,696	\$ -	\$ -	\$ 3,094,696
2024	1.19	261,824,946	3,123,337	3,123,337	39,995	4,158	3,030,054	137,436
2023	1.04	262,153,022	2,734,000	116,788	-	3,553	109,550	10,791
2022	1.21	185,336,345	2,237,995	14,985	-	(90)	14,561	334
2021	1.21	189,491,395	2,288,155	620	-	(331)	-	289
2020	1.21	188,656,284	2,278,072	292	-	-	-	292
2019	1.21	187,870,835	2,268,575	1	-	-	-	1
2018	1.21	183,131,696	2,211,386	240	-	-	-	240
2017	1.21	183,444,653	2,212,920	290	-	-	-	290
2016	1.23	175,652,631	2,160,565	291	-	-	-	291
2015	1.23	174,738,487	2,155,335	81	-	-	-	81
2014	1.23	175,884,882	2,163,382	141	-	(141)	-	-
				<u>\$ 3,257,066</u>	<u>\$ 3,134,691</u>	<u>\$ 7,149</u>	<u>\$ 3,154,165</u>	<u>\$ 3,244,741</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, 2025

Year Ending June 30,	School Refunding Series 2020		Public Works Series 2020		Bond Series 2019		Refunding Bond Series 2012		Capital Outlay Note Series 2023		Capital Outlay Note Series 2023		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 410,000	\$ 33,925	\$ 70,000	\$ 97,290	\$ 70,000	\$ 31,224	\$ 25,831	\$ 1,403	\$ 200,000	\$ 218,380	\$ 189,000	\$ 228,594	\$ 964,831	\$ 610,816
2027	415,000	29,825	70,000	95,890	70,000	28,674	26,878	886	211,000	217,235	200,000	228,994	992,878	601,504
2028	420,000	24,637	70,000	93,790	70,000	25,830	17,452	349	-	-	210,000	227,822	787,452	372,428
2029	425,000	19,387	70,000	91,690	75,000	22,767	-	-	-	-	222,000	228,049	792,000	361,893
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>\$ 2,535,000</u>	<u>\$ 130,549</u>	<u>\$ 1,200,000</u>	<u>\$ 1,422,810</u>	<u>\$ 675,000</u>	<u>\$ 169,468</u>	<u>\$ 70,161</u>	<u>\$ 2,638</u>	<u>\$ 411,000</u>	<u>\$ 435,615</u>	<u>\$ 821,000</u>	<u>\$ 913,459</u>	<u>\$ 5,712,161</u>	<u>\$ 3,074,539</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, 2025**

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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 342,398	\$ 18,601	\$ 105,000	\$ 33,450	\$ 85,000	\$ 33,824	\$ 300,000	\$ 91,350	\$ 350,000	\$ 142,533
2027	356,279	11,753	106,000	30,300	90,000	32,058	310,000	82,350	360,000	135,533
2028	231,351	4,627	108,000	27,120	90,000	30,118	320,000	73,050	370,000	124,733
2029	-	-	109,000	23,880	90,000	28,040	325,000	63,450	385,000	113,633
2030	-	-	111,000	20,610	95,000	25,821	335,000	53,700	390,000	102,083
2031	-	-	112,000	17,280	95,000	23,456	345,000	43,650	400,000	94,283
2032	-	-	114,000	13,920	95,000	20,966	360,000	33,300	405,000	86,282
2033	-	-	115,000	10,500	105,000	18,293	370,000	22,500	415,000	78,182
2034	-	-	117,000	7,050	105,000	15,433	380,000	11,400	425,000	69,882
2035	-	-	118,000	3,540	105,000	12,408	-	-	435,000	61,382
2036	-	-	-	-	110,000	9,155	-	-	450,000	52,247
2037	-	-	-	-	115,000	5,634	-	-	450,000	42,572
2038	-	-	-	-	115,000	1,899	-	-	460,000	32,672
2039	-	-	-	-	-	-	-	-	475,000	22,323
2040	-	-	-	-	-	-	-	-	485,000	11,397
	<u>\$ 930,028</u>	<u>\$ 34,981</u>	<u>\$ 1,115,000</u>	<u>\$ 187,650</u>	<u>\$ 1,295,000</u>	<u>\$ 257,105</u>	<u>\$ 3,045,000</u>	<u>\$ 474,750</u>	<u>\$ 6,255,000</u>	<u>\$ 1,169,737</u>

Year Ending June 30,	Capital Outlay Note Series 2025		Local Government Loan Program Bond - Water, Series 2024		Local Government Loan Program Bond - Sewer, Series 2024		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 220,000	\$ 127,394	\$ 55,000	\$ 124,846	\$ 42,000	\$ 94,714	\$ 1,499,398	\$ 666,712
2027	225,000	119,306	59,000	127,367	44,000	95,585	1,550,279	634,252
2028	235,000	110,306	62,000	128,780	46,000	96,401	1,462,351	595,135
2029	245,000	100,906	65,000	130,113	49,000	98,164	1,268,000	558,186
2030	255,000	91,106	68,000	131,365	52,000	99,846	1,306,000	524,531
2031	265,000	80,906	72,000	133,536	54,000	100,448	1,343,000	493,559
2032	275,000	70,306	76,000	135,599	57,000	101,995	1,382,000	462,368
2033	285,000	59,306	80,000	137,555	60,000	103,462	1,430,000	429,798
2034	300,000	47,906	84,000	139,404	64,000	105,849	1,475,000	396,924
2035	310,000	35,906	89,000	142,145	67,000	107,127	1,124,000	362,508
2036	325,000	23,506	94,000	144,751	71,000	109,325	1,050,000	338,984
2037	335,000	11,728	99,000	147,223	75,000	111,416	1,074,000	318,573
2038	-	-	104,000	149,560	79,000	113,399	758,000	297,530
2039	-	-	110,000	152,763	83,000	115,274	668,000	290,360
2040	-	-	116,000	155,805	87,000	117,042	688,000	284,244
2041	-	-	43,592	158,685	92,000	119,702	135,592	278,387
2042	-	-	-	-	97,000	122,228	97,000	122,228
2043	-	-	-	-	102,000	124,619	102,000	124,619
2044	-	-	-	-	75,689	127,875	75,689	127,875
	<u>\$ 3,275,000</u>	<u>\$ 878,582</u>	<u>\$ 1,276,592</u>	<u>\$ 2,239,497</u>	<u>\$ 1,296,689</u>	<u>\$ 2,064,471</u>	<u>\$ 18,488,309</u>	<u>\$ 7,306,773</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, 2025

Year Ending June 30,	2012 General Obligation Bonds		2017 General Obligation Bonds		2019 Refunding Bonds		Capital Outlay Note Series 2025		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,771	\$ 96	\$ 115,000	\$ 45,761	\$ 80,000	\$ 25,050	\$ 135,000	\$ 78,052	\$ 331,771	\$ 148,959
2027	1,843	61	115,000	43,373	80,000	22,650	140,000	73,088	336,843	139,172
2028	1,196	24	120,000	40,747	85,000	20,250	145,000	67,488	351,196	128,509
2029	-	-	125,000	37,936	90,000	17,700	150,000	61,688	365,000	117,324
2030	-	-	125,000	34,934	95,000	15,000	160,000	55,688	380,000	105,622
2031	-	-	130,000	31,735	100,000	12,150	165,000	49,286	395,000	93,171
2032	-	-	135,000	28,366	95,000	9,150	170,000	42,688	400,000	80,204
2033	-	-	135,000	24,749	100,000	6,300	180,000	35,888	415,000	66,937
2034	-	-	140,000	20,880	110,000	3,300	180,000	28,688	430,000	52,868
2035	-	-	145,000	16,787	-	-	190,000	21,488	335,000	38,275
2036	-	-	150,000	12,387	-	-	190,000	13,888	340,000	26,275
2037	-	-	155,000	7,623	-	-	200,000	6,996	355,000	14,619
2038	-	-	160,000	2,569	-	-	-	-	160,000	2,569
	<u>\$ 4,810</u>	<u>\$ 181</u>	<u>\$ 1,750,000</u>	<u>\$ 347,847</u>	<u>\$ 835,000</u>	<u>\$ 131,550</u>	<u>\$ 2,005,000</u>	<u>\$ 534,926</u>	<u>\$ 4,594,810</u>	<u>\$ 1,014,504</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, 2025

Year Ending June 30,	Revenue Refunding Bond Series 2017		Revenue Refunding Bond Series 2019		Revenue Bonds Series 2018		Revenue Bonds Series 2023		Revenue Bonds Series 2024		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 450,000	\$ 85,931	\$ 320,000	\$ 136,660	\$ 140,000	\$ 70,018	\$ 345,000	\$ 1,017,450	\$ 185,000	\$ 419,626	\$ 1,440,000	\$ 1,729,685
2027	460,000	75,806	335,000	120,285	145,000	64,418	365,000	999,700	195,000	518,950	1,500,000	1,779,159
2028	475,000	65,456	350,000	103,160	150,000	60,068	385,000	980,950	205,000	509,200	1,565,000	1,718,834
2029	485,000	53,581	370,000	85,160	150,000	55,568	405,000	961,200	215,000	498,950	1,625,000	1,654,459
2030	495,000	41,456	390,000	66,160	155,000	51,068	425,000	940,450	225,000	488,200	1,690,000	1,587,334
2031	510,000	28,463	410,000	46,160	160,000	46,418	445,000	918,700	235,000	476,950	1,760,000	1,516,691
2032	525,000	14,438	430,000	27,310	165,000	41,618	470,000	895,825	250,000	465,200	1,840,000	1,444,391
2033	-	-	445,000	9,810	170,000	36,668	495,000	871,700	260,000	452,700	1,370,000	1,370,878
2034	-	-	455,000	796	175,000	31,143	520,000	846,325	275,000	439,700	1,425,000	1,317,964
2035	-	-	455,000	569	180,000	25,455	545,000	819,700	290,000	425,950	1,470,000	1,271,674
2036	-	-	455,000	341	190,000	19,605	570,000	791,825	305,000	411,450	1,520,000	1,223,221
2037	-	-	455,000	114	195,000	13,430	600,000	762,575	320,000	396,200	1,570,000	1,172,319
2038	-	-	-	-	200,000	6,800	635,000	731,700	335,000	380,200	1,170,000	1,118,700
2039	-	-	-	-	-	-	665,000	698,200	355,000	363,450	1,020,000	1,062,650
2040	-	-	-	-	-	-	700,000	665,075	370,000	345,700	1,070,000	1,010,775
2041	-	-	-	-	-	-	735,000	629,200	390,000	327,200	1,125,000	956,400
2042	-	-	-	-	-	-	770,000	591,575	410,000	307,700	1,180,000	899,275
2043	-	-	-	-	-	-	810,000	554,606	430,000	287,200	1,240,000	841,806
2044	-	-	-	-	-	-	845,000	518,403	450,000	270,000	1,295,000	788,403
2045	-	-	-	-	-	-	885,000	480,006	465,000	252,000	1,350,000	732,006
2046	-	-	-	-	-	-	925,000	439,281	485,000	233,400	1,410,000	672,681
2047	-	-	-	-	-	-	965,000	396,756	505,000	214,000	1,470,000	610,756
2048	-	-	-	-	-	-	1,010,000	352,319	525,000	193,800	1,535,000	546,119
2049	-	-	-	-	-	-	1,060,000	305,744	545,000	172,800	1,605,000	478,544
2050	-	-	-	-	-	-	1,110,000	256,225	570,000	151,000	1,680,000	407,225
2051	-	-	-	-	-	-	1,160,000	203,731	590,000	128,200	1,750,000	331,931
2052	-	-	-	-	-	-	1,215,000	148,809	615,000	104,800	1,830,000	253,409
2053	-	-	-	-	-	-	1,275,000	91,228	640,000	80,000	1,915,000	171,228
2054	-	-	-	-	-	-	1,335,000	30,872	665,000	54,400	2,000,000	85,272
2055	-	-	-	-	-	-	-	-	695,000	27,800	695,000	27,800
	<u>\$ 3,400,000</u>	<u>\$ 365,131</u>	<u>\$ 4,870,000</u>	<u>\$ 596,525</u>	<u>\$ 2,175,000</u>	<u>\$ 522,277</u>	<u>\$ 21,670,000</u>	<u>\$ 17,901,130</u>	<u>\$ 12,000,000</u>	<u>\$ 9,396,526</u>	<u>\$ 44,115,000</u>	<u>\$ 28,781,589</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, 2025

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2025
<b>Governmental Activities</b>									
<b>BONDS PAYABLE</b>									
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	\$ 42,779	\$ -	\$ 11,167	\$ -	\$ 31,612
Public Works Refund Bonds, Series 2019 General Portion	\$ 830,000	2.00 to 3.00%	2/7/2019	3/1/2034	590,000	-	50,000	-	540,000
2020 Public Works Improvement Bonds General Portion	\$ 1,510,000	2.00 to 2.36%	4/30/2020	4/1/2040	1,270,000	-	70,000	-	1,200,000
<b>TOTAL BONDS PAYABLE - Payable through City of Lexington General Fund</b>					<u>1,902,779</u>	<u>-</u>	<u>131,167</u>	<u>-</u>	<u>1,771,612</u>
<b>BONDS PAYABLE</b>									
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	\$ 150,000	\$ -	\$ 15,000	\$ -	\$ 135,000
<b>TOTAL BONDS PAYABLE - Payable through City of Lexington General Purpose School Fund</b>					<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>
<b>BONDS PAYABLE</b>									
Payable through City of Lexington School Tax Fund									
2012 General Obligation Public Improvement Bonds	\$ 171,835	1.00 - 2.00%	10/18/2012	4/1/2028	\$ 52,165	\$ -	\$ 13,616	\$ -	\$ 38,549
2020 General Obligation School Refunding Bonds	\$ 4,530,000	1.00 - 2.00%	6/30/2020	5/1/2031	2,940,000	-	405,000	-	2,535,000
<b>TOTAL BONDS PAYABLE - Payable through City of Lexington School Tax Fund</b>					<u>2,992,165</u>	<u>-</u>	<u>418,616</u>	<u>-</u>	<u>2,573,549</u>
<b>TOTAL BONDS PAYABLE</b>					<u>\$ 5,044,944</u>	<u>\$ -</u>	<u>\$ 564,783</u>	<u>\$ -</u>	<u>\$ 4,480,161</u>
<b>NOTES PAYABLE</b>									
Payable through City of Lexington Solid Waste Collection Fund									
2023 Capital Outlay Note	\$ 600,000	5.91%	9/17/2023	8/1/2026	\$ 600,000	\$ -	\$ 189,000	\$ -	\$ 411,000
2023 Capital Outlay Note	\$ 1,000,000	5.45%	9/8/2023	8/1/2028	1,000,000	-	179,000	-	821,000
<b>TOTAL NOTES PAYABLE - Payable through City of Lexington Solid Waste Collection Fund</b>					<u>\$ 1,600,000</u>	<u>\$ -</u>	<u>\$ 368,000</u>	<u>\$ -</u>	<u>\$ 1,232,000</u>
<b>Business-Type Activities</b>									
<b>BONDS PAYABLE</b>									
Payable through Lexington Electric System									
Revenue Refunding Bond - Series 2024	\$ 12,000,000	4.625%	10/15/2024	8/1/2054	\$ -	\$ 12,000,000	\$ -	\$ -	\$ 12,000,000
Revenue Refunding Bond - Series 2023	\$ 22,000,000	4.00%	8/17/2023	8/1/2054	22,000,000	-	330,000	-	21,670,000
Revenue Refunding Bond - Series 2017	\$ 6,810,000	2.00 to 2.75%	3/1/2017	3/1/2028	3,845,000	-	445,000	-	3,400,000
Revenue Refunding Bond - Series 2019	\$ 6,300,000	.05% - 5.00%	7/25/2019	9/1/2036	5,175,000	-	305,000	-	4,870,000
Electric Revenue Bonds - Series 2018	\$ 3,000,000	3.00 to 4.00%	5/22/2018	6/1/2038	2,305,000	-	130,000	-	2,175,000
<b>TOTAL BONDS PAYABLE - Payable through Lexington Electric System</b>					<u>\$ 33,325,000</u>	<u>\$ 12,000,000</u>	<u>\$ 1,210,000</u>	<u>\$ -</u>	<u>\$ 44,115,000</u>
<b>BONDS PAYABLE</b>									
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	\$ 6,509	\$ -	\$ 1,699	\$ -	\$ 4,810
General Obligation Public Works Bonds, Series 2017 Gas Portion	\$ 2,300,000	1.30 to 3.25%	7/20/2017	7/15/2037	1,865,000	-	115,000	-	1,750,000
Public Works Refund Bonds, Series 2019 Gas Portion	\$ 1,300,000	2.00 to 3.00%	2/7/2019	3/1/2034	915,000	-	80,000	-	835,000
2025 Capital Outlay Note	\$ 2,005,000	4.00%	4/3/2025	4/1/2037	-	2,005,000	-	-	2,005,000
<b>TOTAL BONDS PAYABLE - Payable through Lexington Gas System Fund</b>					<u>\$ 2,786,509</u>	<u>\$ 2,005,000</u>	<u>\$ 196,699</u>	<u>\$ -</u>	<u>\$ 4,594,810</u>
<b>BONDS PAYABLE</b>									
Payable through Lexington Water System Fund									
G. O. Public Improvement Bonds, Series 2012 Water Portion	\$ 4,145,797	1.00 to 2.00%	10/18/2012	4/1/2028	\$ 1,258,545	\$ -	\$ 328,517	\$ -	\$ 930,028
General Obligation Public Works Bonds, Series 2017 Water Portion	\$ 1,700,000	1.30 to 3.25%	7/20/2017	7/15/2037	1,375,000	-	80,000	-	1,295,000
Public Works Refund Bond, Series 2019 Water Portion	\$ 4,675,000	2.00 to 3.00%	2/7/2019	3/1/2034	3,335,000	-	290,000	-	3,045,000
Public Works Improvement Bonds, Series 2020 Water Portion	\$ 7,940,000	2.00 to 3.00%	4/30/2020	4/30/2030	6,595,000	-	340,000	-	6,255,000
2025 Capital Outlay Note	\$ 3,275,000	4.00%	4/3/2025	4/1/2037	-	3,275,000	-	-	3,275,000
<b>TOTAL BONDS PAYABLE - Payable through Lexington Water System Fund</b>					<u>\$ 12,563,545</u>	<u>\$ 3,275,000</u>	<u>\$ 1,038,517</u>	<u>\$ -</u>	<u>\$ 14,800,028</u>
<b>OTHER LOANS PAYABLE</b>									
Payable through Lexington Water System Fund									
Local Government Loan Program Bond, Series 2015	\$ 2,000,000	Variable Rate	8/27/2015	5/25/2035	\$ 1,219,000	\$ -	\$ 104,000	\$ -	\$ 1,115,000
Local Government Loan Program Bond, Series 2024	\$ 2,650,000	5.379%	5/8/2024	5/1/2049	481,257	848,335	53,000	-	1,276,592
Local Government Loan Program Bond, Series 2024	\$ 2,000,000	5.379%	5/8/2024	5/1/2049	51,949	1,284,740	40,000	-	1,296,689
<b>TOTAL OTHER LOANS PAYABLE - Payable through Lexington Water System Fund</b>					<u>\$ 1,752,206</u>	<u>\$ 2,133,075</u>	<u>\$ 197,000</u>	<u>\$ -</u>	<u>\$ 3,688,281</u>

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT  
JUNE 30, 2025**

<u>Tax Year</u>	<u>Outstanding Balance</u>
2023	\$ 10,791
2022	335
2021	289
2020	292
2019	1
2018	240
2017	290
2016	291
2015	81
Total	<u>\$ 12,610</u>

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

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE  
JUNE 30, 2025**

GAS FUND					
Residential Rate	Minimum	Minimum	Base Rate	+	PGA Rate
First 500 cubic feet (minimum)	\$ 6.70	\$ 6.70			
Over 500 cubic feet: Inside city (per MCF)			\$ 2.41	+	current PGA
Outside city (per MCF)			\$ 3.45	+	current PGA
				=	Rate Per MCF
<b>Small Commercial Rate</b>					
First 500 cubic feet (minimum)	\$ 7.50	\$ 7.50			
Over 500 cubic feet: Inside city (per MCF)			\$ 3.58	+	current PGA
Outside city (per MCF)			\$ 4.79	+	current PGA
				=	Rate Per MCF
<b>Medium Commercial Rate</b>					
First 1,500 cubic feet (minimum)	\$ 24.85	\$ 24.85			
Over 1,500 cubic feet: Inside city (per MCF)			\$ 3.90	+	current PGA
Outside city (per MCF)			\$ 5.08	+	current PGA
				=	Rate Per MCF
<b>Large Commercial Rate</b>					
First 10,000 cubic feet (minimum)	\$ 124.60	\$ 124.60			
Over 10,000 cubic feet: Inside city (per MCF)			\$ 4.05	+	current PGA
Outside city (per MCF)			\$ 5.23	+	current PGA
				=	Rate Per MCF
Transport (Customer buys from 3rd party)			\$ 3.51		
<b>Number of customers at year end:</b>	<u>9,445</u>	<u>9,445</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	Tech Fee	2,000 gallons @ cons. Rate	Customer Charge
3/4"	\$11.91 +	\$1.60 +	\$2.00 +	\$13.00 =	\$28.51
1"	\$15.13 +	\$1.60 +	\$2.54 +	\$13.00 =	\$32.27
1.5"	\$19.53 +	\$1.60 +	\$3.28 +	\$13.00 =	\$37.41
2"	\$31.44 +	\$1.60 +	\$5.28 +	\$13.00 =	\$51.32
3"	\$119.10 +	\$1.60 +	\$20.00 +	\$13.00 =	\$153.70
4"	\$151.61 +	\$1.60 +	\$25.46 +	\$13.00 =	\$191.67
6"	\$227.36 +	\$1.60 +	\$38.18 +	\$13.00 =	\$280.14

Consumption Rate Over 2,000 gallons = \$6.50 Per 1,000 gallons

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

	Meter Charge	Maint Fee	Tech Fee	2,000 gallons @ cons. Rate	Customer Charge
3/4"	\$20.57 +	\$1.60 +	\$2.00 +	\$13.00 =	\$37.17
1"	\$26.12 +	\$1.60 +	\$2.54 +	\$13.00 =	\$43.26
1.5"	\$33.73 +	\$1.60 +	\$3.28 +	\$13.00 =	\$51.61
2"	\$54.30 +	\$1.60 +	\$5.28 +	\$13.00 =	\$74.18
3"	\$205.70 +	\$1.60 +	\$20.00 +	\$13.00 =	\$240.30
4"	\$261.86 +	\$1.60 +	\$25.46 +	\$13.00 =	\$301.92
6"	\$392.68 +	\$1.60 +	\$38.18 +	\$13.00 =	\$445.46

Consumption Rate Over 2,000 gallons = \$6.50 Per 1,000 gallons

BULK WATER - Consumption Rate = \$6.50 Per 1,000 gallons

**NUMBER OF CUSTOMERS AT YEAR END:** 10,445

**SEWER RATES**

LEXINGTON		PARKERS CROSSROADS	
Customer Charge 0-2,000 gallons		Customer Charge 0-2,000 gallons	
5/8"	\$27.58	5/8"	\$57.92
1"	\$35.03	1"	\$73.56
1.5"	\$45.23	1.5"	\$94.99
2"	\$72.81	2"	\$152.91
3"	\$275.80	3"	\$579.20
4"	\$351.09	4"	\$737.32
6"	\$526.50	6"	\$1,105.69

Usage Rate Over 2,000 gallons = \$7.00 Per 1,000 gallons

**SEWER CUSTOMERS WITH WELLS**

Customer Charge (based on 5,000 gallons) = \$48.58 Flat Rate \$78.92 Flat Rate

**NUMBER OF CUSTOMERS AT YEAR END:** 3,797

**GARBAGE RATES**

Residential (1x week)	\$ 25.00	\$ 25.00	Commercial (2x week)	\$ 62.50
Industrial (2x week)	\$ 62.50	\$ 62.50	Commercial (3x week)	\$147.75
			Commercial (5x week)	\$330.25
<b>NUMBER OF CUSTOMERS AT YEAR END:</b>	<u>3,823</u>	<u>3,823</u>		

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

CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED  
JUNE 30, 2025

Electric Department		Broadband	
<b>Residential Rate Schedule</b>			
Customer Charge - per delivery point per month	\$ 17.71	Basic Internet Connection	\$59.99
Energy Charges - cents per kWh	0.11745	300Mbps	
<b>General Power Rate Schedule</b>			
<b>GSA1</b>		Premium Internet Connection	\$69.99
Customer Charge - per delivery point per month	\$ 20.11	600Mbps	
Energy Charges - per kWh	0.13091	Ultimate Internet Connection	\$99.99
<b>GSA2</b>		1.2Gbps	
Customer charge - per delivery point per month	\$ 89.03	Business Pro Basic Internet Connection	\$149.99
Demand charge - per kw per month - First 50 kW	No charge	300MB	
- Excess over 50 kW	15.55	Business Pro Premium Internet Connection	\$249.99
Energy charge - per kw - First 15,000 kWh per month	0.13339	600MB	
- Additional kWh per month	0.08210	Business Pro Ultimate Internet Connection	\$399.99
<b>GSA3</b>		1.2Gbps	
Customer charge - per delivery point per month	\$ 223.58	Business Phone-Bundled	\$39.99
Demand charge - per kw per month - First 1,000 kW	15.26	Business Phone-Additional Line	\$20.00
- Excess over 1,000 kW	18.12	Business Phone Toll Free Number	\$10.00
Energy charge - cents per kW	0.08362		
<b>GSB</b>			
Customer charge per delivery point per month	\$ 1,500.00		
Administrative charge	\$ 350.00		
Demand charges			
Onpeak:			
All kW - per kW per month	\$ 11.95		
Energy charge - cents per kWh use of metered demand per month	0.09758		
OffPeak:			
All kW - per kW per month	\$ 11.95		
Energy charge - first 200 HUD	0.07017		
Next 200 HUD	0.32150		
Additional HUD	0.02839		
<b>GSC</b>			
Customer charge - per delivery point per month	\$ 1,500.00		
Administrative charge	\$ 350.00		
Demand charges			
Onpeak:			
All kW - per kW per month	\$ 11.95		
Energy charge - cents per kWh use of metered demand per month	0.09758		
OffPeak:			
All kW - per kW per month	\$ 5.07		
Energy charge - first 200 HUD	0.07017		
Next 200 HUD	0.03215		
Additional HUD	0.02839		
<b>GSD</b>			
Customer charge - per delivery point per month	\$ 1,500.00		
Administrative charge	\$ 350.00		
Demand charges			
Onpeak:			
All kW - per kW per month	\$ 11.95		
Energy charge - cents per kWh use of metered demand per month	0.09758		
OffPeak:			
All kW - per kW per month	\$ 4.96		
Energy charge - first 200 HUD	0.07017		
Next 200 HUD	0.03089		
Additional HUD	0.02839		
<b>MSB</b>			
Customer charge - per delivery point per month	\$ 1,500.00		
Administrative charge	\$ 350.00		
Demand charges			
Onpeak:			
All kW - per kW per month	\$ 11.27		
Energy charge - cents per kWh use of metered demand per month	0.08975		
OffPeak:			
All kW - per kW per month	\$ 2.33		
Energy charge - first 200 HUD	0.06225		
Next 200 HUD	0.02961		
Additional HUD	0.02680		
<b>MSC</b>			
Customer charge - per delivery point per month	\$ 1,500.00		
Administrative charge	\$ 350.00		
Demand charges			
Onpeak:			
All kW - per kW per month	\$ 11.27		
Energy charge - cents per kWh use of metered demand per month	0.08852		
OffPeak:			
All kW - per kW per month	\$ 1.82		
Energy charge - first 200 HUD	0.06101		
Next 200 HUD	0.03115		
Additional HUD	0.03115		
<b>MSD</b>			
Customer charge - per delivery point per month	\$ 1,500.00		
Administrative charge	\$ 350.00		
Demand charges			
Onpeak:			
All kW - per kW per month	\$ 11.27		
Energy charge - cents per kWh use of metered demand per month	0.08602		
OffPeak:			
All kW - per kW per month	\$ 1.71		
Energy charge - first 200 HUD	0.05852		
Next 200 HUD	0.02929		
Additional HUD	0.02864		
<b>OL</b>			
Customer charge - per delivery point per month	\$ 17.75		
Energy charge	0.08136		

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, 2025**

<u>Federal Grantor/Pass- Through Grantor/ Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
<b>Department of Housing and Urban Development (HUD)</b>			
Community Development Block Grant/State's program	14.228	33004-48324	<u>16,196</u>
<b>Department of Justice</b>			
Violence Against Women Formula Grants - STOP, Domestic Violence and Sexual Assault Law Enforcement Investigators	16.588	N/A	<u>60,000</u>
Public Safety Partnership and Community Policing Grants - COPS Hiring Program	16.710	15JCOPS-22-GG-03474-UHPX	<u>87,856</u>
Equitable Sharing Program	16.922	N/A	<u>16,251</u>
<b>Total Department of Justice</b>			<u>164,107</u>
<b>Department of Transportation - General Government</b>			
Highway Planning and Construction	20.205	STP-M-9407(11)	1,128
Highway Planning and Construction	20.205	STP-M-5339(10)	2,701
Highway Planning and Construction	20.205	TAP-104(41)	<u>36,240</u>
<b>Total for ALN #</b>	20.205		<u>40,069</u>
State and Community Highway Safety - Network Coordinator	20.600	Z24THS163	7,084
State and Community Highway Safety - Network Coordinator	20.600	Z25THS172	<u>4,216</u>
<b>Total for ALN #</b>	20.600		<u>11,300</u>
Alcohol Open Container Requirements - Enforcement of TN DUI Laws	20.607	Z24THS162	16,656
Alcohol Open Container Requirements - Enforcement of TN DUI Laws	20.607	Z25THS171	<u>45,943</u>
<b>Total for ALN #</b>	20.607		<u>62,599</u>
<b>Total Department of Transportation</b>			<u>113,968</u>
<b>Department of Treasury</b>			
Coronavirus State and Local Recovery Funds - ARPA WIIP Noncompetitive	21.027	32701-05098	752,745
Coronavirus State and Local Recovery Funds - ARPA Competitive Passed through to the Town of Sardin, Tennessee	21.027	32701-05442	13,300
Coronavirus State and Local Recovery Funds - ARPA Competitive Passed through to the Town of Scotts Hill, Tennessee	21.027	32701-05442	299,667
Coronavirus State and Local Recovery Funds - ARPA Competitive	21.027	32701-05442	<u>2,187,017</u>
<b>Total for ALN #</b>	21.027		<u>3,252,729</u>
<b>Total Department of Treasury</b>			<u>3,252,729</u>
<b>Department of Homeland Security (DHS)</b>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	34101-01025	8,031
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	34101-04225	<u>3,927</u>
<b>Total for ALN #</b>	97.036		<u>11,958</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>3,558,958</u>
<b>STATE FINANCIAL ASSISTANCE</b>			
VCIF, Formula Based Grant	N/A	4096	1,000
Volunteer Firefighter Equipment and Training Grant Program	N/A	33501-2425440	10,957
Statewide School Resource Officer (SRO) Grant Program	N/A	34901-01482	150,000
TN Law Enforcement, Hiring, Training, and Recruitment Grant	N/A	77833-07	22,000
LPRF Grant - 2023 LPRF City of Lexington Depot Park	N/A	32701-05302	13,670
TDOT Multimodal Access Project	N/A	39LPLM-S3-049	30,400
Disaster Grants - State Portion	N/A	34101-04225	654
State 2024 Police Salary Supplements	N/A	N/A	41,600
State 2024 Fire Fighting Supplements	N/A	N/A	<u>12,000</u>
<b>TOTAL STATE AWARDS</b>			<u>282,281</u>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 3,841,239</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, 2025. The schedule is presented using the modified accrual basis of accounting.

**Note 2: Single Audit**

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

**Note 3: Lexington Electric System**

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

**Note 4: Indirect Cost Rate**

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

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



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

To the Mayor and City Aldermen  
Lexington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely component unit, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 5, 2026.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items SAF 2025-001 and COL 2025-001 – to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Lexington, Tennessee's Response to Findings**

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

## **Purpose of this Report**

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

*Adelman Associates, PLLC*

March 5, 2026



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

To the Mayor and City Aldermen  
City of Lexington, Tennessee

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Lexington, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Lexington, Tennessee's major federal programs for the year ended June 30, 2025. The City of Lexington, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Lexington, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

#### ***Other Matters***

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

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

#### **Report on Internal Control over Compliance**

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

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

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

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

  
March 5, 2026

**CITY OF LEXINGTON, TENNESSEE  
 SCHEDULE OF DISPOSITION OF PRIOR YEAR AUDIT FINDINGS  
 JUNE 30, 2025**

**Financial Statement Findings**

<b>Prior Year Finding Number</b>	<b>Finding Title</b>	<b>Status/Current Year Finding Number</b>
SAF 2024-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated/SAF 2025-001
COL 2024-001	General ledger for General, Solid Waste, and Water fund materially misstated before adjustments	Repeated/COL 2025-001
COL 2024-002	Retainage not deposited into escrow accounts – water (original finding #COL 2024-002)	Corrected

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2025**

**SECTION I – Summary of Auditor’s Results**

**Financial Statements:**

1. Our report on the financial statements of City of Lexington, Tennessee is unmodified.
2. Internal Control Financial Reporting:
  - Material weakness identified? Yes
  - Significant deficiency identified? None Reported
3. Noncompliance material to the financial statements noted No

**Federal Awards:**

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

## **SECTION II – Financial Statement Findings**

### **SAF 2025-001 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 2025-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT ADJUSTMENTS –GENERAL AND WATER**

**Condition:** The financial statements were materially misstated before audit adjustments due to a failure to properly record grant receivables; improper posting of accounts payable, grants payable, and insurance reserves; and failure to remove capital assets that had been disposed – these 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.

**SECTION III – Federal Award Findings and Questioned Costs**

NONE

March 17, 2026

**CITY OF LEXINGTON, TENNESSEE  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
JUNE 30, 2025**

**INTERNAL SCHOOL FUNDS**

**SAF FINDING 2025 – 001 INADEQUATE SEGREGATION OF DUTIES**

**Corrective action planned**

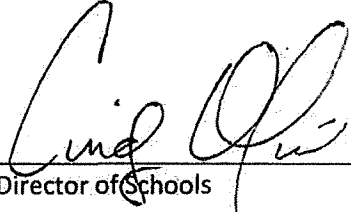
The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties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

**Anticipated completion date**

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

**Responsible party**

Each individual school's principal

  
Director of Schools 3-17-26

March 17, 2026

**CITY OF LEXINGTON, TENNESSEE  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
JUNE 30, 2025**

**CITY OF LEXINGTON FUNDS**

**COL 2025-001 GENERAL LEDGER MATERIALLY MISSTATED BEFORE AUDIT  
ADJUSTMENTS – GENERAL AND WATER**

**Corrective action planned**

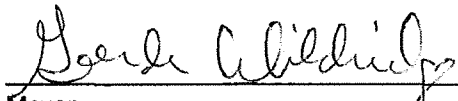
The City Recorder will properly post transactions throughout the year and will review at year end for material compliance.

**Anticipated completion date**

June 30, 2026

**Responsible party**

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

  
\_\_\_\_\_  
Mayor