

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED
June 30, 2020**

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City of Lexington

Fiscal Year Ended June 30, 2020



City Council
Newell Clark, Mayor

L. Wayne Alley, Mayor Pro Tem
Whitney Brooks
D. Linwood Bunce, II
Frank D. Callicutt

Garrett Holloway
Donald R. Holt
Tobin H. Shepherd
Joe Watkins

City Manager
Terra A. Greene

Finance Director
John M. Overton



**City of Lexington, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

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INTRODUCTORY SECTION





FINANCE DEPARTMENT
INTEGRITY FIRST

October 16, 2020

To the Honorable Mayor, members of the City Council and the Citizens of the City of Lexington, North Carolina:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Lexington, North Carolina for your review and use. This report was prepared by the City's Finance Department, and it is the comprehensive publication of the City's financial position and results of operations as of and for the fiscal year ended June 30, 2020. The City, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

Management of the City of Lexington, North Carolina, assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

As noted earlier, the City is required by state law to have an annual independent financial audit. A compliance audit on state financial assistance is also required under applicable sections of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Martin Starnes & Associates, CPAs, P.A., conducted the audits and concluded in an unmodified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the City of Lexington, North Carolina, as of June 30, 2020. The independent auditor's report on the basic financial statements is presented as the first component of the financial section of this report. The auditors' compliance reports are included in the compliance section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. The City of Lexington's MD&A can be found immediately following the independent auditors' report.

Profile of the Government

The City of Lexington, North Carolina, was settled in the industrial region of North Carolina known as the "Piedmont Triad Area" in 1775. Lexington incorporated in 1828 under North Carolina General Statutes and became the county seat of Davidson County in 1847. Lexington's land area is 18 square miles with a 2019 estimated population of between 18,172 (NC OSBM) and 18,933 (US Census Bureau). In response to densities recorded in the 2010 Census, Lexington is now included within the Winston-Salem urbanized area.

The City operates under a Council-Manager form of government and is governed by an eight-member City Council consisting of two members elected at large and six elected by ward. The Council operates under the guidance of a popularly-elected Mayor. Council members are elected on a nonpartisan basis for staggered four-year terms, and the Mayor is elected on a nonpartisan basis for a two-year term. The Mayor may vote only in the case of a tie among members of the City Council. The City Council is responsible for establishing policy, passing ordinances, adopting the budget, appointing committees, and appointing the City's legal counsel, as well as hiring the City's chief executive officer, the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the governing board, for overseeing the day-to-day operations of the City, and for appointing the Department Heads who direct city staff in delivering the services and meeting the goals of the organization.

The City's vision and mission statements are adopted by City Council and identifies City Council's overall vision and direction for the future. Each February, strategic goals are prioritized and set by City Council at the annual City Summit. The Council aims to maintain as high a service level for its citizens as possible, but in a manner consistent with maintaining the City's sound financial condition. The strategic goals of the Council are accomplished by the City's management team through long-term financial and operational planning, the prudent use of debt, and incorporating appointed boards and committees to add another level of review in managing the City's resources to match citizen expectations.

The City provides a full range of services including police and fire protection, building inspections, recycling and waste collection services, the construction and maintenance of streets and infrastructure, parks and recreational activities, cemetery services and cultural events. In addition, the City of Lexington owns and operates four utility services: a water treatment and distribution system, a wastewater treatment and collection system, an electric distribution system, and a natural gas distribution system. In addition to serving City residents, these enterprise funds serve portions of Davidson County. The City also owns and operates a golf course. This report includes all the City's activities in providing these services. The City of Lexington is also financially accountable for the legally separate City of Lexington Board of Alcoholic Control, Lexington Tourism Authority, Uptown Lexington, Inc., and Front Street-Lexington, LLC, each of which are reported separately within the City of Lexington's financial statements. Additional information on these four legally separate entities can be found in Note 1.A. in the notes to the financial statements.

The City extends financial support to certain boards, agencies and commissions to assist their efforts in serving the citizens. Support is largely centered on partnership efforts to provide essential economic development and neighborhood revitalization. Among these are the Davidson County Economic Development Commission, Lexington Appearance Commission, Planning Board/Historic Preservation Commission, Human Relations Commission, Edward C Smith Civic Center, Lexington Housing Community Development Corporation, and Uptown Lexington, Inc.

The Lexington City Council is required to adopt a budget by July 1 of each year. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. The City's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for the City of Lexington's financial planning and control. For the City of Lexington, annual budgets are adopted for the General Fund, Controlled Substance Special Revenue Fund, Special Tax District Special Revenue Fund, and the Enterprise Funds. In addition, annual financial plans are approved for all Internal Service Funds. Project budget ordinances are adopted for Grant Projects Funds, the General Capital Projects Fund, and Enterprise and Internal Service Projects Funds. Appropriations are made at the functional or project level within each fund. A function is a group of related activities aimed at a major service, such as public safety.

Local Economy

The City of Lexington has recently emerged as one of the major centers comprising the Piedmont Triad region. It functions on multiple levels, serving as a quaint urban housing market for Winston-Salem and Greensboro, while also standing independently with a strong tourism industry and a growing manufacturing base. Major employers include new manufacturers, warehousing and distribution, retail and service businesses, schools, government, and hospital and medical facilities. Recent quality of life initiatives and overall growth are demonstrated by a recent surge in new market rate apartments, as well as new multi-family and single-family housing units.

Due to the financial planning and responsible stewardship by the City of Lexington, despite the slow economic recovery, the City has achieved and maintains bond ratings of Aa3 from Moody's and AA- from Standard and Poor's, a clear indication of the sound financial condition of the City of Lexington and key to keeping interest costs low on the City's outstanding debt. These excellent ratings have helped to position the local government to invest in the community and spur growth.

Lexington has turned the corner in recovering from the loss of manufacturing prior to and during the Great Recession. Because of the heavy reliance on manufacturing, the impacts were severe. During the darkest point of the recession, poverty rates soared and job losses caused population declines with vacancies reaching nearly 70% in some neighborhoods. However, based on recent development and job growth outlined herein, the economic position of the citizenry is expected to demonstrate substantial improvement in the 2020 Census. Previously vacant commercial and industrial buildings have been filled with new businesses. The City has also quickly transitioned from high residential vacancy rates to a housing shortage. The market is responding with a net gain of over 700 housing units between 2016 and 2021. Median house prices have moved from far below tax value, to well above with middle-income properties being under contract within 48 hours. Five years ago, the City was actively demolishing dilapidated houses at the tune of 50 per year. Those houses have been replaced with new apartment units, historic redevelopments and new greenfield single family construction. Even dilapidated houses are being purchased for renovation. Vacant infill lots created from the demolition program are now being used to construct new houses.

After years of stagnant economic growth, the City is experiencing significant new development and redevelopment, which is expected to continue into the foreseeable future. Since 2015, over 600 certificates of occupancy were issued for new businesses. In 2018, there was \$21.4 million in commercial and residential development. In 2019 there was \$56.7 million. This is attributed to a variety of initiatives working in unison to redefine post-recession Lexington by capitalizing on authentic strengths such as: industrial recruitment and new job announcements; tourist draws including world famous *Lexington-style* barbecue, the Childress Winery, a historic and vibrant Uptown/Main Street; progressive leadership; ample infrastructure and an ideal location for logistics; business development assistance and recruitment efforts by the City and its partners; a future passenger rail service; former manufacturing building space appropriate for redevelopment; and a flexible workforce skilled in furniture, assembly, and textiles. The cumulative effects are resulting in growth.

COVID-19 has skewed national unemployment rates in 2020 to the degree that it is difficult to correctly assess local growth based on unemployment rates. Instead, demonstrating growth by construction activity is a much more reliable method. However, prior to COVID-19 and following the Great Recession, Lexington's unemployment rate continued to improve, reaching 3.6%. It stands to reason that growth will follow the same projection post COVID-19. Regardless of the increase in unemployment over the last year due to forced temporary closing under order by the Governor, development growth is positive and will foster a shorter recovery period from the COVID-19-induced recession. National employment is projected to grow at .4% over the next decade, which is slower than the 2009-19 annual growth rate of 1.3 percent, which was bolstered by recovery from the 2007-09 Great Recession. (www.bls.gov) It is possible that an

unexpected increase in growth rate will occur and likewise be attributed to recovery from COVID-19 induced recession in much the same way and that projections will be adjusted post-COVID-19. Confidence in growth in Lexington is supported by a recent upswing in the local economy, including the monumental announcement that Egger Wood Products is building its North American headquarters in the nearby I-85 Corporate Center bringing 770 new jobs with \$700 million in investment and a 4.2 million square-foot facility over a 15-year period. While Egger will provide a tremendous boost to the local economy, leadership's commitment to diversification through multi-faceted initiatives remains at the forefront for long-term stability. Egger's 770 new jobs are a driving force in the local housing shortage and the resulting upswing in dense urban residential construction. The new residents will, in turn, bolster the community's ability to increase investment in quality of life initiatives. Egger has demonstrated a consistent job multiplier of 3 in all of their previous 20 worldwide locations. In addition, improvements to the school system and the new living options have improved the desirability of owning a home within the City. The City's holistic approach to community improvement should result in value-added economic development.

Halyard North Carolina (formerly Kimberly-Clark Health Care), a global healthcare products company, continues to be the City's largest taxpayer, with 6.38% of the City's assessed valuation. Moran Foods, Wal-Mart, Masterbrand Cabinets, and Jeld-Wen round out the top five at 1.48%, 1.29%, 1.12%, and 1.02%, respectively, of the assessed valuation. (Please refer to Table 12 for the Schedule of Principal Property Taxpayers in the Statistical Section for a complete list.)

In an effort to attract new industry, the City continues to support the Davidson County Economic Development Commission (EDC) and demonstrate a willingness to offer economic development incentive grants. As part of Winston-Salem's metropolitan statistical area, Lexington remains a serious contender for industrial location.

In March 1995, the City of Lexington, Davidson County and Energy United formed a project partnership to enhance economic development through building an industrial park. The goals established then for building the Lexington Business Center (LBC) were to build \$100 million in tax base in ten years, provide higher paying jobs, provide diversity in manufacturing and employment, and to the extent practical slow the migration of workers to other counties. The LBC is a Foreign Trade Zone and has direct access to I-85. Currently, the park is home to Arneg USA, Chesapeake Printing, Masterbrand Cabinets, Border Concepts, Roehrig Engineering, Vitacost.com, and Save-a-Lot. The park contains 170 acres with over one million square feet of building space, representing a total assessed property value of \$48.5 million, a total capital investment of \$225 million and over 700 jobs. The City is exploring development of the remaining lot for a shell and possibly an industrial incubator. The EDC maintains a data bank to provide information to industrial prospects and expanding industries, of which a great deal revolve around the Lexington Business Center.

Lexington formed a partnership with Front Street Properties, LLC to purchase approximately 200 acres within the city proper for development of industrial site/park. Lexington is again working intimately with Davidson County Economic Development Commission to recruit suitable users to the site. The site preparation is underway and industrial site certification by ElectriCities of North Carolina, Inc. to certify site-readiness is expected soon.

Outside of the LBC, many of the City's vacant industrial buildings have been filled by new industrial users of various scales in recent years. United Furniture Industries (UFI), a Mississippi-based manufacturer of moderate priced residential furniture, now occupies the former Stanley Furniture Warehouse. UFI has exceeded projections with an investment at over \$5 million and 460 jobs at the plant. Carter Lumber of the South, Inc. repurposed a former 36-acre track used for a trucking business and doubled the building space to 55,000 square feet for their lumber yard operation.

Tourism is also a major local economic driver. The Lexington Tourism Authority (visitlexingtonnc.com) actively promotes the community's attractions and coordinates tourism events each year. The economic impact of visitor spending to Davidson County in 2019 was \$185.4 million, a 5.3 % increase from 2018. This includes \$10.2 million in state tax receipts and \$6.2 million in local tax receipts. Attractions include historic Uptown Lexington, the Breeden Insurance Amphitheater, the Richard Childress Winery, the Lexington Skate Park, the Richard Childress Racing Museum, the Bob Timberlake Gallery, the annual Barbecue Festival, the annual Lexington Music Festival, events at the nearby Denton Farm Park, the Bass Masters Tournament at High Rock Lake, and many more.

COVID-19 has directly impacted tourism to the area. With the shutdown of events, decrease in serving capacity for restaurants and limited business openings, economic numbers for 2020 are expected to be considerably less than 2019. Travel predictors indicate that the tourism industry will not begin to recover until fall of 2021.

Unfortunately, due to COVID-19, the 37th annual Barbecue Festival was cancelled for October 2020. Despite the cancellation, other events are scheduled that are in keeping with safe COVID-19 practices. The Festival normally brings in close to 200,000 people to Lexington and is recognized as one of the Top Ten Food Festivals in the U.S. by *Travel and Leisure* Magazine and one of the Top Twenty Events for the month of October by the Southeast Tourism Society. It was featured in *People* Magazine in October 2009. In 2012, the *US News and World Report* ranked Lexington as #4 on its list of the best cities for barbecue, not to mention the annual Barbecue Festival event is listed in the book *1,000 Places to See in the USA and Canada Before You Die*. In July 2015, Fox News included Lexington among *11 sites that are distinctly American*. In September 2015, *Only In Your State* included Lexington as one of the ten best places to retire in North Carolina.

Uptown Lexington, Inc. (ULI) manages the historic uptown with added financial support from a municipal service tax district. The organization is a member of North Carolina's Main Street Program, having won numerous awards over the years and earned a reputation as one of the top redevelopment programs in the state. ULI promotes historic preservation through façade grants, attracts patrons to the Uptown with special events and promotions, and facilitates new businesses. The tax value within the district totals approximately \$45.1 million.

Childress Vineyards is a featured tourist attraction, serving as the gateway to the Yadkin Valley American Viticultural Area, North Carolina's first federally designated region for grape growing and noted as one of the most prominent wineries in the state's re-emerging wine industry. The winery is inspired by the Italian Renaissance architecture of rural Tuscany and includes a banquet hall that can accommodate 500, a bistro, a wine tasting room and gift shop, a small amphitheater, all in the setting of a 33-acre vineyard. Adjacent to the Vineyards is The Shoppes at Vineyards Crossing, retail pedestrian specialty shops modeled in the same Tuscan architecture with a view of the vineyards, and a Holiday Inn Express Hotel and Suites at the Vineyards, a complementary mid to upper scale hotel with 88 rooms, an indoor pool, business center, fitness facility.

With the revitalization of the uptown area, the burgeoning tourism industry, the strategic use of economic development incentive grants, increased redevelopment of existing buildings, and the increased occupancy and expansions in the industrial park, it is anticipated that Lexington's economic base will see growth in the future. Although the tourism industry has been temporarily halted due to COVID-19, a full recovery is expected in 2021.

Long-Term Financial Planning and Major Initiatives

A City of Choice. The key word ‘invest’ is leveraged as a resounding theme in financial planning, both with community initiatives and within the workplace. Strategic investments, along with a detailed work-plan, are incorporated to address the seven keys for Lexington to aspire to become a ‘*City of Choice.*’ Derived out of the City Council’s annual planning summit in early calendar year 2019, the ‘7 Keys’ are identified as follows:

- City of *Unity*...safe, inclusive, welcoming, warm, inviting
- City of *Activity*...engaging, fun, lively, healthy, active, savory food
- City of *Urban Design*...aesthetics, historic, evolving, green space, sense of place
- City of *Innovation*...technology, education, smart, bright ideas, sustainable
- City of *Imagination*...art, textured, inspiring
- City of *Connectivity*...mobile, accessible, accommodating, central, network
- City of *Opportunity*...commerce, equity, prosperous, competitive edge utilities.

The aforementioned keys, along with City Council guiding principles and City staff vested input, provided the framework for setting budget priorities.

Specifically, key initiatives included in the work-plan revolve around unifying the community towards mobilization for a comprehensive count in Census 2020, a renewed approach to aggressively marketing for strategic economic development, a continuance of quality of life initiatives while interjecting a new public arts initiative, a commitment to synergize community messaging platforms for social media, and prudent financial investments in transportation and utility infrastructure. These investments are delicately balanced to limit budget and economic impacts on citizens and customers.

Each person not counted in the 2020 Census will cost the community \$20,000 over the next ten years. A complete Census count is critical to Lexington. The City and its partners made a terrific showing for the 2020 Census. During 2019, extensive pre-2020 Census plans were set in motion to work with a diverse and passionate group of representatives from the community as Team Unity to ensure that every person in Lexington was counted and that every voice was to be heard over the next decade. COVID-19 redefined the type of interactions that were planned, canceling exciting initiatives that were nearly underway. Many of the face-to-face events planned by Team Unity were thwarted. City staff and core Team Unity members responded with alternative online, COVID-19-safe methods. The City workforce enacted a reverse call center that included calling every utility customer within the City. Not only were employees checking on our citizens, but they were also providing guidance about completing 2020 Census forms. Jerry Hunt Auto Supercenter donated a 2019 Kia Soul as a give-away to incentivize the Census for Lexington residents. COVID-19 impacts were difficult, the City workforce and key members from the community continued to pursue a complete count with tenacity.

In regards to Lexington Utilities services, emphasis is placed on the need to broaden customer access in the digital age, leverage technology for security and utility monitoring, address unfunded federal and state mandates; and to operate each utility as a separate self-supporting business with an ongoing goal to add customers to spread costs over a larger customer base which will help alleviate the rate burden for all utility customers in the long run. Planning for future growth areas and utility system reliability remain of extreme importance to ensure cost-competitive service delivery and sustainability in the future. The City of Lexington has entered into the Phase II Stormwater regulation level. In the upcoming year, Stormwater management will become an independent utility funded through rates applied and billed to the amount of impervious service of one’s residence. In essence, cost will be assessed relative to the amount of impervious surface attributed to a resident user of square footage of home and hardscape for living.

Finally, the City workforce is of utmost importance with strategic value choices made to support public servants in the delivery of services; especially as the organization continues to combat employee wages below market, hiring and retention challenges, while attempting to boost flexibility to appeal to multiple generations in the workplace.

City Manager Terra Greene is committed to seek to genuinely understand evolving citizen needs, propose value choices that bridge services to meet the future needs of the community, and pursue bold leadership actions that can brand Lexington as a ‘City of Choice’ and city government as a ‘Workplace of Choice.’

In order to be a ‘City of Choice’ the community must be inclusive and sincerely appreciative of all races and cultures. Lexington is a community rich in diversity. Concerns for racial injustice at the national and local level have caused communities to pause to address racial inequalities. Over the past several months, and leading into the future, the City of Lexington will be placing due energy and resources into creating a community of unity. Although this letter is geared primarily toward economic reporting, statistics, and growth factors, the all-important issue of racial equality and equity are at the forefront of creating a community that can only move forward and be financially successful with the inclusive synergy of each and every citizen.

New Industrial Growth Initiatives. Although not located within the City limits, the City of Lexington has partnered with Davidson County in its development of the I-85 Corporate Center. The City of Lexington will be the provider of natural gas and wastewater collection services. In July 2017, EGGER Wood Products announced its selection of this site in Davidson County for the company’s first U.S. manufacturing plant. The company’s development plans include creating 770 jobs over the next 15 years with a proposed \$700 million investment. The first phase, creating 400 jobs, will happen over the next five years, and an additional 370 jobs are planned for later phases of the project. The City will work closely with the Economic Development Commission in its on-going efforts to attract and recruit other large industrial users to the remaining sites in the Center.

Parks and Recreation Facility Development Master Plan. In August 2013, the City of Lexington completed a Parks and Recreation Facility Development Master Plan. Recognizing the importance of parks and recreation to quality of life for the citizens of Lexington, this plan provides a ten year vision (2013-2022) for improvements to the City’s facilities and parks and can be found in its entirety through the City’s website at www.LexingtonNC.gov. At the 2014 annual City Council Retreat, the City Manager introduced the “Recreation of Recreation” master plan as a vision to restore recreational facilities and enrich the community’s recreational opportunities, addressing the City Council goal to “*expand recreational opportunities for citizens.*” This vision was incorporated into the budget planning process. In August 2014, the City acquired a facility that will be developed into an indoor recreation facility during the next three to five years. Reconstruction and renovation of Hillside Pool and pool house, a community pool, began in the fall of 2014 and concluded in the spring of 2015 with the opening of Lexington Aquatics Park. Washington Park improvements followed with completion of a water splash pad in 2017. Improvements to Holt-Moffitt Baseball Park were also completed in 2017. Last year, the City celebrated the opening of a Skate/BMX Park professionally designed by Team Pain and acclaimed to be the best in several states. The tourism draws from the Park are already evident in town.

The Depot District. With tremendous support from Congressman Ted Budd and Senator Thom Tillis, the City was recently awarded a \$25 million federal grant to construct a passenger rail / multimodal transportation station with nearby roadway improvements. The State of North Carolina will be contributing and additional \$11.5 million to the project. The City will be contributing \$5 million to the project. Increasingly, North Carolinians are utilizing mass transit, not only for long range travel but as part of their daily commute. The [Raleigh-Charlotte passenger rail](#) line is a new “economic corridor,” and communities connected along this route are flourishing. In 1975, Lexington's passenger rail stop was removed, the station

was demolished, and the City was cut off from the passenger rail "interstate". In 2003, Lexington began the long and arduous process of re-establishing this service. A federal TIGER planning grant was awarded for planning and engineering for the future station. Those plans are now complete and the project is ready to build.

In 2006, Lexington Furniture Industries (LFI) closed Plant 1, an 18-acre/1 million square-foot furniture manufacturing complex, which was adjacent to both the Uptown and the site identified for the future passenger rail station. The City took a significant step to control its own economic future by purchasing the property for \$1,000,000. Immediately following the closing, the City negotiated to lease a portion of the warehouse space back to LFI, which has reimbursed the purchase price and continues to provide a reliable funding source for maintenance and redevelopment work. To date, all of the buildings within the campus have been sold or leased, and the district is being redevelopment in accordance with the community's vision for a mixed-use, transit-oriented destination with an emphasis on community life and events, entertainment, retail, restaurants, innovation jobs, urban housing options, and community events.

In March 2016, Bull City Ciderworks, makers of hard cider, moved most of its production operations from Durham to Lexington, and became the first tenant of the Depot District. The company began with 33,000 square feet, and later expanded to include a bottling operation and have stretched their market statewide in North Carolina, South Carolina, and Georgia. The company purchased the facility, as well as adjacent property for expansion. Renovation improvements are expected to begin within the next few weeks. To assist in fulfilling the community's vision, and with a generous gift from Breeden Insurance Services, Inc., the City demolished several of the former LFI buildings and constructed an amphitheater, opening the venue with the first annual Lexington Music Festival in April 2017. Construction of the amphitheater fueled momentum, and the City was soon able to attract Goose and The Monkey Brewhouse to the district, which purchased space from the City and was beautifully renovated with support from an economic development grant for building reuse from the NC Department of Commerce. Green Works of Lexington, Inc., recently purchased property and plans are underway for an agriculture innovation center specializing in vertical grow research with ties to major universities. With the announcement of the passenger rail station grant, several developers have expressed interest in remaining available property for future development. The final block of property adjacent to the amphitheater was sold to The Railroad Street Market, LLC for redevelopment into several entertainment, restaurant, retail, and venue spaces. At this point, all buildings are sold or leased and work is underway. The City's courageous decision to purchase and redevelop property within the Depot District is playing a key role in Lexington's economic recovery through redefinition and diversification.

Comprehensive long range financial planning is essential to maintaining the sound fiscal integrity of the City's financial position in an ever changing environment while addressing economic development opportunities, capital infrastructure needs, and personnel costs. Decisions in these areas affect the City's fiscal condition. The City's five-year capital planning process is used to help identify and plan for the resources necessary for equipment replacement and major capital improvements. The analysis provided by the capital planning process and the prudent use of debt are used to help the City forge strategies to maintain the goal of a strong financial condition, while simultaneously ensuring professional service delivery. The City is committed to updating the five-year capital plans every year in concert with the annual budget development. The business plans for the utilities were completely evaluated and updated in fiscal year 2014-15. The plans identify and recommend ways to effectively deal with areas of uncertainty, reliability of utility infrastructure, and increased risks due to adverse changes in the local economy. These plans are periodically adjusted to aid in long range scenario financial planning for the utilities, which represent over 69% of the annual operating budget. The City uses these plans along with the five-year capital planning process to adjust to various pressures facing each of the utilities in future years.

In summary, the City will be focused on programs to meet the mission of the City which leverages City and grant resources and increases operational effectiveness, while maintaining basic City services. That being said, the City has adopted a “reserve the right to play” opportunistic strategy that necessitates cautious spending and efficiency maneuvers as we continue working to improve economic conditions.

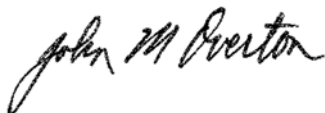
Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Lexington for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the twenty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. I sincerely appreciate everyone in the department who assisted and contributed to the preparation of this report as well as the entire City staff for their cooperation and assistance in prudent financial management throughout the year. Credit is also due to the Mayor, City Council, and City Manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Lexington’s finances.

Respectfully submitted,

A handwritten signature in black ink that reads "John M. Overton". The signature is written in a cursive style with a large, stylized initial "J".

John M. Overton
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lexington
North Carolina**

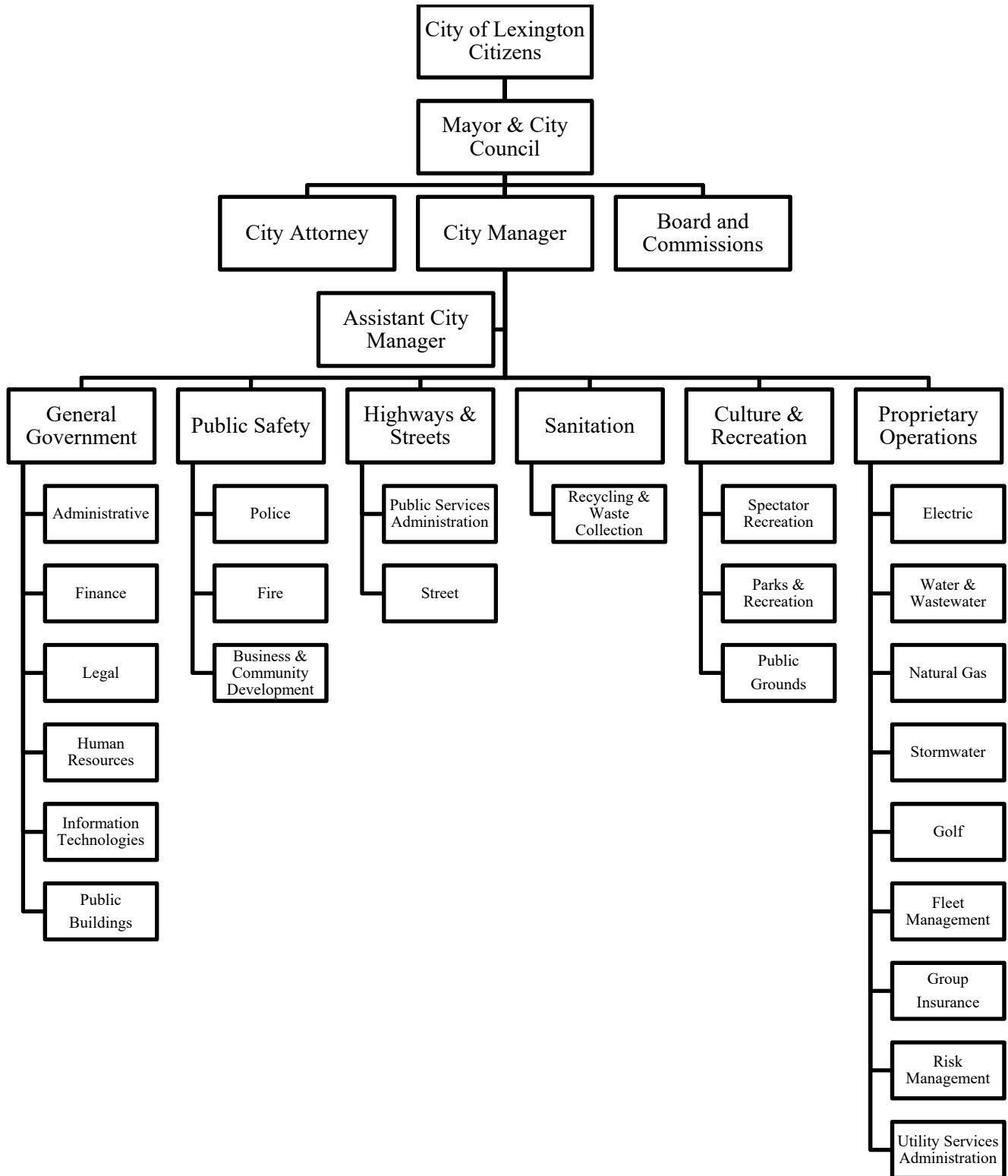
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

City of Lexington, North Carolina Organizational Chart



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FINANCIAL SECTION



MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

To The Honorable Mayor and
Members of the City Council
City of Lexington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of City of Lexington ABC Board, which represents 70 percent, 59 percent, and 90 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We did not audit the financial statements of Front Street-Lexington, LLC, which represents 3 percent, 4 percent, and 0 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the City of Lexington ABC Board and the Front Street-Lexington, LLC, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Lexington ABC Board, Front Street-Lexington, LLC, and the Lexington Tourism Authority were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of the 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 units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 87 through 88, the Firefighters' and Rescue Squad Workers' Pension Funds' Schedule of the Proportionate Share of Net Pension Liability on page 89, the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee payroll on pages 90 through 91, and the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 the 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lexington's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, component unit statements, and statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, component unit statements, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information 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, based on our audit, the procedures performed as described above, and the reports of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, component unit statements, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 on our consideration of the City of Lexington'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 of Lexington's internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* in considering the City of Lexington's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 16, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lexington, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-xi of this report, and the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

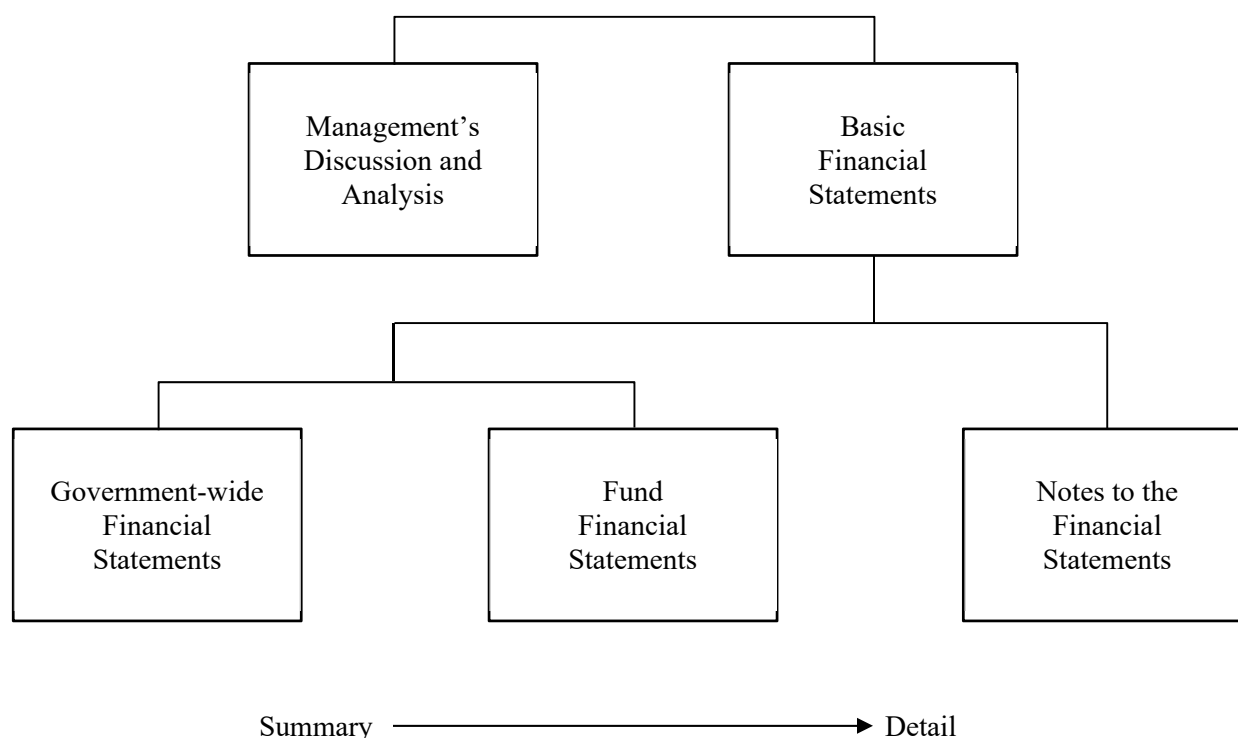
- The assets and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$178,376,929 (*net position*).
- The government's total net position increased by \$6,247,433, primarily due to increases in property tax revenues, increases in unrestricted intergovernmental revenues such as sales taxes, a working capital refund from North Carolina Municipal Power Agency 1 in the City's Electric utility, and overall operating profitability of the City's utilities, which include Electric, Water and Wastewater, and Natural Gas.
- As of the close of the current fiscal year, the City of Lexington's governmental funds reported combined ending fund balances of \$12,860,457, which is a decrease of \$851,606 in comparison with the prior year. Approximately 29.4% of this total amount, or \$3,784,396, is non spendable or restricted. The decrease is primarily driven by significant increases in capital spending associated with the implementation of a vehicle replacement plan in public safety and sanitation as well as continued expenditures for redevelopment within the *Lexington Furniture Industries, Inc. Plant # 1 Project* and expenditures within the *Skate/BMX Park Project*, one of the City's projects accounted for in the Capital Projects Fund. Increased property tax, other tax, and sales tax revenues positively impacted fund balances.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,292,190, or 25.1% of total General Fund expenditures for the fiscal year. Unassigned fund balance represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength.
- The City of Lexington's total debt is \$12,526,344, which decreased by \$1,847,704 (12.9%) during the current fiscal year. The key factor in the overall decrease was the payment of scheduled principal payments.
- The City of Lexington continues to maintain its Aa3 bond rating by Moody's, which has been in place since May 2016. In addition, the City continues to maintain its AA- bond rating by Standard and Poor's, which has been in place since June 2010.
- For 28 consecutive years, the City of Lexington has received a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) presented by the Government Finance Officers Association of the United States and Canada.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Lexington's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Lexington.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary funds statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplementary Information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as general government, public safety, highways and streets, sanitation, culture and recreation, and economic and physical development. Property taxes, sales taxes, intergovernmental revenues, user fees, along with various Federal and State grants finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the City's electric, water and wastewater, and natural gas utilities, as well as a municipally owned golf course. The final category is component units. The City includes four separate legal entities as component units in its report – the Lexington ABC Board, the Lexington Tourism Authority, Uptown Lexington, and Front Street-Lexington. Although legally separate entities from the City, the ABC Board, the Tourism Authority, Uptown Lexington and Front Street-Lexington are important to the City. The City exercises control over the ABC Board, the Tourism Authority, and Uptown Lexington by appointing members and exercises fiduciary responsibilities in the case of the Tourism Authority and Uptown Lexington. In addition, the ABC Board is required to distribute a portion of its profits to the City. The City holds a majority equity interest in Front Street-Lexington.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lexington, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements such as the General Statutes, the City's budget ordinance, or bond covenants. All of the funds of City of Lexington can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term spending view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Lexington adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council, 2) the final budget as amended by the City Council, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements are Exhibits 3, 4, and 5 of this report.

Proprietary Funds – City of Lexington has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Lexington uses enterprise funds to account for its electric, water and wastewater, natural gas, and stormwater utility operations, as well as its municipal golf course activity. These funds are the same as those functions shown

in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of City of Lexington. The City uses internal service funds to account for the following activities: fleet management, employee and retiree group insurance, risk management insurance and claims, and utility administration operations that primarily serve the City utilities such as billing, customer service and meter reading. With the exception of utility administration, the majority of the internal service funds benefit predominantly governmental rather than business-type activities and have been included within the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements are Exhibits 6, 7, and 8 of this report.

Notes to the Basic 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 begin on page 39 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lexington's progress in funding its obligation to provide pension and postemployment benefits to its employees. Required supplementary information can be found beginning on page 87 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Lexington's Net Position

Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|----------------------------|----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 25,227,559 | \$ 25,259,495 | \$ 56,508,981 | \$ 49,086,698 | \$ 81,736,540 | \$ 74,346,193 |
| Capital assets | 40,276,833 | 42,526,240 | 100,672,299 | 100,767,663 | 140,949,132 | 143,293,903 |
| Total assets | <u>65,504,392</u> | <u>67,785,735</u> | <u>157,181,280</u> | <u>149,854,361</u> | <u>222,685,672</u> | <u>217,640,096</u> |
| Deferred outflows of resources | <u>3,820,239</u> | <u>4,369,887</u> | <u>1,573,836</u> | <u>1,847,479</u> | <u>5,394,075</u> | <u>6,217,366</u> |
| Current liabilities | 1,442,238 | 1,786,472 | 6,308,874 | 6,800,813 | 7,751,112 | 8,587,285 |
| Long-term liabilities outstanding | <u>24,765,452</u> | <u>25,948,202</u> | <u>14,315,230</u> | <u>15,639,946</u> | <u>39,080,682</u> | <u>41,588,148</u> |
| Total liabilities | <u>26,207,690</u> | <u>27,734,674</u> | <u>20,624,104</u> | <u>22,440,759</u> | <u>46,831,794</u> | <u>50,175,433</u> |
| Deferred inflows of resources | <u>2,079,494</u> | <u>1,130,578</u> | <u>791,530</u> | <u>421,955</u> | <u>2,871,024</u> | <u>1,552,533</u> |
| Net position | | | | | | |
| Net investment in capital assets | 35,056,704 | 36,749,294 | 93,366,084 | 92,457,973 | 128,422,788 | 129,207,267 |
| Restricted | 3,780,396 | 5,439,650 | - | - | 3,780,396 | 5,439,650 |
| Unrestricted | <u>2,200,347</u> | <u>1,101,426</u> | <u>43,973,398</u> | <u>36,381,153</u> | <u>46,173,745</u> | <u>37,482,579</u> |
| Total net position | <u>\$ 41,037,447</u> | <u>\$ 43,290,370</u> | <u>\$ 137,339,482</u> | <u>\$ 128,839,126</u> | <u>\$ 178,376,929</u> | <u>\$ 172,129,496</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Lexington exceeded liabilities and deferred inflows by \$178,376,929 as of June 30, 2020. The City's net position increased by \$6,247,433 for the fiscal year ended June 30, 2020. However, the largest portion (72.00%) of net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure such as roads and bridges, and plants and distribution systems).

The City of Lexington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lexington's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Lexington's net position, \$3,780,396, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$46,173,745 is unrestricted.

Several particular aspects of the City's financial operations influenced the total unrestricted net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 97.06%. The statewide average in fiscal year 2018-19 was 99.21%.
- Implementation of a municipal vehicle tax provided additional revenues of approximately \$332,000 to help support public transportation and street maintenance activities.
- Increased sales tax revenues of approximately \$246,000, due to economic growth in the City prior to the COVID-19 pandemic. Although the City experienced a slowdown in sales tax growth for March through April of 2020, sales tax for these months grew by approximately \$35,000 from the previous year.
- Implementation of a vehicle replacement plan in the public safety and sanitation areas resulted in an overall increase capital spending of approximately \$2,554,000 in governmental activities.
- Working capital refund of \$7,505,400 from North Carolina Municipal Power Agency 1 in the City's Electric utility.
- Decreased revenues for electricity sales of approximately \$3,417,000, or 6.8%, primarily due to a 3.4% decrease in consumption and an average 5% rate decrease for customers.
- Decreased cost of electricity purchased for resale of approximately \$2,373,000, or 6.7%, primarily due to a 3.4% decrease in consumption and continuing decreases in wholesale rates paid for purchased power over the last several years. These decreases made it possible to decrease electric retail rates charged to residential and commercial customer in 2015-16, 2016-17, 2018-19, and 2019-20. In addition, reduced wholesale rates paid have provided the City resources to fund line relocations, delayed infrastructure maintenance, and to positively impact the financial position and liquidity of the Electric utility.
- Increased revenues for water and wastewater charges, primarily due to a 5% rate increase for water and wastewater customers which helped to mitigate a 10.5% decrease in customer water consumption.
- Decreased revenues for natural gas sales of approximately \$2,248,000, or 18.7%, due to a 19.6% decrease in consumption primarily associated with a mild winter.
- Decreased cost of gas purchased for resale of approximately \$1,162,000, or 22.0%, due to decreased consumption and lower commodity prices.
- Decrease in investment earnings of approximately \$255,000, due to a sharp drop in the interest rate environment as a result of the COVID-19 pandemic.
- Continued low cost of debt due to the City's excellent bond rating.

City of Lexington's Changes in Net Position

Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|----------------------------|-------------------|-----------------------------|-------------------|--------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 2,368,442 | \$ 2,440,171 | \$ 69,354,433 | \$ 74,661,938 | \$ 71,722,875 | \$ 77,102,109 |
| Operating grants and contributions | 1,246,636 | 2,306,497 | 3,062 | 448,776 | 1,249,698 | 2,755,273 |
| Capital grants and contributions | - | 405,590 | 7,505,400 | - | 7,505,400 | 405,590 |
| General revenues | | | | | | |
| Property taxes | 10,501,093 | 10,203,898 | - | - | 10,501,093 | 10,203,898 |
| Other taxes | 675,730 | 367,932 | - | - | 675,730 | 367,932 |
| Other general revenues | 7,937,363 | 7,829,677 | 581,368 | 688,962 | 8,518,731 | 8,518,639 |
| Total revenues | <u>22,729,264</u> | <u>23,553,765</u> | <u>77,444,263</u> | <u>75,799,676</u> | <u>100,173,527</u> | <u>99,353,441</u> |

City of Lexington's Changes in Net Position (continued)

Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Expenses | | | | | | |
| General government | \$ 4,644,311 | \$ 4,274,241 | \$ - | \$ - | \$ 4,644,311 | \$ 4,274,241 |
| Public safety | 13,182,740 | 10,792,937 | - | - | 13,182,740 | 10,792,937 |
| Highways and streets | 3,210,269 | 2,473,426 | - | - | 3,210,269 | 2,473,426 |
| Sanitation | 2,673,118 | 1,965,427 | - | - | 2,673,118 | 1,965,427 |
| Culture and recreation | 2,073,165 | 2,036,239 | - | - | 2,073,165 | 2,036,239 |
| Economic and physical development | 1,346,325 | 1,938,504 | - | - | 1,346,325 | 1,938,504 |
| Interest on long-term debt | 192,520 | 191,366 | - | - | 192,520 | 191,366 |
| Electric | - | - | 44,648,529 | 47,277,891 | 44,648,529 | 47,277,891 |
| Water and Wastewater | - | - | 11,377,345 | 9,382,370 | 11,377,345 | 9,382,370 |
| Natural gas | - | - | 9,494,256 | 9,441,382 | 9,494,256 | 9,441,382 |
| Stormwater | - | - | 50,162 | - | 50,162 | - |
| Golf | - | - | 1,033,354 | 909,770 | 1,033,354 | 909,770 |
| Total expenses | 27,322,448 | 23,672,140 | 66,603,646 | 67,011,413 | 93,926,094 | 90,683,553 |
| Increase (decrease) in net position before transfers | (4,593,184) | (118,375) | 10,840,617 | 8,788,263 | 6,247,433 | 8,669,888 |
| Transfers | 2,340,261 | 3,197,689 | (2,340,261) | (3,197,689) | - | - |
| Increase in net position | (2,252,923) | 3,079,314 | 8,500,356 | 5,590,574 | 6,247,433 | 8,669,888 |
| Net position, beginning | 43,290,370 | 40,211,056 | 128,839,126 | 123,248,552 | 172,129,496 | 163,459,608 |
| Net position, ending | <u>\$ 41,037,447</u> | <u>\$ 43,290,370</u> | <u>\$ 137,339,482</u> | <u>\$ 128,839,126</u> | <u>\$ 178,376,929</u> | <u>\$ 172,129,496</u> |

Governmental activities - Governmental activities decreased the City's net position by \$2,252,923. Key elements of this decrease are as follows:

- Charges for services decreased by approximately \$72,000, primarily due to the cancellation of recreation programs and events, including a music festival, as a result of the COVID-19 pandemic.
- Operating grants and contributions decreased by approximately \$ 1,060,000. In the previous year the City received insurance proceeds of \$1,050,000 and a state grant of \$180,000 for demolition costs related to unoccupied property in the Depot District that was destroyed by fire in December 2017. The costs of demolition were included in economic and physical development expenses in 2018-19, which decreased by approximately \$592,000 in 2019-20.
- Capital grants and contributions in the previous year included the donation of a building and land valued at \$130,590 and grants and donations totaling \$275,000 for the Recreation Center Acquisition and Development Project.
- Other taxes increased by approximately \$308,000, reflecting the implementation of a municipal vehicle tax that provided additional revenues of approximately \$332,000 to help support public transportation and street maintenance activities.
- As the economy continued to improve prior to the COVID-19 pandemic, unrestricted intergovernmental revenues including local option sales taxes increased by approximately \$219,000 for the year. Although the City experienced a slowdown in sales tax growth for March through April of 2020, sales tax for these months grew by approximately \$35,000 from the previous year.
- Decrease in investment earnings of approximately \$148,000, representing a 29% decrease, due to a sharp drop in the interest rate environment as a result of the COVID-19 pandemic.

- The restoration of 5 police officer positions and adjustments to employee pay impacted the City's net position by approximately \$816,000. These adjustments primarily related to merit and cost of living increases.
- Pension and OPEB expense increased by approximately \$752,000.
- Replacements of bullet-proof vests, holsters, and computers in the Police Department increased by approximately \$106,000.
- Paving expenses for specialty paving activities decreased by approximately \$307,000.
- Paving expenses for streets increased by approximately \$456,000.
- Expenses related to an annual music festival decreased by approximately \$134,000 due to cancellation as a result of the COVID-19 pandemic.
- The City re-evaluated estimated residual values being used in calculating depreciation expense for vehicles and equipment and as a result, depreciation expense increased by approximately \$1,763,000.
- In the previous year, governmental activities reflect a transfer from the Capital Reserve Fund of \$726,701 which was used to create the Fleet Management Capital Reserve subfund. The Capital Reserve Fund, which was reported as a business-type activity, was closed during the 2018-19 fiscal year and the Fleet Management Capital Reserve subfund, reported as a governmental activity, was created.
- City management continued to evaluate opportunities for savings in personnel costs by reorganizations and delays in hiring.

Business-type activities - Business-type activities increased the City of Lexington's net position by \$8,500,356. Key elements of the business-type increase are as follows:

- Working capital refund of \$7,505,400 from North Carolina Municipal Power Agency 1 in the City's Electric utility
- Continuing benefits from decreased rates paid for purchased electric power, a five percent increase in water and wastewater rates, and cost containment measures contributed to operating margins in the three utility funds of Electric, Water and Wastewater and Natural Gas, resulting in an aggregate positive change of \$1,148,426 in the business-type activities net position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Lexington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Lexington's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Lexington's financing requirements.

The General Fund is the chief operating fund of the City of Lexington. At the end of the current fiscal year, City of Lexington fund balance available for appropriation in the General Fund was \$8,225,380, while total fund balance reached \$11,689,616. The City of Lexington City Council has informally determined that the City should maintain an available fund balance of 25% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an available fund balance of 32.16% of General Fund expenditures, while total fund balance represents 45.71% of the same amount. Of the fund balance available, \$3,100 is restricted in what it can be used for and \$9,370 has been committed for specific purposes. The City Council has appropriated \$1,920,720 of the fund balance available for use in the year ended June 30, 2020.

At June 30, 2020, the governmental funds of the City of Lexington reported a combined fund balance of \$12,860,457, with a net decrease in fund balance of \$851,606. Included in this change in fund balance is a decrease of \$629,795 in the General Fund and a decrease of \$221,811 in the Capital Projects Fund. Much of the decrease in the General Fund is due to increases in capital expenditures associated with the implementation of a vehicle replacement plan for Police, Fire, and Sanitation. Increases in property taxes and unrestricted intergovernmental revenues resulted from a continued improving economy prior to the COVID-19 pandemic. Vacancies, delays in

hiring, and savings in health insurance costs also resulted in budgetary savings. The decrease in the Capital Projects Fund is primarily related to the continued expenditure of debt proceeds and other cash being used to fund projects.

General Fund Budgetary Highlights – During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased appropriations by \$3,139,450, representing a 12.0 percent increase from the original budget. These included the following significant amendments: 1) \$2,120,566 for re-appropriation of prior year outstanding encumbrances, including amounts related to the implementation of a vehicle replacement plan for Police, Fire, and Sanitation, 2) \$315,000 for the acquisition of a leaf vacuum truck and a knuckle boom truck, 3) \$255,000 for a capital contribution to Front Street-Lexington, LLC (a component unit), 4) \$184,570 for a midyear adjustment for Sanitation truck repairs and rentals, a Recreation Center Functional Pro-forma Study, unplanned retirements, and the transfer of a position from the Sanitation functional area to the Highways and Streets functional area, and 5) \$180,000 for a knuckle boom truck and other purchases in Sanitation to help minimize potential COVID-19 exposures for employees providing sanitation services. Amendments made during the year were funded with additional appropriations of fund balance totaling \$1,293,281, additional budgeted revenues totaling \$79,000, and an increase in planned debt issuance of \$1,767,169 for implementation of a vehicle replacement plan for Police, Fire, and Sanitation.

Revenues were \$797,055 higher than the final budgeted amounts. Ad valorem tax revenues exceeded those amounts estimated with the budget by \$585,926, primarily because taxable property values exceeded values estimated with the budget, accounting for approximately \$366,000 of this positive budgetary variance. In addition, the collection rate and collections on past due taxes exceeded the original estimates used in the budget. Other taxes were \$131,770 less than amounts estimated with the budget, primarily due to a delay in the implementation of a municipal motor vehicle tax. Unrestricted intergovernmental revenues exceeded budgeted amounts by \$231,143. Included in this category are the local option sales tax and ABC profit distributions with revenues exceeding budgeted amounts by \$198,846 and \$116,800, respectively. Restricted intergovernmental revenues were \$131,520 more than budgeted amounts, primarily due to the recognition of \$90,388 in Coronavirus Relief Fund revenue. Permits and fees were \$150,471 higher than budgeted amounts due to continued improvement in economic activity prior to the COVID-19 pandemic.

Expenditures were \$3,780,430, or 13.1%, lower than the final budgeted amounts. Personnel costs were \$1,060,104 lower than the final budgeted amounts, primarily due to vacancies and delays in filling positions during the year. This includes savings in health insurance costs of \$553,693. Another significant part of this variance is represented by outstanding encumbrances at June 30, 2020, which totaled \$937,427 for the General Fund. These purchase and contractual commitments, although originally authorized under budgetary appropriations for the year ended June 30, 2020, will be reflected as expenditures in the subsequent fiscal year. These purchase commitments include \$579,379 related to the acquisition of a fire pumper and equipment. Debt service was \$808,009 lower than budget amounts, primarily because \$782,200 in repayments on internal borrowings were budgeted as debt service. Approximately \$248,000 in funds budgeted for culture and recreation remained unspent due to cancellations of programs and festivals and reductions in seasonal staffing requirements because of the COVID-19 pandemic. Other expenditures were held in check by management in an effort to manage expenditures and mitigate potential impacts on revenues resulting from the COVID-19 pandemic.

Proprietary Funds – The City of Lexington’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the City’s major enterprise funds at the end of the fiscal year totaled \$41,032,961, including \$26,029,167 in Electric, \$8,614,596 in Water and Wastewater, and \$6,389,198 in Natural Gas. Unrestricted net position of the City’s nonmajor enterprise funds, Stormwater and Golf, totaled (\$182,850) at the end of the fiscal year. Total unrestricted net position for all enterprise funds amounted to \$40,850,111.

The change in net position for the City's major enterprise funds totaled \$8,653,826, including \$9,646,634 in Electric, (\$729,534) in Water and Wastewater, and (\$263,274) in Natural Gas. The change in net position for the City's nonmajor enterprise funds, Stormwater, and Golf, totaled (\$25,240). These changes include changes in net position invested in capital assets and changes in unrestricted net position as follows:

| | Electric | Water and Wastewater | Natural Gas | Total Major | Nonmajor | Total Enterprise |
|----------------------------------|---------------------|-------------------------|---------------------|---------------------|--------------------|---------------------|
| Changes in | | | | | | |
| Net investment in capital assets | \$ 1,194,371 | \$ 1,326,762 | \$ (901,065) | \$ 1,620,068 | \$ (145,448) | \$ 1,474,620 |
| Unrestricted | <u>8,452,263</u> | <u>(1,590,036)</u> | <u>171,531</u> | <u>7,033,758</u> | <u>120,208</u> | <u>7,153,966</u> |
| Total Net Position | <u>\$ 9,646,634</u> | <u>\$ (263,274)</u> | <u>\$ (729,534)</u> | <u>\$ 8,653,826</u> | <u>\$ (25,240)</u> | <u>\$ 8,628,586</u> |

Electric unrestricted net position increased by \$8,452,263. Increases are primarily due to a working capital refund of \$7,505,400 from North Carolina Municipal Power Agency 1. In addition, continuing benefits from decreased rates paid for purchased electric power have had a positive impact on the Electric Fund's cash flow and enabled the City to focus on previously delayed infrastructure maintenance projects, pass along decreases of 2.7%, 2.0%, 2.0% and 5.0% in rates charged to the City's residential and commercial customers in 2015-16, 2016-17, 2018-19, and 2019-20, respectively, and to positively impact the financial position and liquidity of the Electric utility. The Electric utility sold approximately 13,613,000 kWh less than in the previous year, representing a 3.4% decrease. The impact of this decrease is reflected in both revenues and in the cost of purchased electric power. Water and Wastewater unrestricted net position decreased by \$1,590,036. Decreases are primarily due to line relocations under North Carolina Department of Transportation contracts and significant increases in planned maintenance activities for the City's Water and Wastewater plants, pumps, tanks, sludge facilities and other key components of these systems. Water and wastewater rates increased by 5%. The Water and Wastewater utility reported charges for approximately 130,000 fewer CCF's of water than in the previous year (a 10.5% decrease) and 4,000 more CCF's of wastewater than in the previous year (a 0.5% increase). Natural Gas unrestricted net position increased by \$171,531. The Natural Gas utility sold approximately \$421,000 DT's less than in the previous year, representing a 19.6% decrease. The decrease is primarily associated with mild winter temperatures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2020, the City of Lexington had \$140,949,132 invested in a broad range of capital assets, net of accumulated depreciation, for its governmental and business-type activities. This amount includes assets such as land, buildings, vehicles and equipment, roads and bridges, park facilities, and various utility plants, substations, and distribution system infrastructure.

Major capital asset transactions during the year include the following:

- Significant investments in governmental equipment & vehicles totaling \$2,612,824, reflecting the implementation of vehicle replacement plans for Police, Fire, and Sanitation.
- Significant investments in equipment & vehicles for the Fleet Management Fund, a governmental activity, totaling \$925,033
- Infrastructure improvements in the Electric Fund at a cost of \$1,519,554.
- Infrastructure improvements in the Natural Gas Fund at a cost of \$927,486.
- Acquisitions of used equipment & vehicles by business-type activities from the Fleet Management Fund as part of the initial implementation of vehicle replacement plans for business-type activities
 - Electric - \$65,783 acquisition cost
 - Water and Wastewater - \$134,397 acquisition cost
 - Natural Gas - \$86,758 acquisition cost
 - Utility Administration - \$40,181 acquisition cost

**City of Lexington's Capital Assets
(Net of Depreciation)
Figure 4**

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|----------------------------|----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 2,538,814 | \$ 2,538,814 | \$ 2,293,083 | \$ 2,293,083 | \$ 4,831,897 | \$ 4,831,897 |
| Buildings | 8,521,551 | 8,799,530 | 7,690,473 | 7,960,751 | 16,212,024 | 16,760,281 |
| Other improvements | 3,402,545 | 3,728,638 | 1,598,081 | 2,149,346 | 5,000,626 | 5,877,984 |
| Equipment & vehicles | 4,283,423 | 4,283,806 | 2,999,707 | 2,330,430 | 7,283,130 | 6,614,236 |
| Intangibles | 125,496 | 445,414 | 70,690 | 244,495 | 196,186 | 689,909 |
| Infrastructure | 15,149,823 | 16,165,588 | - | - | 15,149,823 | 16,165,588 |
| Plant & distribution systems | - | - | 85,716,853 | 85,387,618 | 85,716,853 | 85,387,618 |
| Construction in progress | 6,255,181 | 6,564,450 | 303,412 | 401,940 | 6,558,593 | 6,966,390 |
| Total | \$ 40,276,833 | \$ 42,526,240 | \$ 100,672,299 | \$ 100,767,663 | \$ 140,949,132 | \$ 143,293,903 |

Additional information on the City's capital assets can be found in Note 2.A.4 of the Basic Financial Statements.

Long-term Debt – At June 30, 2020, the City had installment purchase debt outstanding of \$12,526,344. Installment purchase debt represents contracts entered into by the City for the acquisition or construction of capital assets and are secured by the assets being financed.

**City of Lexington's Outstanding Debt
Figure 5**

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Direct placement installment purchases | \$ 5,220,129 | \$ 6,064,358 | \$ 7,306,215 | \$ 8,309,690 | \$ 12,526,344 | \$ 14,374,048 |
| Total | \$ 5,220,129 | \$ 6,064,358 | \$ 7,306,215 | \$ 8,309,690 | \$ 12,526,344 | \$ 14,374,048 |

The City of Lexington's total debt decreased by \$1,847,704 (12.9%), due to debt retirements totaling \$1,847,704.

As mentioned in the financial highlights section of this document, the City of Lexington continues to maintain its Aa3 bond rating by Moody's, which has been in place since May 2016. In addition, the City continues to maintain its AA- bond rating by Standard and Poor's, which has been in place since June 2010. These bond ratings are a clear indication of the sound financial condition of the City of Lexington. Excellent bond ratings are a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Lexington is \$116,631,821. The City has no bonds authorized but unissued at June 30, 2020.

Additional information regarding the City of Lexington's long-term debt can be found in Note 2.B.8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

- **COVID-19 Pandemic.** The COVID-19 has impacted and continues to impact the economy. The most significant impact on the City's General Fund revenues was in local option sales tax revenue. Local option sales tax revenue for the seven months ending February 2020 was 7.33% higher than the same months in the preceding year. Local option sales tax revenue decreased by 3.54% in March, decreased by 1.74% in

April, increased by 2.13% in May, and increased by 11.62% in June in comparison to the same months in the preceding year. Overall, the City's local option sales tax revenue for the fiscal year increased by 5.48% from the preceding fiscal year.

- Unemployment. The local unemployment rate of 5.2% was slightly lower than the state rate of 7.7% at the end of the fiscal year. This is a higher unemployment rate than the previous year when the local unemployment rate was 3.6%, reflecting the impact that the COVID-19 pandemic has had on the economy. The state unemployment rate from the previous year was 4.4%.
- Principal property tax payers. Halyard North Carolina is the largest taxpayer in the City, with 6.38% of total assessed valuation.
- Principal utility customers. For the year ended June 30, 2020, the City of Lexington was the largest electric customer providing 2.38% of total electric revenue, Electric Glass Fiber America was the largest water customer providing 6.18% of total water revenue, Davidson County schools was the largest wastewater customer providing 1.76% of total wastewater revenue, and Electric Glass Fiber America was the largest natural gas customer providing 5.22% of total natural gas revenue.
- Inspections for commercial construction in the City totaled 955 with a value of \$36.5 million, representing an increase in inspections from prior year inspections totaling 714 with a value of \$7.8 million.
- Inspections for residential construction in the City totaled 1,899 with a value of \$9.0 million, representing a decrease in inspections from prior year inspections totaling 1,901 with a value of \$26.7 million.
- The City took a significant step in attempting to control its own economic future by purchasing the Lexington Furniture Industries, Inc. Plant 1 property for \$1,000,000 with acquisition payments in previous fiscal years. Continuing redevelopment costs for this initiative are reflected in this financial report. Plant 1, which has been closed since 2003, contains 18 acres of land and over one million square feet of building space and is located adjacent to the heart of uptown Lexington and the newly renovated depot district. The City faced real threats of declining appearance and tax base due to the expected acquisition of the property by absentee ownership if the City decided against the purchase. This acquisition has financial impacts on current and future City budgets as the huge task of redevelopment of the property is addressed and additional grants are sought. However, it is considered a financial risk worth taking.
- Economic development grant initiatives landed United Furniture Industries locating in Lexington in May 2010, resulting in a gain of over \$5 million capital investment in the facility and equipment and 150 new manufacturing jobs pledged for the community over a three year period. In addition, an economic development grant partnership with Davidson County resulted in Moran Foods Save-A-Lot building a distribution center in Lexington Business Center, with over \$23 million capital investment and a minimum of 42 jobs pledged over a three year period. Moran Foods benefitted from the City acquiring \$504,000 in CDBG economic development grants to provide the needed water infrastructure to support their operations. Also, Halyard North Carolina (formerly Kimberly Clark) invested over \$24 million in its facility and equipment and pledged to add 30 new full-time positions.
- The City has been successful in assisting local industry obtain economic development grants in the form of building reuse grants. In July 2015 building reuse grants were announced for Piedmont Candy Company and for Masterbrand Cabinets. Piedmont Candy Company expects to add \$2 million in private investment and thirty-eight full time jobs as part of its expansion. Masterbrand Cabinets expects to add \$8 million in private investment and thirty-eight full time jobs as part of its expansion. In June 2017 a building reuse grant was announced for Goose and the Monkey Brewhouse, LLC, with an expected building investment of \$512 thousand and job creation of 12 full time jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities –The COVID-19 has impacted and continues to impact the economy, creating many uncertainties in budgeting for 2019-20. Prior to the start of the pandemic, Lexington was experiencing growth in property values and in sales tax as a result of increasing economic activity. In budgeting for 2019-20, the City of Lexington took what it believed to be a realistic, but conservative approach. Budgeted revenue is expected to be 0.2% higher than for 2019-20. Unrestricted intergovernmental revenues are expected to decrease budgeted revenue by \$53,000 (-0.3%) and includes sales tax and utility sales tax. This decrease in budgeted unrestricted intergovernmental revenue represents a \$284,000 (-3.8%) decrease from 2019-20 actual. The property tax rate for 2020-21 remains unchanged at \$0.65 per \$100 of assessed valuation. Increases in anticipated taxable property

values are expected to increase budgeted revenue by \$334,000 (1.6%). Other taxes, including the occupancy tax, are expected to decrease budgeted revenue by \$97,000 (-0.5%), reflecting the impact of the pandemic on travel. Additionally, investment earnings are expected to decrease budgeted revenue by \$91,000 (-0.4%). The City will use its revenues to finance programs currently in place and to make key investments towards City Council's goals, including unifying the community towards mobilization for a comprehensive count in Census 2020, aggressively marketing for strategic economic development, a continuance of measured quality of life initiatives, an ongoing commitment to synergize community messaging platforms for social media, and prudent financial investment in transportation infrastructure.

Budgeted expenditures in the General Fund are expected to decrease approximately 9.6% to \$26,038,860. The largest increment of change is a reduction in capital outlay of \$2,703,097. The previous year's capital outlay budget included substantial funding for the implementation of a vehicle replacement plan for Police, Fire, and Sanitation. An increase in debt service of approximately \$146,446 is primarily related to financing requirements for the vehicle replacement plan and capital improvements planned at the Civic Center and Finch Park. The budget does not include funding for the City's "pay for performance" plan due to the expected impact of the pandemic on revenues. Funding for a street condition study is included at an estimated cost \$87,000 and street resurfacing remains at \$500,000.

Business-type Activities – Rates for electricity will not change. Budgeted expenditures in the Electric Fund are expected to decrease approximately 13.0% to \$47,237,701. In 2019-20, a one-time refund from North Carolina Municipal Power Agency 1 represented \$7,505,400 for the Electric Fund and was used to transfer \$6,000,000 to the Electric Capital Reserve Fund for a future power system delivery point and \$400,000 to the Electric Rate Stabilization Fund for required rate stabilization reserves. Purchased electricity is expected to decrease by approximately 3.2% based on expected power purchased and expected cost of power purchased.

Water and wastewater rates in the City will not change. Budgeted expenditures in the Water and Wastewater Fund are expected to decrease approximately 5.7% to \$13,159,244. Personnel expenditures in the Water and Wastewater Fund are expected to increase approximately 9% from the 2019-20 final budget. During 2019-20, approximately \$312,000 in personnel budget was redirected to take care of critical maintenance needs. The 2020-21 personnel budget includes no provision for merit increases. \$1,725,000 in spending on critical infrastructure maintenance needs is being funded by a transfer from the Water and Wastewater Capital Reserve Fund. Capital outlay is expected to increase by approximately \$439,000. Budgeted debt service will increase by \$93,313 as part of the implementation of a vehicle and equipment replacement plan.

Base rates for natural gas remain unchanged. Volume rates are adjusted during the year based on cost of gas. Expected cost of gas is budgeted at \$3.00 per dekatherm for 2020-21, down from \$4.00 per dekatherm in 2019-20. Budgeted expenditures in the Natural Gas Fund are expected to decrease approximately 18.7% to \$11,634,235. Personnel expenditures in the Natural Gas Fund are expected to decrease approximately 2%. Personnel expenditures include no provision for merit increases. Purchased natural gas is expected to decrease by approximately 19% based on expected cost of gas and expected sales volumes.

The Stormwater Fund, one of the City's nonmajor enterprise funds, was initially established during the year ended June 30, 2020 and was supported by transfers from the General Fund during that initial year. At the time the budget was developed for 2020-21, stormwater fees were being developed and a budget was adopted anticipating the adoption of stormwater rates that are expected to generate approximately \$745,000 in annual revenues to support anticipated expenditure requirements.

REQUESTS FOR INFORMATION

This report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money received for the reporting period of July 1, 2019 through June 30, 2020. Questions concerning any of the information found in this report or requests for additional information should be directed to the City of Lexington Finance Department, 28 West Center Street, Lexington, NC 27292 or visit the City's website at www.LexingtonNC.gov.

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BASIC FINANCIAL STATEMENTS

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City of Lexington, North Carolina
Statement of Net Position
June 30, 2020

Exhibit 1

| | Primary Government | | | Component Units |
|---|----------------------------|---------------------------------|--------------------|------------------|
| | Governmental Activities | Business- type Activities | Total | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 26,034,496 | \$ 39,142,031 | \$ 65,176,527 | \$ 1,022,858 |
| Receivables (net) | | | | |
| Taxes | 414,262 | - | 414,262 | - |
| Accounts - billed | 188,303 | 3,819,224 | 4,007,527 | - |
| Accounts - unbilled | 104,388 | 4,504,575 | 4,608,963 | - |
| Interest | 3,055 | 4,763 | 7,818 | - |
| Due from other governments | 2,197,722 | 383,368 | 2,581,090 | 2,318 |
| Due from component units | 144,539 | - | 144,539 | - |
| Due from primary government | - | - | - | 20,519 |
| Internal balances | (4,360,209) | 4,360,209 | - | - |
| Inventories | 138,726 | 3,120,530 | 3,259,256 | 435,437 |
| Deposits and prepaid items | 4,000 | 17,000 | 21,000 | 56,618 |
| Restricted cash and cash equivalents | 103,290 | 819,472 | 922,762 | - |
| Equity interest in component unit | 254,987 | - | 254,987 | - |
| Equity interest in joint venture | - | 337,809 | 337,809 | - |
| Capital assets | | | | |
| Land and other non-depreciable assets | 8,793,995 | 2,596,495 | 11,390,490 | 253,386 |
| Other capital assets, net of accumulated depreciation | 31,482,838 | 98,075,804 | 129,558,642 | 595,308 |
| Total capital assets | <u>40,276,833</u> | <u>100,672,299</u> | <u>140,949,132</u> | <u>848,694</u> |
| Total assets | <u>65,504,392</u> | <u>157,181,280</u> | <u>222,685,672</u> | <u>2,386,444</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>3,820,239</u> | <u>1,573,836</u> | <u>5,394,075</u> | <u>54,394</u> |

Continued on next page.

City of Lexington, North Carolina
Statement of Net Position
June 30, 2020

Exhibit 1
continued

| | Primary Government | | | Component Units |
|--|----------------------------|---------------------------------|----------------|-----------------|
| | Governmental Activities | Business- type Activities | Total | Total |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 1,318,429 | \$ 5,489,402 | \$ 6,807,831 | \$ 307,263 |
| Due to component units | 20,519 | - | 20,519 | - |
| Due to primary government | - | - | - | 144,539 |
| Payable from restricted assets | 103,290 | 819,472 | 922,762 | - |
| Long-term liabilities | | | | |
| Due in one year | 1,218,111 | 1,321,595 | 2,539,706 | 36,134 |
| Due in more than one year | 23,547,341 | 12,993,635 | 36,540,976 | 259,030 |
| Total liabilities | 26,207,690 | 20,624,104 | 46,831,794 | 746,966 |
| DEFERRED INFLOWS OF RESOURCES | 2,079,494 | 791,530 | 2,871,024 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 35,056,704 | 93,366,084 | 128,422,788 | 625,242 |
| Restricted for | | | | |
| Stabilization by state statute | 3,465,022 | - | 3,465,022 | 22,837 |
| Council chamber improvements | 3,100 | - | 3,100 | - |
| Law enforcement | 136,977 | - | 136,977 | - |
| Capital projects | 175,297 | - | 175,297 | - |
| Tourism promotion | - | - | - | 484,294 |
| Uptown revitalization | - | - | - | 121,446 |
| Economic development, nonexpendable | - | - | - | 34,288 |
| Working capital | - | - | - | 166,939 |
| Unrestricted | 2,200,347 | 43,973,398 | 46,173,745 | 238,826 |
| Total net position | \$ 41,037,447 | \$ 137,339,482 | \$ 178,376,929 | \$ 1,693,872 |

The notes to the financial statements are an integral part of this statement.

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2020

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Units Total |
|--------------------------------------|----------------------|-------------------------|--|--|---|---------------------------------|---------------------|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business- type Activities | Total | |
| Primary government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General government | \$ 4,644,311 | \$ 2,463 | \$ (13,915) | \$ - | \$ (4,655,763) | \$ - | \$ (4,655,763) | |
| Public safety | 13,182,740 | 514,218 | 338,667 | - | (12,329,855) | - | (12,329,855) | |
| Highways and streets | 3,210,269 | 4,024 | 562,253 | - | (2,643,992) | - | (2,643,992) | |
| Sanitation | 2,673,118 | 1,554,188 | 13,734 | - | (1,105,196) | - | (1,105,196) | |
| Culture and recreation | 2,073,165 | 94,278 | 141,230 | - | (1,837,657) | - | (1,837,657) | |
| Economic and physical development | 1,346,325 | 199,271 | 204,667 | - | (942,387) | - | (942,387) | |
| Interest on long-term debt | 192,520 | - | - | - | (192,520) | - | (192,520) | |
| Total governmental activities | <u>27,322,448</u> | <u>2,368,442</u> | <u>1,246,636</u> | <u>-</u> | <u>(23,707,370)</u> | <u>-</u> | <u>(23,707,370)</u> | |
| Business-type activities | | | | | | | | |
| Electric | 44,648,529 | 47,722,708 | 1,628 | 7,505,400 | - | 10,581,207 | 10,581,207 | |
| Water and Wastewater | 11,377,345 | 10,924,326 | 483 | - | - | (452,536) | (452,536) | |
| Natural Gas | 9,494,256 | 10,173,536 | 951 | - | - | 680,231 | 680,231 | |
| Stormwater | 50,162 | 5,007 | - | - | - | (45,155) | (45,155) | |
| Golf | 1,033,354 | 528,856 | - | - | - | (504,498) | (504,498) | |
| Total business-type activities | <u>66,603,646</u> | <u>69,354,433</u> | <u>3,062</u> | <u>7,505,400</u> | <u>-</u> | <u>10,259,249</u> | <u>10,259,249</u> | |
| Total primary government | <u>\$ 93,926,094</u> | <u>\$ 71,722,875</u> | <u>\$ 1,249,698</u> | <u>\$ 7,505,400</u> | <u>(23,707,370)</u> | <u>10,259,249</u> | <u>(13,448,121)</u> | |
| Discretely presented component units | <u>\$ 6,072,261</u> | <u>\$ 5,631,461</u> | <u>\$ 597,782</u> | <u>\$ 70,000</u> | | | | <u>226,982</u> |

Continued on next page.

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2020

Exhibit 2
continued

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|--|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units |
| | | | | | Governmental Activities | Business-type Activities | Total | Total |
| General revenues | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes | | | | | \$ 10,501,093 | \$ - | \$ 10,501,093 | \$ - |
| Other taxes | | | | | 675,730 | - | 675,730 | - |
| Grants and contributions not restricted to specific programs | | | | | 7,532,583 | - | 7,532,583 | - |
| Investment earnings, unrestricted | | | | | 367,621 | 581,368 | 948,989 | 6,833 |
| Miscellaneous, unrestricted | | | | | 37,159 | - | 37,159 | 1,526 |
| Total general revenues not including transfers | | | | | 19,114,186 | 581,368 | 19,695,554 | 8,359 |
| Transfers | | | | | 2,340,261 | (2,340,261) | - | - |
| Total general revenues and transfers | | | | | 21,454,447 | (1,758,893) | 19,695,554 | 8,359 |
| Change in net position | | | | | (2,252,923) | 8,500,356 | 6,247,433 | 235,341 |
| Net position - beginning | | | | | 43,290,370 | 128,839,126 | 172,129,496 | 1,458,531 |
| Net position - ending | | | | | \$ 41,037,447 | \$ 137,339,482 | \$ 178,376,929 | \$ 1,693,872 |

The notes to the financial statements are an integral part of this statement.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3

| | Major Fund | Total Non- | Total |
|--|---------------|--------------|---------------|
| | General | Major Funds | Governmental |
| | Fund | | Funds |
| Assets | | | |
| Cash and cash equivalents | \$ 11,212,947 | \$ 1,165,388 | \$ 12,378,335 |
| Receivables (net) | | | |
| Property taxes | 407,084 | 7,178 | 414,262 |
| Accounts - billed | 188,303 | - | 188,303 |
| Accounts - unbilled | 103,388 | 1,000 | 104,388 |
| Interest | 1,411 | 77 | 1,488 |
| Due from other governments | 2,129,644 | 10,092 | 2,139,736 |
| Due from other funds | 4,678 | - | 4,678 |
| Due from component unit | 144,539 | - | 144,539 |
| Prepaid items | 4,000 | - | 4,000 |
| Restricted cash and cash equivalents | | | |
| Customer deposits | 78,290 | - | 78,290 |
| Economic development deposit | 25,000 | - | 25,000 |
| Total assets | \$ 14,299,284 | \$ 1,183,735 | \$ 15,483,019 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 774,671 | \$ 1,038 | \$ 775,709 |
| Due to other funds | 774,544 | 4,678 | 779,222 |
| Due to component units | 20,519 | - | 20,519 |
| Liabilities payable from restricted assets | | | |
| Deposits | 103,290 | - | 103,290 |
| Advance from other funds | 480,406 | - | 480,406 |
| Total liabilities | 2,153,430 | 5,716 | 2,159,146 |
| Deferred inflows of resources | 456,238 | 7,178 | 463,416 |

Continued on next page.

**City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020**

**Exhibit 3
*continued***

| | Major Fund General Fund | Total Non- Major Funds | Total Governmental Funds |
|---|-------------------------------|---------------------------|--------------------------------|
| Fund balances | | | |
| Nonspendable | | | |
| Prepaid items | \$ 4,000 | \$ - | \$ 4,000 |
| Restricted | | | |
| Stabilization by state statute | 3,460,236 | 4,786 | 3,465,022 |
| Council chamber improvements | 3,100 | - | 3,100 |
| Law enforcement | - | 136,977 | 136,977 |
| Capital projects | | | |
| Business park development | - | 175,297 | 175,297 |
| Committed | | | |
| Recreation improvements | - | 337,728 | 337,728 |
| Other | 9,370 | 516,053 | 525,423 |
| Assigned | | | |
| Subsequent year's expenditures | 1,920,720 | - | 1,920,720 |
| Unassigned | | | |
| Total fund balances | 11,689,616 | 1,170,841 | 12,860,457 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 14,299,284 | \$ 1,183,735 | \$ 15,483,019 |

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3
continued

| | | Total Governmental Funds |
|--|----------------|--------------------------------|
| Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because: | | |
| Fund balances as reported on the Balance Sheet of Governmental Funds | \$ | 12,860,457 |
| The City has an majority equity interest in a component unit. This investment is not a current financial resource and therefore not reported in the funds. | | 254,987 |
| Capital assets used in governmental activities are not financial resources and therefore | | |
| Gross capital assets at historical cost | \$ 108,317,382 | |
| Accumulated depreciation | (68,040,549) | |
| Less internal service funds' net capital assets included in net position adjustment below | (913,569) | 39,363,264 |
| Deferred outflows of resources related to pensions and OPEB are not reported in the | | |
| Deferred outflows of resources for governmental activities related to pensions | 2,744,792 | |
| Deferred outflows of resources for governmental activities related to OPEB | 1,075,447 | |
| Less internal service funds' deferred outflows of resources included in net position adjustment below | (142,592) | 3,677,647 |
| Other long-term assets are not available to pay for current-period expenditures and are therefore inflows of resources in the funds. | | 463,416 |
| Some liabilities are not due and payable in the current period and therefore are not | | |
| Accrued interest payable | (38,692) | |
| Bonds and installment financing | (5,220,129) | |
| Compensated absences | (1,223,493) | (6,482,314) |
| Net pension liability - LGERS | | |
| Net pension liability for governmental activities | (4,200,314) | |
| Add internal service funds' net pension liability included in net position adjustment below | 198,293 | (4,002,021) |
| Total pension liability - LEO | | (2,482,721) |
| Total OPEB liability | | |
| Total OPEB liability for governmental activities | (11,587,859) | |
| Add internal service funds' total OPEB liability included in net position adjustment below | 267,683 | (11,320,176) |
| Deferred inflows of resources related to pensions and OPEB are not reported in the | | |
| Deferred inflows of resources for governmental activities related to pensions | (242,821) | |
| Deferred inflows of resources for governmental activities related to OPEB | (1,836,673) | |
| Add internal service funds' deferred inflows of resources included in net position adjustment below | 50,258 | (2,029,236) |
| Internal service funds are used by management to charge the costs of certain activities | | |
| Net position of governmental-type internal service funds | 13,839,403 | |
| Portion of net position allocated to business type activities | (3,105,259) | 10,734,144 |
| Net position of governmental activities | \$ | 41,037,447 |

The notes to the financial statements are an integral part of this statement.

City of Lexington, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2020

Exhibit 4

| | Major Fund | | Total Non- Major Funds | | Total Governmental Funds |
|---------------------------------------|-----------------|--|---------------------------|--|--------------------------------|
| | General Fund | | | | |
| Revenues | | | | | |
| Ad valorem taxes | \$ 10,504,426 | | \$ 89,027 | | \$ 10,593,453 |
| Other taxes and licenses | 675,730 | | - | | 675,730 |
| Unrestricted intergovernmental | 7,532,583 | | - | | 7,532,583 |
| Restricted intergovernmental | 826,560 | | 349,544 | | 1,176,104 |
| Permits and fees | 352,071 | | - | | 352,071 |
| Sales and services | 1,881,961 | | 112,460 | | 1,994,421 |
| Investment earnings | 180,947 | | 6,747 | | 187,694 |
| Miscellaneous | 77,179 | | 25 | | 77,204 |
| Total revenues | 22,031,457 | | 557,803 | | 22,589,260 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 4,260,177 | | - | | 4,260,177 |
| Public safety | 12,160,804 | | 200,140 | | 12,360,944 |
| Highways and streets | 1,634,712 | | - | | 1,634,712 |
| Sanitation | 3,518,431 | | - | | 3,518,431 |
| Culture and recreation | 1,675,897 | | 167,775 | | 1,843,672 |
| Economic and physical development | 730,958 | | 642,590 | | 1,373,548 |
| Debt service | | | | | |
| Principal | 844,229 | | - | | 844,229 |
| Interest and other charges | 198,871 | | - | | 198,871 |
| Total expenditures | 25,024,079 | | 1,010,505 | | 26,034,584 |
| Revenues over (under) expenditures | (2,992,622) | | (452,702) | | (3,445,324) |
| Other financing sources (uses) | | | | | |
| Transfers from other funds | 2,889,968 | | - | | 2,889,968 |
| Transfers to other funds | (549,707) | | - | | (549,707) |
| Sales of capital assets | 22,566 | | 230,891 | | 253,457 |
| Total other financing sources (uses) | 2,362,827 | | 230,891 | | 2,593,718 |
| Net change in fund balances | (629,795) | | (221,811) | | (851,606) |
| Fund balances - beginning | 12,319,411 | | 1,392,652 | | 13,712,063 |
| Fund balances - ending | \$ 11,689,616 | | \$ 1,170,841 | | \$ 12,860,457 |

Continued on next page.

City of Lexington, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2020

Exhibit 4
continued

| | | Total Governmental Funds |
|---|--------------------|--------------------------------|
| Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because: | | |
| Net change in fund balances - total governmental funds | \$ | (851,606) |
| Changes in equity interest in component unit are not included on the Statement of Activities | | 254,987 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | |
| Capital outlay expenditures which were capitalized | \$ 2,872,800 | |
| Depreciation expense for governmental assets | <u>(4,301,542)</u> | (1,428,742) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | | 927,576 |
| Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities | | 168,058 |
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities | | 662,644 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | |
| Proceeds from the sale of assets | (253,457) | |
| Gain (loss) on disposal of capital assets | 33,118 | |
| Gain (loss) on disposal of capital assets (characterized as economic development expense based on a purchase and economic development agreement) | (278,000) | |
| Change in unavailable revenues | <u>(80,848)</u> | (579,187) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Principal payments on long-term debt | 844,229 | |
| Decrease (increase) in accrued interest payable | <u>6,351</u> | 850,580 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated absences | (118,338) | |
| Pension expense | (1,924,960) | |
| OPEB plan expense | (927,327) | |
| Landfill monitoring | <u>20,000</u> | (2,950,625) |
| Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk Management) to individual funds. | | |
| Net revenue of governmental-type internal service funds | 849,035 | |
| Portion of revenue allocated to business-type activities | <u>(155,643)</u> | <u>693,392</u> |
| Total change in net position of governmental activities | \$ | <u><u>(2,252,923)</u></u> |

The notes to the financial statements are an integral part of this statement.

City of Lexington, North Carolina

Exhibit 5

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2020

| | Budget | | Actual | Variance with Final Budget - Positive (Negative) |
|---|--------------------|--------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Ad valorem taxes | \$ 9,918,500 | \$ 9,918,500 | \$ 10,504,426 | \$ 585,926 |
| Other taxes and licenses | 807,500 | 807,500 | 675,730 | (131,770) |
| Unrestricted intergovernmental | 7,301,440 | 7,301,440 | 7,532,583 | 231,143 |
| Restricted intergovernmental | 695,040 | 695,040 | 826,560 | 131,520 |
| Permits and fees | 201,600 | 201,600 | 352,071 | 150,471 |
| Sales and services | 1,946,092 | 1,946,092 | 1,881,961 | (64,131) |
| Investment earnings | 203,730 | 203,730 | 180,947 | (22,783) |
| Miscellaneous | 81,500 | 160,500 | 77,179 | (83,321) |
| Total revenues | <u>21,155,402</u> | <u>21,234,402</u> | <u>22,031,457</u> | <u>797,055</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 4,697,731 | 4,760,106 | 4,260,177 | 499,929 |
| Public safety | 12,537,014 | 13,404,532 | 12,160,804 | 1,243,728 |
| Highways and streets | 1,714,155 | 1,817,985 | 1,634,712 | 183,273 |
| Sanitation | 2,134,013 | 3,722,336 | 3,518,431 | 203,905 |
| Culture and recreation | 2,104,769 | 2,310,225 | 1,675,897 | 634,328 |
| Economic and physical development | 666,268 | 938,216 | 730,958 | 207,258 |
| Debt service | | | | |
| Principal | 1,626,432 | 1,626,432 | 844,229 | 782,203 |
| Interest and other charges | 224,677 | 224,677 | 198,871 | 25,806 |
| Total expenditures | <u>25,705,059</u> | <u>28,804,509</u> | <u>25,024,079</u> | <u>3,780,430</u> |
| Revenues over (under) expenditures | <u>(4,549,657)</u> | <u>(7,570,107)</u> | <u>(2,992,622)</u> | <u>4,577,485</u> |
| Other financing sources (uses) | | | | |
| Installment purchase debt issued | 600,000 | 2,367,169 | - | (2,367,169) |
| Transfers from other funds | 2,889,968 | 2,889,968 | 2,889,968 | - |
| Transfers to other funds | (509,707) | (549,707) | (549,707) | - |
| Sales of capital assets | 5,000 | 5,000 | 22,566 | 17,566 |
| Total other financing sources (uses) | <u>2,985,261</u> | <u>4,712,430</u> | <u>2,362,827</u> | <u>(2,349,603)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | (1,564,396) | (2,857,677) | (629,795) | 2,227,882 |
| Fund balance appropriated | <u>1,564,396</u> | <u>2,857,677</u> | <u>-</u> | <u>(2,857,677)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>(629,795)</u> | <u>\$ (629,795)</u> |
| Fund balance - beginning | | | 12,319,411 | |
| Fund balance - ending | | | <u>\$ 11,689,616</u> | |

The notes to the financial statements are an integral part of this statement.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

Exhibit 6

| | Business-type Activities - Enterprise Funds | | | | | |
|---|---|----------------------|-------------------|-----------------------|------------------------|------------------------|
| | Major Funds | | | Total Non-Major Funds | Total Enterprise Funds | Internal Service Funds |
| | Electric | Water and Wastewater | Natural Gas | | | |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 13,333,819 | \$ 4,754,546 | \$ 2,771,737 | \$ 305,652 | \$ 21,165,754 | \$ 8,063,322 |
| Receivables (net) | | | | | | |
| Accounts - billed | 2,639,311 | 804,546 | 368,041 | - | 3,811,898 | 7,326 |
| Accounts - unbilled | 3,466,353 | 635,011 | 403,211 | - | 4,504,575 | - |
| Interest | 2,814 | 1,076 | 653 | 37 | 4,580 | 1,750 |
| Due from other governments | 139,013 | 131,375 | 74,899 | 11,309 | 356,596 | 84,758 |
| Due from other funds | - | 361,242 | 441,455 | - | 802,697 | - |
| Restricted cash and cash equivalents | | | | | | |
| Customer deposits | 639,462 | 50,765 | 128,245 | 1,000 | 819,472 | - |
| Inventories | 1,672,547 | 475,592 | 972,391 | - | 3,120,530 | 138,726 |
| Prepaid items | - | - | - | - | - | 17,000 |
| Total current assets | <u>21,893,319</u> | <u>7,214,153</u> | <u>5,160,632</u> | <u>317,998</u> | <u>34,586,102</u> | <u>8,312,882</u> |
| Noncurrent assets | | | | | | |
| Advances to other funds | - | 367,665 | 157,466 | - | 525,131 | - |
| Designated cash and cash equivalents | | | | | | |
| Capital reserve | 8,448,554 | 4,142,463 | 1,732,412 | - | 14,323,429 | 716,540 |
| Rate stabilization | 1,041,490 | - | 826,681 | - | 1,868,171 | - |
| Group insurance reserve | - | - | - | - | - | 6,660,976 |
| Equity interest in joint venture | - | 337,809 | - | - | 337,809 | - |
| Capital assets | | | | | | |
| Land and other non-depreciable assets | 637,286 | 983,709 | 303,049 | 40,728 | 1,964,772 | 646,723 |
| Other capital assets, net of accumulated depreciation | <u>35,331,800</u> | <u>34,983,585</u> | <u>23,413,442</u> | <u>817,662</u> | <u>94,546,489</u> | <u>4,427,884</u> |
| Total capital assets | <u>35,969,086</u> | <u>35,967,294</u> | <u>23,716,491</u> | <u>858,390</u> | <u>96,511,261</u> | <u>5,074,607</u> |
| Total noncurrent assets | <u>45,459,130</u> | <u>40,815,231</u> | <u>26,433,050</u> | <u>858,390</u> | <u>113,565,801</u> | <u>12,452,123</u> |
| Total assets | <u>67,352,449</u> | <u>48,029,384</u> | <u>31,593,682</u> | <u>1,176,388</u> | <u>148,151,903</u> | <u>20,765,005</u> |
| Deferred outflows of resources | <u>91,518</u> | <u>667,145</u> | <u>295,946</u> | <u>114,915</u> | <u>1,169,524</u> | <u>546,904</u> |

Continued on next page.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2020

Exhibit 6
continued

| | Business-type Activities - Enterprise Funds | | | | | |
|--|---|-------------------------|----------------------|---------------------------|------------------------------|---------------------------|
| | Major Funds | | | Total Non- Major Funds | Total Enterprise Funds | Internal Service Funds |
| | Electric | Water and Wastewater | Natural Gas | | | |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accrued liabilities | \$ 3,663,847 | \$ 1,207,309 | \$ 295,257 | \$ 27,477 | \$ 5,193,890 | \$ 431,069 |
| Due to other funds | - | - | - | 28,153 | 28,153 | - |
| Unpaid claims costs | - | - | - | - | - | 368,471 |
| Compensated absences | - | 136,000 | 72,000 | 18,000 | 226,000 | 101,700 |
| Installment purchases payable | 640,976 | 44,353 | 125,666 | - | 810,995 | 207,600 |
| Liabilities payable from restricted assets | | | | | | |
| Customer deposits | 639,462 | 50,765 | 128,245 | 1,000 | 819,472 | - |
| Total current liabilities | <u>4,944,285</u> | <u>1,438,427</u> | <u>621,168</u> | <u>74,630</u> | <u>7,078,510</u> | <u>1,108,840</u> |
| Noncurrent liabilities | | | | | | |
| Compensated absences | - | 129,378 | 27,848 | 19,648 | 176,874 | 100,579 |
| Net pension liability | - | 900,141 | 381,866 | 150,274 | 1,432,281 | 711,638 |
| Total OPEB liability | 986,107 | 1,429,005 | 745,485 | 276,696 | 3,437,293 | 1,339,562 |
| Installment purchases payable | 3,780,804 | 195,865 | 554,951 | - | 4,531,620 | 1,756,000 |
| Advances from other funds: | | | | | | |
| Natural gas fund | - | - | - | 44,725 | 44,725 | - |
| Total noncurrent liabilities | <u>4,766,911</u> | <u>2,654,389</u> | <u>1,710,150</u> | <u>491,343</u> | <u>9,622,793</u> | <u>3,907,779</u> |
| Total liabilities | <u>9,711,196</u> | <u>4,092,816</u> | <u>2,331,318</u> | <u>565,973</u> | <u>16,701,303</u> | <u>5,016,619</u> |
| Deferred inflows of resources | <u>156,298</u> | <u>262,041</u> | <u>133,238</u> | <u>49,790</u> | <u>601,367</u> | <u>240,421</u> |
| Net position | | | | | | |
| Net investment in capital assets | 31,547,306 | 35,727,076 | 23,035,874 | 858,390 | 91,168,646 | 3,111,007 |
| Unrestricted | 26,029,167 | 8,614,596 | 6,389,198 | (182,850) | 40,850,111 | 12,943,862 |
| Total net position | <u>\$ 57,576,473</u> | <u>\$ 44,341,672</u> | <u>\$ 29,425,072</u> | <u>\$ 675,540</u> | 132,018,757 | <u>\$ 16,054,869</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | 2,215,466 | |
| Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds | | | | | <u>3,105,259</u> | |
| Net position of business-type activities | | | | | <u>\$ 137,339,482</u> | |

The notes to the financial statements are an integral part of this statement.

City of Lexington, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2020

Exhibit 7

| | Business-type Activities - Enterprise Funds | | | | | Internal Service Funds |
|--|---|----------------------|------------------|-----------------------|------------------------|------------------------|
| | Major Funds | | | Total Non-Major Funds | Total Enterprise Funds | |
| | Electric | Water and Wastewater | Natural Gas | | | |
| Operating revenues | | | | | | |
| Charges for sales and services | \$ 46,800,331 | \$ 10,354,690 | \$ 9,730,106 | \$ 527,747 | \$ 67,412,874 | \$ 12,535,467 |
| Restricted intergovernmental | 240 | - | - | - | 240 | 2,822 |
| Other operating | 378,420 | 375,112 | 55,615 | 6,116 | 815,263 | 791,895 |
| Total operating revenues | <u>47,178,991</u> | <u>10,729,802</u> | <u>9,785,721</u> | <u>533,863</u> | <u>68,228,377</u> | <u>13,330,184</u> |
| Operating expenses | | | | | | |
| Cost of sales and services | 8,001,219 | 488,728 | 3,345,102 | 919,414 | 12,754,463 | 1,576,170 |
| Purchases for resale | 32,863,804 | - | 4,114,204 | - | 36,978,008 | - |
| Water treatment | - | 2,067,614 | - | - | 2,067,614 | - |
| Waste collection and treatment | - | 2,990,618 | - | - | 2,990,618 | - |
| Water and wastewater construction | - | 2,608,708 | - | - | 2,608,708 | - |
| Administration | 2,460,287 | 1,664,484 | 1,824,935 | 12,804 | 5,962,510 | 4,711,127 |
| Premiums | - | - | - | - | - | 1,238,583 |
| Claims | - | - | - | - | - | 3,632,108 |
| Depreciation | 1,329,794 | 1,423,323 | 654,821 | 182,448 | 3,590,386 | 1,535,093 |
| Overhead capitalized | (855,857) | (18,723) | (927,486) | - | (1,802,066) | - |
| Total operating expenses | <u>43,799,247</u> | <u>11,224,752</u> | <u>9,011,576</u> | <u>1,114,666</u> | <u>65,150,241</u> | <u>12,693,081</u> |
| Operating income (loss) | 3,379,744 | (494,950) | 774,145 | (580,803) | 3,078,136 | 637,103 |
| Nonoperating revenues (expenses) | | | | | | |
| Federal Build America Bond interest credit | - | 5,453 | 15,449 | - | 20,902 | - |
| Investment earnings | 323,224 | 133,319 | 100,484 | 8,886 | 565,913 | 202,129 |
| Working capital refund | 7,505,400 | - | - | - | 7,505,400 | - |
| Gain (loss) on sale of property | (15,569) | - | (6,350) | - | (21,919) | (225,851) |
| Interest and other charges | (115,059) | (16,042) | (45,454) | (3,030) | (179,585) | (48,219) |
| Total nonoperating revenues (expenses) | <u>7,697,996</u> | <u>122,730</u> | <u>64,129</u> | <u>5,856</u> | <u>7,890,711</u> | <u>(71,941)</u> |

Continued on next page.

City of Lexington, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2020

Exhibit 7
continued

| | Business-type Activities - Enterprise Funds | | | | | Internal Service Funds |
|--|---|----------------------|----------------------|-----------------------|------------------------|------------------------|
| | Major Funds | | | Total Non-Major Funds | Total Enterprise Funds | |
| | Electric | Water and Wastewater | Natural Gas | | | |
| Income (loss) before transfers | \$ 11,077,740 | \$ (372,220) | \$ 838,274 | \$ (574,947) | \$ 10,968,847 | \$ 565,162 |
| Transfers from other funds | - | - | - | 549,707 | 549,707 | - |
| Transfers to other funds | (1,431,106) | (357,314) | (1,101,548) | - | (2,889,968) | - |
| Change in net position | 9,646,634 | (729,534) | (263,274) | (25,240) | 8,628,586 | 565,162 |
| Net position - beginning | 47,929,839 | 45,071,206 | 29,688,346 | 700,780 | | 15,489,707 |
| Net position - ending | <u>\$ 57,576,473</u> | <u>\$ 44,341,672</u> | <u>\$ 29,425,072</u> | <u>\$ 675,540</u> | | <u>\$ 16,054,869</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | (283,873) | |
| Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds | | | | | 155,643 | |
| Change in net position - business-type activities | | | | | <u>\$ 8,500,356</u> | |

The notes to the financial statements are an integral part of this statement.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2020

Exhibit 8

| | Business-type Activities - Enterprise Funds | | | | | Internal Service Funds |
|--|---|----------------------|--------------------|-----------------------|------------------------|------------------------|
| | Major Funds | | | Total Non-Major Funds | Total Enterprise Funds | |
| | Electric | Water and Wastewater | Natural Gas | | | |
| Cash flows from operating activities | | | | | | |
| Cash received from customers | \$ 47,293,860 | \$ 10,271,074 | \$ 9,703,547 | \$ 527,747 | \$ 67,796,228 | \$ - |
| Cash received (paid) for interfund services provided (used) | (2,460,287) | (1,664,484) | (1,824,935) | (12,804) | (5,962,510) | 12,589,211 |
| Cash paid for goods and services | (42,176,498) | (3,817,108) | (6,248,125) | (310,445) | (52,552,176) | (8,921,503) |
| Cash paid to employees | (76,565) | (3,355,295) | (1,441,009) | (603,000) | (5,475,869) | (1,892,679) |
| Other operating income | 378,420 | 375,112 | 55,615 | 6,116 | 815,263 | 791,895 |
| Net cash provided (used) by operating activities | <u>2,958,930</u> | <u>1,809,299</u> | <u>245,093</u> | <u>(392,386)</u> | <u>4,620,936</u> | <u>2,566,924</u> |
| Cash flows from noncapital financing activities | | | | | | |
| Operating grants | 210,953 | 8,065 | - | - | 219,018 | 3,278 |
| Advances from (to) other funds | - | (728,907) | (197,327) | (65,653) | (991,887) | - |
| Transfers from other funds | - | - | - | 549,707 | 549,707 | - |
| Transfers to other funds | (1,431,106) | (357,314) | (1,101,548) | - | (2,889,968) | - |
| Net cash provided (used) by noncapital financing activities | <u>(1,220,153)</u> | <u>(1,078,156)</u> | <u>(1,298,875)</u> | <u>484,054</u> | <u>(3,113,130)</u> | <u>3,278</u> |
| Cash flows from capital and related financing activities | | | | | | |
| Acquisition and construction of capital assets | (1,051,485) | (460,887) | (939,612) | (37,000) | (2,488,984) | (1,049,715) |
| Federal Build America Bond interest credit | - | 5,453 | 15,449 | - | 20,902 | - |
| Principal paid on installment purchase debt | (632,392) | (42,648) | (120,835) | - | (795,875) | (207,600) |
| Interest and other charges paid on debt | (117,622) | (16,583) | (46,987) | (3,030) | (184,222) | (49,627) |
| Working capital refund | 7,505,400 | - | - | - | 7,505,400 | - |
| Proceeds from the sale of assets | - | - | - | - | - | 385,206 |
| Net cash provided (used) by capital and related financing activities | <u>5,703,901</u> | <u>(514,665)</u> | <u>(1,091,985)</u> | <u>(40,030)</u> | <u>4,057,221</u> | <u>(921,736)</u> |

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2020

Exhibit 8
continued

| | Business-type Activities - Enterprise Funds | | | | | Internal Service Funds |
|---|---|----------------------|---------------------|-----------------------|------------------------|------------------------|
| | Major Funds | | | Total Non-Major Funds | Total Enterprise Funds | |
| | Electric | Water and Wastewater | Natural Gas | | | |
| Cash flows from investing activities | | | | | | |
| Receipts of investment earnings | \$ 333,115 | \$ 138,835 | \$ 105,564 | \$ 9,034 | \$ 586,548 | \$ 210,346 |
| Net cash provided by investing activities | <u>333,115</u> | <u>138,835</u> | <u>105,564</u> | <u>9,034</u> | <u>586,548</u> | <u>210,346</u> |
| Net increase (decrease) in cash and cash equivalents | 7,775,793 | 355,313 | (2,040,203) | 60,672 | 6,151,575 | 1,858,812 |
| Cash and cash equivalents - beginning | <u>15,687,532</u> | <u>8,592,461</u> | <u>7,499,278</u> | <u>245,980</u> | <u>32,025,251</u> | <u>13,582,026</u> |
| Cash and cash equivalents - ending | <u>\$ 23,463,325</u> | <u>\$ 8,947,774</u> | <u>\$ 5,459,075</u> | <u>\$ 306,652</u> | <u>\$ 38,176,826</u> | <u>\$ 15,440,838</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities | | | | | | |
| Operating income (loss) | <u>\$ 3,379,744</u> | <u>\$ (494,950)</u> | <u>\$ 774,145</u> | <u>\$ (580,803)</u> | <u>\$ 3,078,136</u> | <u>\$ 637,103</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | | | | |
| Restricted intergovernmental revenues | (240) | - | - | - | (240) | (2,822) |
| Depreciation | 1,329,794 | 1,423,323 | 654,821 | 182,448 | 3,590,386 | 1,535,093 |
| Overhead capitalized | (855,857) | (18,723) | (927,486) | - | (1,802,066) | - |
| Changes in assets and liabilities | | | | | | |
| (Increase) decrease in accounts receivable | 493,529 | (83,616) | (26,559) | - | 383,354 | 53,744 |
| (Increase) decrease in intergovernmental receivable | 323,066 | 9,719 | (46,069) | 1,629 | 288,345 | (15,879) |
| Increase (decrease) in amounts receivable related to restricted intergovernmental revenues | (210,713) | (8,065) | - | - | (218,778) | (456) |
| (Increase) decrease in inventory | 29,879 | (99,980) | 9,077 | - | (61,024) | 21,762 |
| (Increase) decrease in equity interest in joint venture | - | 23,001 | - | - | 23,001 | - |
| (Increase) decrease in deferred outflows of resources - pensions | - | 140,432 | 39,574 | 14,705 | 194,711 | 83,092 |

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2020

Exhibit 8
continued

| | Business-type Activities - Enterprise Funds | | | | | |
|--|---|----------------------|-------------------|-----------------------|------------------------|------------------------|
| | Major Funds | | | Total Non-Major Funds | Total Enterprise Funds | Internal Service Funds |
| | Electric | Water and Wastewater | Natural Gas | | | |
| (Increase) decrease in deferred outflows of resources - OPEB | \$ 33,047 | \$ 3,740 | \$ 8,704 | \$ 3,914 | \$ 49,405 | \$ (12,460) |
| Increase (decrease) in accounts payable and accrued liabilities | (1,202,365) | 841,699 | (195,638) | 1,947 | (554,357) | (25,900) |
| (Increase) decrease in amounts accrued related to interest on capital debt | 2,563 | 541 | 1,533 | - | 4,637 | 1,408 |
| Increase (decrease) in customer deposits | (7,294) | (1,920) | (6,890) | (2,625) | (18,729) | - |
| Increase (decrease) in unpaid claims cost | - | - | - | - | - | (18,531) |
| Increase (decrease) in compensated absences | - | 26,896 | (7,134) | 4,806 | 24,568 | 41,767 |
| Increase (decrease) in net pension liability | 986,107 | 545,136 | 396,714 | 140,584 | 2,068,541 | 49,439 |
| Increase (decrease) in total OPEB liability | (1,392,338) | (624,082) | (488,766) | (180,520) | (2,685,706) | 89,229 |
| Increase (decrease) in deferred inflows of resources - pensions | - | 16,009 | 7,371 | 2,925 | 26,305 | 13,464 |
| Increase (decrease) in deferred inflows of resources - OPEB | 50,008 | 110,139 | 51,696 | 18,604 | 230,447 | 116,871 |
| Total adjustments | <u>(420,814)</u> | <u>2,304,249</u> | <u>(529,052)</u> | <u>188,417</u> | <u>1,542,800</u> | <u>1,929,821</u> |
| Net cash provided (used) by operating activities | <u>\$ 2,958,930</u> | <u>\$ 1,809,299</u> | <u>\$ 245,093</u> | <u>\$ (392,386)</u> | <u>\$ 4,620,936</u> | <u>\$ 2,566,924</u> |

The notes to the financial statements are an integral part of this statement.

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**City of Lexington, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies

The accounting policies of the City of Lexington and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Lexington (the “City”) is a municipal corporation that is governed by an elected mayor and eight-member council. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable. The four discretely presented component units described below are combined and reported in a separate column in the City’s financial statements in order to emphasize that they are legally separate from the City.

City of Lexington Board of Alcoholic Control

The three board members of the City of Lexington Board of Alcoholic Control (ABC Board) are appointed by the City of Lexington. In addition, the ABC Board is required by State statute to distribute its surpluses to the City of Lexington's General Fund. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Lexington Board of Alcoholic Control, 419 North Main Street, Lexington, NC 27292.

Lexington Tourism Authority

The eight members of the Lexington Tourism Authority’s board are appointed by the City of Lexington. Creation of the Lexington Tourism Authority was authorized by the North Carolina General Assembly with Session Law 1993-602. The City is authorized by State statute to collect an occupancy tax of 6% on gross revenues from hotel/motel room occupancy within the corporate limits. Collections are remitted to the Lexington Tourism Authority (Tourism Authority), less a 3% administration charge, on a quarterly basis. The Tourism Authority, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements may be obtained from the entity's administrative offices at Lexington Tourism Authority, 28 West Center Street, Lexington, NC 27292.

Uptown Lexington, Inc.

The thirteen member board of Uptown Lexington, Inc., a 501(c)(3) corporation, (Uptown Lexington) is made up of eleven board elected members and two board appointed members. The economic resources received or held by Uptown Lexington are held almost entirely for the direct benefit of constituents of the City of Lexington located within a special municipal service district. Uptown Lexington receives a substantial portion of its economic resources from the City. The City is authorized by State statute to levy and collect a special municipal service district property tax to provide revitalization and other enhanced service levels within this uptown area. The City has chosen to partner with Uptown Lexington for the provision of these services and remits these tax collections, along with other resources, to Uptown Lexington for its use in providing these services. The economic resources held by Uptown Lexington are significant to the City because of the nature of the underlying source of funds remitted by the City to Uptown Lexington. Uptown Lexington, which has a June 30 year-end, is presented as if it were a governmental fund (discrete presentation) and includes the consolidated accounts of Uptown Lexington, Inc. and Grimes Mill, LLC, its wholly-owned subsidiary. Uptown Lexington did not issue separate financial statements.

Front Street-Lexington, LLC

Front Street-Lexington, LLC, a limited liability company, (Front Street-Lexington) was formed for the purpose of acquiring and developing real estate for resale that is suitable for industrial and commercial use. The City of Lexington holds a 51% majority equity interest and Team Family Partnership, LLC holds a 49% equity interest in this development company. The City’s holding of the equity interest does not meet the definition of an investment. Front Street-Lexington, which has a December 31 year-end, is presented as if it were a governmental fund (discrete presentation). Complete financial statements for Front Street-Lexington may be obtained from the entity's administrative offices at Front Street-Lexington, LLC, 16 South Main Street, Lexington, NC 27292.

The City of Lexington’s reported equity interest in component unit as of June 30, 2020 differs from amounts reported by the Front Street-Lexington as of December 31, 2019 as follows:

| | |
|---|-------------------|
| Equity interest in component unit, December 31, 2019 | \$ 35,687 |
| Capital contributions subsequent to December 31, 2019 | <u>219,300</u> |
| Equity interest in component unit, June 30, 2020 | <u>\$ 254,987</u> |

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

As discussed earlier, the City has four discretely presented component units, none of which are considered to be major component units. The four discretely presented component units are combined and reported in a separate column in the City’s 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-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges and transfers between the government’s business type functions and various other functions of the government. Elimination of these charges and transfers would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements: The fund financial statements provide information about the City’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. All revenues not meeting this definition are reported as non-operating revenues. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, intergovernmental revenues and transfers from Enterprise Funds. The primary expenditures are for public safety, highways and streets, sanitation, culture and recreation, and general governmental services.

The City reports the following non-major governmental funds:

Special Revenue Funds – Special Revenue Funds account for specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The City's special revenue funds are as follows:

Grant Projects Fund – Revenues for the Grant Projects Fund (formerly Community Development Grants Fund) are monies received from Federal, State, and County sources and are restricted for purposes specified by the individual grant(s), including public safety and community and economic development purposes.

Controlled Substance Fund – Revenues for the Controlled Substance Fund are monies received from Federal, State, and County sources, and are restricted for public safety purposes.

Public Safety Grants Fund – Revenues for the Public Safety Grants Fund are monies and equipment received from Federal, State, and County sources, and are restricted for public safety purposes.

Special Tax District Fund – Revenues for the Special Tax District are a special additional ad valorem property tax levied by the City, collected and contributed to Uptown Lexington, Inc. for the revitalization of the uptown area.

Economic Stimulus Grants Fund – Revenues for the Economic Stimulus Grants Fund are monies and equipment received from Federal sources authorized under the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009 (ARRA), and are restricted for use in the revitalization and stimulus of the local economy.

General Capital Projects Fund – The City's General Capital Projects Fund represents various aspects of construction or acquisition related to its five-year business and capital improvements planning process.

The City reports the following major enterprise funds:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The City's major enterprise funds are as follows:

Electric Fund – This fund is used to account for the City's electric operations. An Electric Projects Fund, Electric Capital Reserve Fund, and Electric Rate Stabilization Fund have been consolidated into the Electric Fund for financial reporting purposes. The budgetary comparisons for the Electric Projects Fund, the Electric Capital Reserve Fund, and the Electric Rate Stabilization Fund have been included in the supplemental information.

Water and Wastewater Fund – This fund is used to account for the City's water and wastewater operations. A Water and Wastewater Projects Fund and a Water and Wastewater Capital Reserve Fund

have been consolidated into the Water and Wastewater Fund for financial reporting purposes. The budgetary comparisons for the Water and Wastewater Projects Fund and the Water and Wastewater Capital Reserve Fund have been included in the supplemental information

Natural Gas Fund – This fund is used to account for the City’s natural gas operations. A Natural Gas Capital Reserve Fund and Natural Gas Rate Stabilization Fund have been consolidated into the Natural Gas Fund for financial reporting purposes. The budgetary comparisons for the Natural Gas Capital Reserve Fund and the Natural Gas Rate Stabilization Fund have been included in the supplemental information.

The City reports the following nonmajor enterprise funds:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The City’s nonmajor enterprise funds are as follows:

Stormwater Fund – This fund is used to account for the City’s stormwater operations.

Golf Fund – This fund is used to account for the City’s golf course operations.

The City reports the following fund type:

Internal Service Funds – Internal Service Funds account for the financing of goods or services provided by one department to other departments on a cost reimbursement basis. The City’s internal service funds are as follows:

Fleet Management Fund – This fund is used to account for the City’s fleet management and motor pool operations. A Fleet Management Capital Reserve Fund has been consolidated into the Fleet Management Fund for financial reporting purposes. The budgetary comparison for the Fleet Management Capital Reserve Fund has been included in the supplemental information. This fund is reported in the basic financial statements as a governmental activity.

Group Insurance Fund – This fund is used to account for the City’s self-insurance programs for health and dental benefits and wellness programs provided to the City’s employees and retirees as well as their respective dependents. This fund is reported in the basic financial statements as a governmental activity.

Risk Management Fund – This fund is used to account for the City’s self-retention cost and for the premiums on the City’s reinsurance program pertaining to workers compensation, property, and liability exposures. This fund is reported in the basic financial statements as a governmental activity.

Utility Administration Fund – This fund is used to account for administrative overhead costs, which are shared by all of the utility enterprise funds and the General Fund. A Utility Administration Projects Fund has been consolidated into the Utility Administration Fund for financial reporting purposes. The budgetary comparison for the Utility Administration Projects Fund has been included in the supplemental information. This fund is reported in the basic financial statements as a business-type activity.

C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when

the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the natural gas and water and wastewater systems. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and other postemployment benefits, which are recognized as expenditures to the extent that they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under installment purchases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the State, including the City of Lexington. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 are shown as a receivable in these financial statements and are offset by deferred inflows of resources. The City has a contractual arrangement with Davidson County for the billing and collection of its other ad valorem taxes.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Lexington because the tax is levied by Davidson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the

City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Controlled Substance Special Revenue Fund, Special Tax District Special Revenue Fund, the Enterprise Funds, and the Enterprise Fund capital reserve and rate stabilization subfunds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Grant Projects Fund, the Public Safety Grants Fund, the Economic Stimulus Grants Fund, the General Capital Projects Fund, and the Enterprise Projects Funds. The enterprise fund projects, capital reserve, and rate stabilization subfunds are consolidated with their respective operating fund for reporting purposes. The City's Internal Service Funds operate under a financial plan that was adopted by City Council at the time the City's budget ordinance was approved, as required by the General Statutes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer, defined by state statute as the City Manager, is authorized by the budget ordinance to transfer amounts between appropriations at these levels within a fund up to \$20,000. Any revisions that alter total appropriations of any fund or that change appropriations by more than \$20,000 at these levels must be authorized by a budget ordinance amendment approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered to be cash and cash equivalents.

3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

Assets (cash) restricted for other purposes appear in the General Fund for an economic development grant contract.

| <u>City of Lexington Restricted Cash</u> | |
|--|-------------------|
| Governmental Activities | |
| General Fund | |
| Customer deposits | \$ 78,290 |
| Economic development deposit | 25,000 |
| Total Governmental Activities | <u>\$ 103,290</u> |
| Business-type Activities | |
| Electric Fund | |
| Customer deposits | \$ 639,462 |
| Water and Wastewater Fund | |
| Customer deposits | 50,765 |
| Natural Gas Fund | |
| Customer deposits | 128,245 |
| Golf Fund | |
| Customer deposits | 1,000 |
| Total Business-type Activities | <u>\$ 819,472</u> |
| Total Restricted Cash | <u>\$ 922,762</u> |

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

Property tax receivable accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of collections in prior years.

In lieu of reporting allowances for all other receivables, the City analyzes accounts that have been outstanding for 180 days and writes them off on a monthly basis.

6. Inventories and Prepaid Items

The inventories of the City are valued using the weighted average cost method. The City's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the City's enterprise funds consist of materials and supplies held for consumption. The cost of the inventory carried in the City's enterprise funds is recorded as an expense as it is consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$0; buildings, \$5,000; other improvements, \$5,000; substations, lines, and other plant and distribution systems, \$50,000; infrastructure, \$50,000; equipment and vehicles, \$5,000; and intangible, \$0. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Primary government capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives |
|--|------------------------|
| Infrastructure | 50 years |
| Plant facilities and systems | 20 to 50 years |
| Buildings | 50 years |
| Furniture and office equipment | 10 years |
| Maintenance and construction equipment | 7 years |
| Motor vehicles | 5 to 7 years |
| Intangible assets | 5 years |
| Computer equipment | 5 years |

The City of Lexington owns a statue, which was donated by the citizens to the Lexington Police Department. As a policy, the City does not capitalize works of art. In addition, this asset is not held for financial gain and is protected and cared for by the City.

8. 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 and so will not be recognized as an expense or expenditure until then. The City has several items that meet this criterion – pension and OPEB related deferrals, contributions made to pension plans in the current fiscal year, and benefit payment made by the OPEB plan in the current fiscal year. 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 and so will not be recognized as revenue until then. The City has three items that meet this criterion, unavailable property taxes receivable, unavailable miscellaneous revenue receivable, and other pension and OPEB related deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the

straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The annual leave policy of the City provides for the accumulation of thirty (30) days earned annual leave with up to ten years of service, thirty-six (36) days earned annual leave with over ten years of service, and forty-eight (48) days earned annual leave with over twenty years of service. Annual leave is fully vested when earned up to the accumulation limits. Annual leave earned in excess of the accumulation limits is converted to sick leave at the beginning of each calendar year.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Any unused sick leave accumulated at the time of retirement is vested at a rate of 25% of two hundred sixty (260) days. An employee qualifying for retirement may elect to be paid 25% of up to two hundred sixty (260) days and/or may use the balance in the determination of length of service for retirement benefit purposes.

For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and salary related payments for annual leave are recorded as the leave is earned. An expense and a liability for compensated absences and salary related payments for sick leave are recorded as a fraction of the leave earned based on historical average amounts paid out at retirement. The City has assumed a first-in first-out (FIFO) method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

11. Net Position/Fund Balances

Net Position – Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances – In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form, (b) will not convert to cash soon enough to affect the current period, or (c) legally or contractually required to be maintained intact.

Prepaid Items – portion of fund balance that is not an available resource because it represents prepaid items, such as a security deposit, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by

the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

Restricted for Council Chamber Improvements – portion of fund balance that is restricted by external donors for specific projects to improve City Council chambers.

Restricted for Law Enforcement – portion of fund balance that is restricted by revenue source for law enforcement expenditures. This amount represents the balance of unexpended Controlled Substance funds.

Restricted for Capital Projects – portion of fund balance that is restricted by revenue source for various capital projects. This amount includes a restriction for the redevelopment of the Lexington Business Center Industrial Park.

Committed Fund Balance – This classification of fund balance can only be used for specific purposes imposed by majority vote by quorum of the City of Lexington's City Council (highest level of decision-making authority). The governing body can, by 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 (the adoption of another ordinance) to remove or revise the limitation.

Committed for Recreation Improvements – portion of fund balance that is committed for recreation purposes, including \$337,728 for the Recreation Center Development Project

Committed for Other – portion of fund balance that is committed for other purposes, including \$9,370 for City Council improvements to their neighborhoods (neighborhood revitalization program) and \$516,053 for the redevelopment of the Lexington Furniture Industries Inc. Plant #1 property acquired by the City.

Assigned Fund Balance – This classification of fund balance denotes amounts that the City of Lexington intends to use for specific purposes. The City of Lexington City Council authorizes assignments via the annual budget ordinance.

Assigned for Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The City of Lexington City Council approves the appropriation.

Unassigned Fund Balance – This classification of fund balance has not been restricted, committed or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds do not report positive unassigned fund balances, although they may report negative unassigned balances.

The City of Lexington is in the process of formalizing a revenue spending policy that provides guidance for programs with multiple revenue sources. Currently, the Finance Director will use resources in the following hierarchy: bond proceeds, Federal funds, State funds, local non-city funds, city funds. For

purposes of fund balance classification, expenditures are to be spent from restricted fund balance first; followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the City.

The City of Lexington is in the process of formalizing a minimum fund balance policy for the General Fund. Currently, the Finance Director instructs management to conduct the financial operations of the City in such a manner that available fund balance is at least equal to or greater than 25% of the most recent audited expenditures.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Lexington's employer contributions are recognized when due and the City of Lexington has a legal requirement to provide the contributions. Benefit and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Detailed Notes On All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has a formal investment policy regarding custodial credit risk for deposits and also relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the City's deposits had a carrying amount of \$4,848,050 and a bank balance of \$5,021,714. Of the City's actual bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2020, the City's petty cash fund totaled \$7,150.

2. Investments

At June 30, 2020, the City had the following investments and maturities:

| Investment Type | Valuation | Fair Value | Less Than 6 Months | 6-12 Months | 1-3 Years |
|---|-----------------------|----------------------|-----------------------|---------------------|---------------------|
| | Measurement Method | | | | |
| US Government Agencies | Fair Value-Level 2 | \$ 2,005,713 | \$ - | \$ 1,000,820 | \$ 1,004,893 |
| Commercial Paper | Fair Value-Level 2 | 1,999,849 | 1,999,849 | - | - |
| Municipal Paper | Fair Value-Level 1 | 1,000,032 | 1,000,032 | - | - |
| NC Capital Management Trust - Government Portfolio | Fair Value-Level 1 | 45,837,260 | 45,837,260 | - | - |
| NC Capital Management Trust - Term Portfolio* | Fair Value-Level 1 | 10,401,235 | 10,401,235 | - | - |
| Total | | <u>\$ 61,244,089</u> | <u>\$ 59,238,376</u> | <u>\$ 1,000,820</u> | <u>\$ 1,004,893</u> |

*As of June 30, 2020, the NCCMT Term Portfolio had a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P. The NCCMT Term Portfolio has no rating.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits 50% of the City's investment portfolio to maturities beyond two years. Also, the City's investment policy allows 100% of the portfolio to be invested in investments of less than one year.

Credit Risk. The City's investment policy limits the City's investments to the provisions of G.S. 159-30 and State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2020, the City's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The City's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The NC Capital Management Trust is a SEC registered money market mutual fund operating in accordance with Rule 2a-7 of the Investment Act of 1940. The City's investments in US Agencies (Federal Farm Credit Bank) are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.

Concentration of Credit Risk. The City's investment policy places the following limits on each of the respective types of issuers:

| <u>Maturity</u> | <u>Maximum Investment</u> |
|------------------|---------------------------|
| US Agencies | 40% |
| Commercial Paper | 20% |

US Agencies in total are limited to 80% of the portfolio and commercial paper in total is limited to 40% of the portfolio.

3. Receivables

The amounts presented in the Balance Sheet and the Statement of Net Position for taxes receivable are net of the following allowances for doubtful accounts:

| General Fund | Other Governmental | Total Governmental |
|-------------------|-----------------------|-----------------------|
| <u>\$ 722,000</u> | <u>\$ 150</u> | <u>\$ 722,150</u> |

The amounts presented in the Balance Sheet and Statement of Net Position for all other receivables are not adjusted for an allowance for doubtful accounts because the City analyzes accounts that have been outstanding for 180 days and writes them off on a monthly basis.

Due from other governments at the government-wide level that is owed to the City consists of the following:

| | Governmental Activities | Business-Type Activities | Total |
|-------------------------------------|----------------------------|-----------------------------|---------------------|
| Local option sales tax | \$ 1,250,697 | \$ - | \$ 1,250,697 |
| Utilities sales tax | 430,595 | - | 430,595 |
| Piped natural gas sales tax | 43,562 | - | 43,562 |
| Telecommunications tax | 25,963 | - | 25,963 |
| Local video programming revenue | 25,193 | - | 25,193 |
| Solid waste disposal tax | 3,280 | - | 3,280 |
| Sales and use tax refund | 194,311 | 383,368 | 577,679 |
| Federal and state grant funding | 5,761 | - | 5,761 |
| Unremitted property tax collections | 218,360 | - | 218,360 |
| | <u>\$ 2,197,722</u> | <u>\$ 383,368</u> | <u>\$ 2,581,090</u> |

4. Capital Assets

a. Primary Government

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------------|--------------------|----------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,523,814 | \$ - | \$ - | \$ 2,523,814 |
| Construction in progress | 6,564,450 | 167,775 | (477,044) | 6,255,181 |
| Total capital assets not being depreciated | <u>9,088,264</u> | <u>167,775</u> | <u>(477,044)</u> | <u>8,778,995</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 17,773,660 | - | - | 17,773,660 |
| Other improvements | 7,014,641 | - | - | 7,014,641 |
| Equipment & vehicles | 12,542,470 | 2,765,328 | (620,233) | 14,687,565 |
| Infrastructure | 54,234,255 | - | - | 54,234,255 |
| Intangibles | 2,357,571 | 92,201 | (10,460) | 2,439,312 |
| Total capital assets being depreciated | <u>93,922,597</u> | <u>2,857,529</u> | <u>(630,693)</u> | <u>96,149,433</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 8,983,130 | 277,979 | - | 9,261,109 |
| Other improvements | 3,297,307 | 326,093 | - | 3,623,400 |
| Equipment & vehicles | 9,458,271 | 2,431,338 | (607,202) | 11,282,407 |
| Infrastructure | 38,068,667 | 1,015,765 | - | 39,084,432 |
| Intangibles | 1,913,141 | 402,871 | (2,196) | 2,313,816 |
| Total accumulated depreciation | <u>61,720,516</u> | <u>4,454,046</u> | <u>(609,398)</u> | <u>65,565,164</u> |
| Internal Service Funds | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 15,000 | \$ - | \$ - | \$ 15,000 |
| Total capital assets not being depreciated | <u>15,000</u> | <u>-</u> | <u>-</u> | <u>15,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 90,000 | - | - | 90,000 |
| Other improvements | 113,045 | - | - | 113,045 |
| Equipment & vehicles | 4,921,223 | 925,033 | (2,685,192) | 3,161,064 |
| Intangibles | 9,845 | - | - | 9,845 |
| Total capital assets being depreciated | <u>5,134,113</u> | <u>925,033</u> | <u>(2,685,192)</u> | <u>3,373,954</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 81,000 | - | - | 81,000 |
| Other improvements | 101,741 | - | - | 101,741 |
| Equipment & vehicles | 3,721,616 | 773,717 | (2,212,534) | 2,282,799 |
| Intangibles | 8,861 | 984 | - | 9,845 |
| Subtotal | <u>3,913,218</u> | <u>774,701</u> | <u>(2,212,534)</u> | <u>2,475,385</u> |
| Total accumulated depreciation | <u>65,633,734</u> | <u>5,228,747</u> | <u>(2,821,932)</u> | <u>68,040,549</u> |
| Total capital assets being depreciated, net | <u>33,422,976</u> | | | <u>31,482,838</u> |
| Governmental activity capital assets, net | <u>\$ 42,526,240</u> | | | <u>\$ 40,276,833</u> |

Depreciation expense was charged to functions/programs in the government-wide statement of activities as follows:

Governmental Activities

Depreciation Expense

| | |
|---|---------------------|
| General government | \$ 423,326 |
| Public safety | 1,266,555 |
| Highways and streets | 1,506,716 |
| Sanitation | 698,182 |
| Cultural and recreation | 399,347 |
| Economic and physical development | 7,416 |
| Capital assets held by internal service funds | <u>774,701</u> |
| <i>Total depreciation expense</i> | <u>\$ 5,076,243</u> |

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to sanitation, a governmental activity. The General Fund paid \$16,945 for the asset, which had an original acquisition cost of \$169,449 and accumulated depreciation of \$152,504.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to the Electric Fund. The Electric Fund paid \$65,783 for the asset, which had an original acquisition cost of \$404,611 and accumulated depreciation of \$338,828.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to the Water and Wastewater Fund. The Water and Wastewater Fund paid \$134,397 for the assets, which had an original acquisition cost of \$1,206,054 and accumulated depreciation of \$1,071,657.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to the Natural Gas Fund. The Natural Gas Fund paid \$86,758 for the assets, which had an original acquisition cost of \$438,292 and accumulated depreciation of \$351,534.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to the Golf Fund. The Golf Fund paid \$0 for the asset, which had an original acquisition cost of \$13,824 and accumulated depreciation of \$13,824.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to the Utility Administration Fund. The Utility Administration Fund paid \$40,181 for the assets, which had an original acquisition cost of \$143,151 and accumulated depreciation of \$102,970.

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------------|------------------|----------------------|
| Business-type activities: | | | | |
| Electric Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 637,286 | \$ - | \$ - | \$ 637,286 |
| Total capital assets not being depreciated | <u>637,286</u> | <u>-</u> | <u>-</u> | <u>637,286</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,098,544 | - | - | 3,098,544 |
| Plant and distribution systems | 61,403,238 | 1,519,554 | (23,215) | 62,899,577 |
| Equipment & vehicles | <u>2,039,834</u> | <u>726,616</u> | <u>(132,477)</u> | <u>2,633,973</u> |
| Total capital assets being depreciated | <u>66,541,616</u> | <u>2,246,170</u> | <u>(155,692)</u> | <u>68,632,094</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 55,414 | 55,758 | - | 111,172 |
| Plant and distribution systems | 30,718,943 | 830,895 | (20,893) | 31,528,945 |
| Equipment & vehicles | <u>997,438</u> | <u>781,969</u> | <u>(119,230)</u> | <u>1,660,177</u> |
| Total accumulated depreciation | <u>31,771,795</u> | <u>1,668,622</u> | <u>(140,123)</u> | <u>33,300,294</u> |
| Total capital assets being depreciated, net | <u>34,769,821</u> | | | <u>35,331,800</u> |
| Electric Fund capital assets, net | <u>\$ 35,407,107</u> | | | <u>\$ 35,969,086</u> |
| Water and Wastewater Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 866,590 | \$ - | \$ - | \$ 866,590 |
| Construction in progress | <u>215,913</u> | <u>47,207</u> | <u>(146,001)</u> | <u>117,119</u> |
| Total capital assets not being depreciated | <u>1,082,503</u> | <u>47,207</u> | <u>(146,001)</u> | <u>983,709</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 851,923 | 14,120 | - | 866,043 |
| Other improvements | 21,000 | - | - | 21,000 |
| Plant and distribution systems | 72,442,717 | 218,626 | - | 72,661,343 |
| Equipment & vehicles | <u>2,249,374</u> | <u>1,425,286</u> | <u>-</u> | <u>3,674,660</u> |
| Total capital assets being depreciated | <u>75,565,014</u> | <u>1,658,032</u> | <u>-</u> | <u>77,223,046</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 301,616 | 10,965 | - | 312,581 |
| Other improvements | 12,915 | 3,780 | - | 16,695 |
| Plant and distribution systems | 38,030,324 | 1,057,359 | - | 39,087,683 |
| Equipment & vehicles | <u>1,391,655</u> | <u>1,430,847</u> | <u>-</u> | <u>2,822,502</u> |
| Total accumulated depreciation | <u>39,736,510</u> | <u>2,502,951</u> | <u>-</u> | <u>42,239,461</u> |
| Total capital assets being depreciated, net | <u>35,828,504</u> | | | <u>34,983,585</u> |
| Water and Wastewater Fund capital assets, net | <u>\$ 36,911,007</u> | | | <u>\$ 35,967,294</u> |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|------------------|-----------------|----------------------|
| Natural Gas Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 303,049 | \$ - | \$ - | \$ 303,049 |
| Total capital assets not being depreciated | <u>303,049</u> | <u>-</u> | <u>-</u> | <u>303,049</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 1,969,152 | - | - | 1,969,152 |
| Plant and distribution systems | 32,453,328 | 927,486 | (63,500) | 33,317,314 |
| Equipment & vehicles | 505,035 | 1,291,146 | - | 1,796,181 |
| Total capital assets being depreciated | <u>34,927,515</u> | <u>2,218,632</u> | <u>(63,500)</u> | <u>37,082,647</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 222,389 | 33,940 | - | 256,329 |
| Plant and distribution systems | 12,162,398 | 439,505 | (57,150) | 12,544,753 |
| Equipment & vehicles | 335,213 | 532,910 | - | 868,123 |
| Total accumulated depreciation | <u>12,720,000</u> | <u>1,006,355</u> | <u>(57,150)</u> | <u>13,669,205</u> |
| Total capital assets being depreciated, net | <u>22,207,515</u> | | | <u>23,413,442</u> |
| Natural Gas Fund capital assets, net | <u>\$ 22,510,564</u> | | | <u>\$ 23,716,491</u> |
| Golf Fund | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 40,728 | \$ - | \$ - | \$ 40,728 |
| Total capital assets not being depreciated | <u>40,728</u> | <u>-</u> | <u>-</u> | <u>40,728</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 61,500 | - | - | 61,500 |
| Other improvements | 2,128,719 | - | - | 2,128,719 |
| Equipment & vehicles | 337,466 | 50,824 | - | 388,290 |
| Total capital assets being depreciated | <u>2,527,685</u> | <u>50,824</u> | <u>-</u> | <u>2,578,509</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 42,525 | 810 | - | 43,335 |
| Other improvements | 1,343,139 | 95,591 | - | 1,438,730 |
| Equipment & vehicles | 178,911 | 99,871 | - | 278,782 |
| Total accumulated depreciation | <u>1,564,575</u> | <u>196,272</u> | <u>-</u> | <u>1,760,847</u> |
| Total capital assets being depreciated, net | <u>963,110</u> | | | <u>817,662</u> |
| Golf Fund capital assets, net | <u>\$ 1,003,838</u> | | | <u>\$ 858,390</u> |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|----------------|------------------|-----------------------|
| Internal Service Funds | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 445,430 | \$ - | \$ - | \$ 445,430 |
| Construction in progress | <u>186,027</u> | <u>266</u> | <u>-</u> | <u>186,293</u> |
| Total capital assets not being depreciated | <u>631,457</u> | <u>266</u> | <u>-</u> | <u>631,723</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,404,483 | - | (184,369) | 3,220,114 |
| Other improvements | 3,163,255 | - | - | 3,163,255 |
| Equipment & vehicles | 493,718 | 227,386 | (113,659) | 607,445 |
| Intangibles | <u>1,551,812</u> | <u>-</u> | <u>-</u> | <u>1,551,812</u> |
| Total capital assets being depreciated | <u>8,613,268</u> | <u>227,386</u> | <u>(298,028)</u> | <u>8,542,626</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 802,907 | 48,335 | (49,779) | 801,463 |
| Other improvements | 1,807,574 | 451,894 | - | 2,259,468 |
| Equipment & vehicles | 391,780 | 189,328 | (109,850) | 471,258 |
| Intangibles | <u>1,307,317</u> | <u>173,805</u> | <u>-</u> | <u>1,481,122</u> |
| Total accumulated depreciation | <u>4,309,578</u> | <u>863,362</u> | <u>(159,629)</u> | <u>5,013,311</u> |
| Total capital assets being depreciated, net | <u>4,303,690</u> | | | <u>3,529,315</u> |
| Internal Service Funds capital assets, net | <u>\$ 4,935,147</u> | | | <u>\$ 4,161,038</u> |
| Business-type activities capital assets, net | | | | <u>\$ 100,672,299</u> |

There was a transfer of assets to the Electric Fund from the Fleet Management Fund, an internal service fund reported as a governmental activity. The Electric Fund paid \$65,783 for the asset, which had an original acquisition cost of \$404,611 and accumulated depreciation of \$338,828.

There was a transfer of assets to the Water and Wastewater Fund from the Fleet Management Fund, an internal service fund reported as a governmental activity. The Water and Wastewater Fund paid \$134,397 for the assets, which had an original acquisition cost of \$1,206,054 and accumulated depreciation of \$1,071,657.

There was a transfer of assets to the Water and Wastewater Fund from the Utility Administration Fund, an internal service fund reported as a business-type activity. The Water and Wastewater Fund paid \$886 for the asset, which had an original acquisition cost of \$8,857 and accumulated depreciation of \$7,971.

There was a transfer of assets to the Natural Gas Fund from the Fleet Management Fund, an internal service fund reported as a governmental activity. The Natural Gas Fund paid \$86,758 for the assets, which had an original acquisition cost of \$438,292 and accumulated depreciation of \$351,534.

There was a transfer of assets to the Golf Fund from the Fleet Management Fund, an internal service fund reported as a governmental activity. The Golf Fund paid \$0 for the assets, which had an original acquisition cost of \$13,824 and accumulated depreciation of \$13,824.

There was a transfer of assets to the Utility Administration Fund from the Fleet Management Fund, an internal service fund reported as a governmental activity. The Utility Administration Fund paid \$40,181 for the assets, which had an original acquisition cost of \$143,151 and accumulated depreciation of \$102,970.

b. Construction Commitments

The government has active construction projects as of June 30, 2020. At year-end, the government's construction in progress was comprised of the following:

| | <u>Spent To Date</u> | <u>Remaining Commitments</u> |
|-------------------------------------|--------------------------|----------------------------------|
| General Capital Projects Fund | | |
| Recreation Improvements | \$ 1,958,167 | \$ 311,333 |
| Economic Development Improvements | <u>9,250,137</u> | <u>446,305</u> |
| Total General Capital Projects Fund | <u>\$ 11,208,304</u> | <u>\$ 757,638</u> |
| Enterprise Funds: | | |
| Water and Wastewater Fund | | |
| System improvements | <u>\$ 98,704</u> | <u>\$ 101,296</u> |
| Total Water and Wastewater Fund | <u>\$ 98,704</u> | <u>\$ 101,296</u> |
| Utility Administration Fund | | |
| Work Order System | <u>\$ 186,293</u> | <u>\$ 188,707</u> |
| Total Utility Administration Fund | <u>\$ 186,293</u> | <u>\$ 188,707</u> |

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2020 were as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>Accrued Interest</u> | <u>Other</u> | <u>Total</u> |
|----------------------------------|---------------------|----------------------------------|-----------------------------|-------------------|---------------------|
| Governmental Activities | | | | | |
| General | \$ 345,534 | \$ 339,215 | \$ 38,692 | \$ 89,922 | \$ 813,363 |
| Other Governmental | 1,038 | - | - | - | 1,038 |
| Governmental Internal Service | <u>109,475</u> | <u>16,596</u> | - | <u>377,957</u> | <u>504,028</u> |
| Total - governmental activities | <u>\$ 456,047</u> | <u>\$ 355,811</u> | <u>\$ 38,692</u> | <u>\$ 467,879</u> | <u>\$ 1,318,429</u> |
| Business-type Activities | | | | | |
| Electric | \$ 3,626,770 | \$ - | \$ 24,194 | \$ 12,883 | \$ 3,663,847 |
| Water and Wastewater | 1,132,130 | 71,958 | 3,048 | 173 | 1,207,309 |
| Natural Gas | 254,703 | 27,832 | 8,635 | 4,087 | 295,257 |
| Stormwater | - | - | - | - | - |
| Golf | 13,260 | 14,041 | - | 176 | 27,477 |
| Business-type Internal Service | <u>153,814</u> | <u>42,686</u> | <u>15,486</u> | <u>83,526</u> | <u>295,512</u> |
| Total - business-type activities | <u>\$ 5,180,677</u> | <u>\$ 156,517</u> | <u>\$ 51,363</u> | <u>\$ 100,845</u> | <u>\$ 5,489,402</u> |

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Lexington is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined

benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Lexington employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lexington's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Lexington were \$1,424,486 for the year ended June 30, 2020.

Refunds of Contributions - City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2020, the City reported a liability of \$6,145,940 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019 (measurement date), the City's proportion was 0.225%, which was a decrease of 0.021% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$2,655,065. At June 30, 2020, 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 | \$ 1,052,341 | \$ - |
| Changes of assumptions | 1,001,686 | - |
| Net difference between projected and actual earnings on pension plan investments | 149,908 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 21,154 | 242,689 |
| City contributions subsequent to the measurement date | <u>1,424,486</u> | <u>-</u> |
| Total | <u>\$ 3,649,575</u> | <u>\$ 242,689</u> |

\$1,424,486 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|--------------|
| 2021 | \$ 1,022,051 |
| 2022 | 282,763 |
| 2023 | 555,078 |
| 2024 | 122,508 |
| 2025 | - |
| Thereafter | - |

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 8.10 percent, including inflation and productivity factor |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0% | 5.3% |
| Real Estate | 8.0% | 4.3% |
| Alternatives | 8.0% | 8.9% |
| Credit | 7.0% | 6.0% |
| Inflation Protection | 6.0% | 4.0% |
| Total | <u>100.0%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the

pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the 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 City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------------------|--------------------------------------|------------------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 14,056,889 | \$ 6,145,940 | \$ (429,661) |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The City of Lexington administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

| | |
|--|------------------|
| Retirees receiving benefits | 9 |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | <u>57</u> |
| Total | <u><u>66</u></u> |

Summary of Significant Accounting Policies

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73.

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.50 percent |
| Salary increases | 3.50 to 7.35 percent, including inflation and productivity factor |
| Discount rate | 3.26 percent |

The discount rate used to measure the TPL is the S&P Municipal Bond 20 year High Grade Rate Index.

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$167,498 as benefits came due for the reporting period.

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

At June 30, 2020, the City reported a total pension liability of \$2,482,721. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the City recognized pension expense of \$197,345.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 47,481 | \$ - |
| Changes of assumptions and other inputs | 121,829 | 76,960 |
| Benefit payments and administrative expenses subsequent to the measurement date | <u>81,255</u> | <u>-</u> |
| Total | <u>\$ 250,565</u> | <u>\$ 76,960</u> |

The City paid \$81,255 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-----------|
| 2021 | \$ 22,284 |
| 2022 | 23,698 |
| 2023 | 26,603 |
| 2024 | 8,562 |
| 2025 | 11,203 |
| Thereafter | - |

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.26 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

| | 1% Decrease (2.26%) | Discount Rate (3.26%) | 1% Increase (4.26%) |
|-------------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total pension liability | \$ 2,681,639 | \$ 2,482,721 | \$ 2,301,668 |

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

| | |
|---|---------------------|
| | 2020 |
| Beginning balance | <u>\$ 2,389,543</u> |
| Service Cost | 90,434 |
| Interest on the total pension liability | 84,067 |
| Changes of benefit terms | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 7,862 |
| Changes of assumptions or other inputs | 70,836 |
| Benefit payments | (160,021) |
| Other changes | <u>-</u> |
| Ending balance of the total pension liability | <u>\$ 2,482,721</u> |

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on the published tables and based on studies that cover significant

portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for LGERS was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability for LEOSSA was measured as of December 31, 2019, with an actuarial valuation date of December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|--|--------------|---------------|--------------|
| Proportionate Share of Net Pension Liability | \$ 6,145,940 | \$ - | \$ 6,145,940 |
| Proportion of the Net Pension Liability | 0.22505% | n/a | |
| Total Pension Liability | \$ - | \$ 2,482,721 | \$ 2,482,721 |
| Pension Expense | \$ 2,655,065 | \$ 197,345 | \$ 2,852,410 |

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>Total</u> |
|---|--------------|---------------|--------------|
| <u>Deferred Outflows of Resources</u> | | | |
| Differences between expected and actual experience | \$ 1,052,341 | \$ 47,481 | \$ 1,099,822 |
| Changes of assumptions | 1,001,686 | 121,829 | 1,123,515 |
| Net difference between projected and actual earnings on plan investments | 149,908 | - | 149,908 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 21,154 | - | 21,154 |
| City contributions (LGERS)/Benefit payments and administrative costs (LEOSSA) paid subsequent to the measurement date | 1,424,486 | 81,255 | 1,505,741 |
| <u>Deferred Inflows of Resources</u> | | | |
| Differences between expected and actual experience | \$ - | \$ - | \$ - |
| Changes of assumptions | - | 76,960 | 76,960 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 242,689 | - | 242,689 |

d. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan.

The City made contributions of \$150,645 for the reporting year. No amounts were forfeited.

e. Supplemental Retirement Income Plan for General Employees

Plan Description. The City participates in the Supplemental Retirement Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for General Employees is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for General Employees. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

Funding Policy. The City is not required to make contributions for the general employees, but all amounts contributed are vested immediately. The general employees may make voluntary contributions to the plan.

The City made no contributions for the reporting year. No amounts were forfeited.

f. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Lexington, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighters' and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighters' and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2019, the State contributed \$18,302,000 to the plan. The City of Lexington's proportionate share of the State's contribution is \$24,250.

Refunds of Contributions - Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2020, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$48,076. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2019 and at June 30, 2018 was 0%.

For the year ended June 30, 2020, the City recognized pension expense of \$25,310 and revenue of \$25,310 for support provided by the State. At June 30, 2020, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3 percent |
| Salary increases | Not applicable |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the 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.

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

g. Other Postemployment Benefits

1. Postemployment Healthcare Benefits

Plan Description. Under the terms of a City adopted policy, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The City provides continuation of group insurance coverage to employees who retire under the North Carolina Local Governmental Employees’ Retirement System and have twenty years of consecutive service with the City, or five years consecutive service with the City in the case of disability retirement. Retirees who qualify for coverage receive the same benefits as active employees. The retiree and his or her dependents may elect to receive this coverage until the participant becomes Medicare or Medicaid eligible or is no longer eligible under the plan provisions. The City is self-insured and pays 100% of health claims (after out-of-pocket limits are met) up to an individual stop loss of \$100,000, and an aggregate stop loss of 125% of expected net claims. The retiree may purchase dependent healthcare coverage at the City’s group rates which are adjusted periodically. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

| | General | | Law | |
|--|-----------|--------------|-------------|-------|
| | Employees | Firefighters | Enforcement | Total |
| | | | Officers | |
| Retirees and dependents receiving benefits | 45 | 21 | 26 | 92 |
| Active plan members | 196 | 46 | 62 | 304 |
| Total | 241 | 67 | 88 | 396 |

Total OPEB Liability

The City’s total OPEB liability of \$16,097,031 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2019, using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|---|--|
| Inflation | 2.50% |
| Real wage growth | 1.00% |
| Wage inflation | 3.50% |
| Salary increase, including wage inflation | |
| General Employees | 3.50% - 7.75% |
| Firefighters | 3.50% - 7.75% |
| Law Enforcement Officers | 3.50% - 7.35% |
| Municipal Bond Index Rate | |
| Prior Measurement Date | 3.89% |
| Measurement Date | 3.50% |
| Health Care Cost Trends | |
| Pre-Medicare | 7.00% for 2019 decreasing to an ultimate rate of 4.50% by 2026 |
| Medicare | 5.00% for 2019 decreasing to an ultimate rate of 4.50% by 2021 |

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Schedule of Changes in Total OPEB Liability

| | |
|--|----------------------|
| Total OPEB Liability as of June 30, 2019 | <u>\$ 17,324,385</u> |
| Changes for the year: | |
| Service cost at the end of the year | 694,638 |
| Interest on TOL and cash flows | 650,123 |
| Change in benefit terms | - |
| Differences between expected and actual experience | (1,674,374) |
| Changes of assumptions or other inputs | 337,469 |
| Benefit payments | (1,235,210) |
| Other changes | <u>-</u> |
| Net changes | <u>(1,227,354)</u> |
| Total OPEB Liability as of June 30, 2020 | <u>\$ 16,097,031</u> |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increased used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1 percentage-point higher (4.50 percent) than the current discount rate:

| | Discount Rate | | |
|----------------------|----------------------|----------------|--------------------|
| | <u>1% Decrease</u> | <u>(3.50%)</u> | <u>1% Increase</u> |
| Total OPEB liability | \$ 17,547,031 | \$ 16,097,031 | \$ 14,797,157 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's 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 healthcare cost trend rates:

| | Healthcare Cost Trend Rate (7.00% decreasing to 4.50%) | | |
|----------------------|---|---|--------------------|
| | <u>1% Decrease</u> | <u>Rate (7.00% decreasing to 4.50%)</u> | <u>1% Increase</u> |
| Total OPEB liability | \$ 14,545,139 | \$ 16,097,031 | \$ 17,920,562 |

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$999,745. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 258,606 | \$ 1,454,062 |
| Changes of assumptions and other inputs | 293,065 | 1,097,313 |
| Benefit payments and administrative expenses subsequent to the measurement date | <u>942,264</u> | <u>-</u> |
| Total | <u>\$ 1,493,935</u> | <u>\$ 2,551,375</u> |

\$942,264 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:

| | | |
|------------|----|-----------|
| 2021 | \$ | (345,016) |
| 2022 | | (345,016) |
| 2023 | | (345,016) |
| 2024 | | (345,016) |
| 2025 | | (300,631) |
| Thereafter | | (319,009) |

2. Postemployment Life Insurance Benefits

On December 14, 1981, the City Council adopted a local policy to provide the following post-employment life insurance coverage program to be effective January 1, 1982. Active employees, who were retired prior to the effective date and employees hired prior to the effective date and subsequently retired, would be provided \$2,500 life insurance coverage by the City. Anyone hired after December 31, 1981 would be eligible for City-paid life insurance coverage only while actively employed. Currently, there are 77 retirees who are eligible for this benefit at the time of their deaths. All benefits are paid from the Life Insurance Plan. The City has no liability beyond payment of monthly premiums. Employees not eligible for City-paid benefits may elect coverage through a City-selected carrier, Standard Insurance Company of Portland, Oregon. All costs are born by the retirees, and life insurance coverage is provided up to a maximum of \$10,000, with a 35% reduction at age 65 through 69, a 60% reduction at age 70 through 74, and a 75% reduction at age 75 or over.

h. Other Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. For the fiscal year ended June 30, 2020, the City made contributions to the State for death benefits of \$13,074. The City's required contributions for employee not engaged in law enforcement and for law enforcement represented 0.07% and 0.14% of covered payroll, respectively.

The City also provides a fully paid life insurance coverage to all full-time employees. The benefit is 1 ½ times the employee's salary with a maximum of \$200,000 subject to reductions. The benefit will reduce 35% at age 65, an additional 25% at age 70, and further reduce 15% at age 75. Benefits will terminate at retirement regardless of age. The cost of benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

3. Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources at year end are comprised of the following:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| (Pensions, OPEB) - difference between expected and actual experience | \$ 1,358,428 | \$ 1,454,062 |
| (Pensions, OPEB) - changes of assumptions | 1,416,580 | 1,174,273 |
| (Pensions) - net difference between projected and actual investment earnings | 149,908 | - |
| (Pensions) - change in proportion and difference between employer contributions and proportionate share of contributions | 21,154 | 242,689 |
| Contributions to pension plan subsequent to the measurement date (LGRS) | 1,424,486 | - |
| Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA) | 81,255 | - |
| Benefit payments for the OPEB plan paid subsequent to measurement date | 942,264 | - |
| Unavailable revenue | | |
| Property taxes receivable | | |
| Taxes receivable, net (General Fund) | - | 407,084 |
| Taxes receivable, net (Special Revenue Fund) | - | 7,178 |
| Miscellaneous receivables (General Fund) | - | 49,154 |
| Total | <u>\$ 5,394,075</u> | <u>\$ 3,334,440</u> |

4. Risk Management

The City 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. Effective July 1, 1992, the City Council established a risk management self-insurance fund as an internal service fund type. The purpose of this fund is to pay various general liability, property, and workers' compensation claims, and to minimize the total annual cost of insurance to the City. As of January 1, 1999, the City adopted a disability insurance policy. Under this policy, employees are eligible to receive short-term disability benefits after 29 days for up to 26 weeks. After 26 weeks, eligible employees may receive long-term disability payments.

The City's insurance deductible for property is \$50,000 per occurrence. The property insurance limit is \$97,461,674. The self-insurance retention for general liability, employee benefit liability, police professional, public officials and auto is \$300,000 per occurrence. The general liability, public official's liability and police liability insurance limits are \$1,000,000 per occurrence; \$2,000,000 aggregate. The employee benefit liability limits are \$1,000,000 per occurrence; \$2,000,000 aggregate. The auto liability has a combined single limit of \$1,000,000. The auto physical damage coverage is a catastrophic only limit of \$1,000,000 and a \$50,000 per occurrence deductible. The City also purchased excess liability coverage of \$10,000,000 per occurrence. This applies to all liabilities except workers' compensation. Workers' Compensation has a self-insured retention of \$600,000 per occurrence with excess coverage up to the statutory limit. Crime has a \$2,500 deductible and a \$200,000 limit. Claims that do not exceed \$10,000 can be settled by the City Manager (or designee). Claims that exceed \$10,000 and does not exceed \$50,000 (fifty thousand dollars) can be settled by the Risk Management

Committee, which includes the City Manager (or designee), City Attorney, Finance Director, Risk/Safety Manager and Human Resources Director. Claims that exceed \$50,000 must have City Council approval and authorization to settle. All claims involving bodily injury will be reported to the City's third-party administrator for adjudication and will follow the aforementioned monetary guidelines. Claims arising under the North Carolina Workers' Compensation Act will be reported to the City's third-party administrator for handling. Those claims are subject to statutorily defined benefit amounts and all final settlements of such claims must be approved by the North Carolina Industrial Commission. Accordingly, the aforementioned monetary guidelines are modified as follows for workers' compensation claims: settlements that do not exceed \$50,000 may be approved by the City Manager (or designee); settlements greater than \$50,000 and do not exceed \$125,000 will be referred to the Risk Management Committee for approval; and final settlements above \$125,000 must have City Council approval.

The Risk Management Fund pays for all costs associated with claims, cost of the excess policies, and third party administrative charges. These expenses are funded by charges allocated to the General, Electric, Water and Wastewater, Natural Gas and Golf Funds. The City carries flood insurance through Firemen's Insurance Company of Washington, D.C. with \$5,000,000 of coverage per occurrence. This coverage only applies to buildings designated in flood zones other than A, D, & V by the National Flood Insurance Program. The City is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency and therefore is not eligible to purchase additional coverage through the National Flood Insurance Plan.

The City carries commercial insurance for all other risks of loss. There have been no significant reductions or increases in insurance coverage from the previous year, and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Finance Director, who is responsible for accounting for Uptown Lexington, Inc., is individually bonded for \$100,000. All other City employees are covered under a blanket faithful performance bond.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's) and are reasonably expected to be paid within the following fiscal year.

Changes in the balance of claims liabilities during the year were as follows:

| | |
|---------------------|-------------------|
| Unpaid claims, 7/1 | \$ 34,153 |
| Incurred claims | 430,506 |
| Claim payments | <u>(348,259)</u> |
| Unpaid claims, 6/30 | <u>\$ 116,400</u> |

5. Group Health Insurance

The City is also self-insured for group health insurance. The Group Insurance Fund, an internal service fund type, pays health and dental claims for City employees and their covered dependents, for retirees and their covered dependents, and for terminated employees and/or dependents who fall under the COBRA regulations. The City pays the majority of stop-loss coverage and administrative costs for its active employees, and the retirees covered under the City's post-employment benefits. All premiums for active employees are collected through payroll deduction; retirees are billed by the administrator and COBRA participant's premiums are billed by the administrator. COBRA participants are billed at 102% of the City's actual costs to cover the associated administrative costs. Self-insurance is in effect for \$100,000 per covered employee/retiree/dependent. Aggregate stop-loss is 125% of expected net claims. The third party

administrator performs such claims studies needed to determine expected net claims costs. Losses greater than \$100,000 per covered employee and/or dependent, as well as those in excess of the aggregate stop-loss, are insured by a private insurance carrier.

The Group Insurance Fund pays for all costs associated with claims, cost of the insurance coverage, and third party administrative charges. These costs are funded by premium charges to other funds, treated as interfund services provided/used, and premium contributions from employees and retirees. Employees and retirees contribute toward the cost of coverage for themselves and their dependents based on premium rates established for the various types of coverage, which may change over time. The remaining costs are funded through premium charges to the operating funds based on an allocation of cost to participants of the plan.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's) and are reasonably expected to be paid within the following fiscal year.

Changes in the balance of claims liabilities during the year were as follows:

| | |
|---------------------|--------------------------|
| Unpaid claims, 7/1 | \$ 352,849 |
| Incurred claims | 3,183,071 |
| Claim payments | <u>(3,283,849)</u> |
| Unpaid claims, 6/30 | <u><u>\$ 252,071</u></u> |

6. Claims, Judgments and Contingent Liabilities

At June 30, 2020, the City of Lexington was a defendant in various lawsuits. In the opinion of the City's attorneys and management, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

7. Long-Term Obligations

a. Installment Purchases

\$4,200,000 direct placement installment purchase Build America Bond with Bank of America dated April 15, 2010 for a utilities operations center for Natural Gas and Public Works, the relocation of Fire Station #2, and equipment sheds for the Street and Recycling & Waste Collection departments due in semi-annual installments ranging from \$231,757 to \$188,949 including interest beginning on October 15, 2010 through April 15, 2025; interest at 6.09% (3.959%, net of 35% federal credit); secured by a deed of trust on the property; in the event of default, lender may declare all principal and accrued interest due and payable and may sell the property.

\$ 1,681,524

\$4,223,000 direct placement installment purchase contract with First Tennessee Bank dated January 15, 2015 for Public Building Improvements, Recreation Improvements and Electric System Improvements due in semi-annual payments of \$169,893 including interest beginning on June 1, 2015 through December 1, 2029; interest at 2.56%; secured by a deed of trust on City Hall; in the event of default, lender may declare all principal and accrued interest due and payable and may sell City Hall.

2,849,348

| | |
|---|---|
| <p>\$2,359,548 direct placement refinancing installment purchase contract with First Tennessee Bank dated January 15, 2015 for the Arcadia electric substation and various electric system reliability improvements due in semi-annual payments of \$159,239 including interest beginning on June 1, 2015 through December 1, 2022; interest at 1.89%; secured by a deed of trust on City Hall; in the event of default, lender may declare all principal and accrued interest due and payable and may sell City Hall.</p> | 774,111 |
| <p>\$377,980 direct placement installment purchase contract with BB&T dated September 28, 2015 for a police animal control vehicle and a refuse truck due in semi-annual payments of \$37,798 plus interest beginning on March 1, 2016 through September 1, 2020; interest at 1.66%; secured by vehicles; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of and sell the vehicles.</p> | 37,798 |
| <p>\$7,527,000 direct placement installment purchase contract with BB&T dated March 11, 2016 for recreation improvements, construction of an Electric Operations Center, and construction of a Warehouse Center due in semi-annual payments of \$250,900 plus interest beginning on September 1, 2016 through March 1, 2031; interest at 2.52%; secured by a deed of trust on the Electric Operations and Warehouse Centers; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the Electric Operations and Warehouse Centers.</p> | 5,519,800 |
| <p>\$1,035,527 direct placement installment purchase contract with Regions Bank dated September 1, 2017 for public safety communications equipment due in semi-annual payments of \$103,553 plus interest beginning on February 1, 2018 through August 1, 2022; interest at 1.73%; secured by equipment; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of and sell the equipment.</p> | 517,763 |
| <p>\$1,140,000 direct placement installment purchase contract with First National Bank dated October 18, 2018 for construction of a Skate/BMX Park due in semi-annual payments of \$38,000 plus interest beginning on March 1, 2019 through September 1, 2033; interest at 3.25%; secured by a deed of trust on the park; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the park and related appurtenances.</p> | 1,026,000 |
| <p>\$200,000 direct placement installment purchase contract with Davidson County dated October 26, 2018 for acquisition of property located at 200 N. State Street and 209 N. State Street due in annual payments of \$40,000 beginning on October 26, 2018 through October 26, 2022; no interest; secured by deed of trust on the property; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the property.</p> | 120,000 |
| | <hr style="width: 100%;"/> <u>\$ 12,526,344</u> |

Annual debt service payments of installment purchase contracts as of June 30, 2020, including \$1,636,113 of interest, net of 35% federal credit, are as follows:

| Year Ending June 30 | Governmental Activities | | Business-Type Activities | |
|----------------------------|-------------------------|-------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 728,411 | \$ 156,793 | \$ 1,018,595 | \$ 202,402 |
| 2022 | 700,177 | 134,972 | 1,034,159 | 173,401 |
| 2023 | 606,513 | 113,017 | 890,942 | 143,794 |
| 2024 | 513,188 | 93,287 | 703,671 | 118,091 |
| 2025 | 523,765 | 73,971 | 714,522 | 93,346 |
| 2026-2030 | 1,768,275 | 184,281 | 2,556,326 | 223,444 |
| 2031-2034 | <u>379,800</u> | <u>19,441</u> | <u>388,000</u> | <u>7,334</u> |
| Total Principal & Interest | <u>\$ 5,220,129</u> | 775,762 | <u>\$ 7,306,215</u> | 961,812 |
| 35% Federal Credit | | <u>(45,899)</u> | | <u>(55,562)</u> |
| Interest, Net of Credit | | <u>\$ 729,863</u> | | <u>\$ 906,250</u> |

At June 30, 2020, the City of Lexington had a legal debt margin of \$116,631,821.

b. Economic Development Grants

The City of Lexington enters into formal economic development incentive agreements with companies to stimulate economic development in the local economy. These contracts stipulate the company's required investment in real and personal property, the number of jobs that must be created and the wage requirements. Due to the uncertainty of contractual obligations being met by grant recipients, the City's incentive commitments are not recorded as obligations in the statement of net position until the company meets its contractual obligations to qualify for the grant.

Commitments under economic development incentive agreements for which no obligation has been recorded include:

- Save-A-Lot, Ltd. – As part of an economic development grant, land co-owned with Davidson County in the Lexington Business Center is being leased to Save-A-Lot, Ltd. and will be conveyed to the company when the 12-year lease agreement is fulfilled in December 2022. Save-A-Lot is meeting the terms of both the lease and economic development incentive agreements and remitting \$72,917 annually in a lease payment. Under the terms of the economic development incentive agreement when the company submits timely documentation evidencing fulfillment of its obligations under the contract, the lease amount is returned to the company in the form of an economic development incentive grant with the final payment anticipated in 2023. For the 2019-20 fiscal year, the company was paid \$72,917 under this agreement. As of June 30, 2020, the City's remaining commitment under this contract totals \$218,750.
- United Furniture Industries – The City partnered with Davidson County to purchase land, resulting in a \$68,300 transaction in fiscal year 2009-10 and a \$100,500 transaction in fiscal year 2013-14. As part of an economic development incentive grant, this land is being leased to United Furniture Industries and will be conveyed to the company when the 12-year lease agreement is fulfilled in December 2022. United Furniture is meeting the terms of the lease agreement remitting \$16,858 annually in a lease payment. Under the terms of the economic development incentive agreement when the company submits timely documentation evidencing fulfillment of its obligations under the contract, the lease amount is returned to the company in the form of an economic development incentive grant with final payment anticipated in 2023. For the 2019-20 fiscal year, the company

was paid \$16,858 under this agreement. As of June 30, 2020, the City's remaining commitment under this contract totals \$50,575.

- Halyard North Carolina – The City has an economic development incentive agreement with Halyard North Carolina under which Halyard agreed to invest \$24,000,000 in new expanded investment in its manufacturing plant and create and maintain 30 new full-time employment positions. Under the terms of the economic development incentive agreement the City has agreed to make annual grants of \$72,000 each year for a five year period beginning on January 1, 2017, subject to the company's submission of timely documentation evidencing fulfillment of its obligations under the contract. For the 2019-20 fiscal year, the company was paid \$72,000 under this agreement. As of June 30, 2020, the City's remaining commitment under this contract totals \$72,000.

8. Changes in Long-Term Liabilities

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2020:

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion of Balance |
|---|----------------------|---------------------|---------------------|----------------------|----------------------------------|
| <u>Governmental activities:</u> | | | | | |
| Direct placement installment purchases | \$ 6,064,358 | \$ - | \$ 844,229 | \$ 5,220,129 | \$ 728,411 |
| Compensated absences | 1,144,081 | 775,227 | 644,879 | 1,274,429 | 489,700 |
| Solid waste landfill | 20,000 | - | 20,000 | - | - |
| Net pension liability (LGERS) | 4,002,231 | 198,083 | - | 4,200,314 | - |
| Total pension liability (LEO) | 2,389,543 | 93,178 | - | 2,482,721 | - |
| Total OPEB liability | 12,327,989 | - | 740,130 | 11,587,859 | - |
| Governmental activity long-term liabilities | <u>\$ 25,948,202</u> | <u>\$ 1,066,488</u> | <u>\$ 2,249,238</u> | <u>\$ 24,765,452</u> | <u>\$ 1,218,111</u> |
| <u>Electric Fund</u> | | | | | |
| Direct placement installment purchases | \$ 5,054,172 | \$ - | \$ 632,392 | \$ 4,421,780 | \$ 640,976 |
| Total OPEB liability | 1,392,338 | - | 406,231 | 986,107 | - |
| Electric Fund long-term liabilities | <u>6,446,510</u> | <u>-</u> | <u>1,038,623</u> | <u>5,407,887</u> | <u>640,976</u> |
| <u>Water and Wastewater Fund</u> | | | | | |
| Direct placement installment purchases | 282,866 | - | 42,648 | 240,218 | 44,353 |
| Compensated absences | 238,482 | 203,197 | 176,301 | 265,378 | 136,000 |
| Net pension liability (LGERS) | 883,869 | 16,272 | - | 900,141 | - |
| Total OPEB liability | 1,524,223 | - | 95,218 | 1,429,005 | - |
| Water and Wastewater Fund long-term liabilities | <u>2,929,440</u> | <u>219,469</u> | <u>314,167</u> | <u>2,834,742</u> | <u>180,353</u> |
| <u>Natural Gas Fund</u> | | | | | |
| Direct placement installment purchases | 801,452 | - | 120,835 | 680,617 | 125,666 |
| Compensated absences | 106,982 | 96,698 | 103,832 | 99,848 | 72,000 |
| Net pension liability (LGERS) | 348,771 | 33,095 | - | 381,866 | - |
| Total OPEB liability | 870,632 | - | 125,147 | 745,485 | - |
| Natural Gas Fund long-term liabilities | <u>2,127,837</u> | <u>129,793</u> | <u>349,814</u> | <u>1,907,816</u> | <u>197,666</u> |
| <u>Golf Fund</u> | | | | | |
| Compensated absences | 32,842 | 22,865 | 18,059 | 37,648 | 18,000 |
| Net pension liability (LGERS) | 136,112 | 14,162 | - | 150,274 | - |
| Total OPEB liability | 330,794 | - | 54,098 | 276,696 | - |
| Golf Fund long-term liabilities | <u>499,748</u> | <u>37,027</u> | <u>72,157</u> | <u>464,618</u> | <u>18,000</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion of Balance |
|---|----------------------|-------------------|---------------------|----------------------|----------------------------------|
| <u>Utility Administration Fund</u> | | | | | |
| Direct placement installment purchases | 2,171,200 | - | 207,600 | 1,963,600 | 207,600 |
| Compensated absences | 121,586 | 110,551 | 80,794 | 151,343 | 77,000 |
| Net pension liability (LGERS) | 465,216 | 48,129 | - | 513,345 | - |
| Total OPEB liability | <u>878,409</u> | <u>193,470</u> | <u>-</u> | <u>1,071,879</u> | <u>-</u> |
| Utility Administration Fund long-term liabilities | <u>3,636,411</u> | <u>352,150</u> | <u>288,394</u> | <u>3,700,167</u> | <u>284,600</u> |
| Business activity long-term liabilities | <u>\$ 15,639,946</u> | <u>\$ 738,439</u> | <u>\$ 2,063,155</u> | <u>\$ 14,315,230</u> | <u>\$ 1,321,595</u> |

Net pension liability, total pension liability, and total other postemployment liability for governmental activities are all typically liquidated in the General Fund. The majority of compensated absences for governmental activities typically have been liquidated in the General Fund. Governmental activities also include Fleet Management, Group Insurance and Risk Management internal service funds.

C. Interfund Balances and Activity

1. Interfund Balances

Balances due to/from other funds at June 30, 2020 consist of the following:

| Receivable Fund | Payable Fund | Current | Noncurrent | Total |
|-------------------------|---------------------------|-------------------|-------------------|---------------------|
| General Fund | Public Safety Grants Fund | \$ 4,678 | \$ - | \$ 4,678 |
| Water & Wastewater Fund | General Fund | 361,242 | 367,665 | 728,907 |
| Natural Gas Fund | General Fund | 413,302 | 112,741 | 526,043 |
| Natural Gas Fund | Golf Fund | 28,153 | 44,725 | 72,878 |
| Total | | <u>\$ 807,375</u> | <u>\$ 525,131</u> | <u>\$ 1,332,506</u> |

Interfund balances owed to the General Fund represent temporary advances to the Public Safety Grants Fund and will be repaid upon receipt of grant reimbursements.

On December 7, 2015, the General Fund borrowed \$526,125 from the Natural Gas Fund to fund the purchase of two (2) hybrid refuse vehicles. The terms of the arrangement require the General Fund to repay the Natural Gas Fund in fourteen semi-annual installments, plus interest at 1.40%, beginning on April 1, 2016. The outstanding balance of this arrangement at June 30, 2020 was \$187,902.

On September 1, 2017, the Golf Fund borrowed \$57,903 from the Natural Gas Fund to fund the purchase of golf equipment. The terms of the arrangement require the Golf Fund to repay the Natural Gas Fund in ten semi-annual installments, plus interest at 2.09%, beginning on December 1, 2017. The outstanding balance of this arrangement at June 30, 2020 was \$23,161.

On October 1, 2018, the Golf Fund borrowed \$82,862 from the Natural Gas Fund to fund the purchase of golf equipment. The terms of the arrangement require the Golf Fund to repay the Natural Gas Fund in ten semi-annual installments, plus interest at 2.99%, beginning on December 1, 2018. The outstanding balance of this arrangement at June 30, 2020 was \$49,717.

On November 1, 2019, the General Fund borrowed \$601,380 from the Natural Gas Fund to fund the purchase of sixteen (16) police vehicles and related equipment. The terms of the arrangement require the General Fund to repay the Natural Gas Fund in 4 semi-annual installments, plus interest at 1.77%, beginning on December 1, 2019. The outstanding balance of this arrangement at June 30, 2020 was \$301,116.

On November 1, 2019, the General Fund borrowed \$73,946 from the Natural Gas Fund to fund the purchase of two (2) fire vehicles and related equipment. The terms of the arrangement require the General Fund to repay the Natural Gas Fund in 4 semi-annual installments, plus interest at 1.77%, beginning on December 1, 2019. The outstanding balance of this arrangement at June 30, 2020 was \$37,025.

On November 1, 2019, the General Fund borrowed \$1,091,843 from the Water and Wastewater Fund to fund the purchase of three (3) refuse vehicles. The terms of the arrangement require the General Fund to repay the Water and Wastewater Fund in 6 semi-annual installments, plus interest at 1.77%, beginning on December 1, 2019. The outstanding balance of this arrangement at June 30, 2020 was \$728,907.

2. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---|--|----------------------|
| General Fund | Electric Fund | \$ 1,200,000 |
| General Fund (payment in lieu of taxes) | Electric Fund (payment in lieu of taxes) | 231,106 |
| General Fund (payment in lieu of taxes) | Water and Wastewater Fund (payment in lieu of taxes) | 357,314 |
| General Fund | Natural Gas Fund | 1,025,497 |
| General Fund (payment in lieu of taxes) | Natural Gas Fund (payment in lieu of taxes) | 76,051 |
| Electric Capital Reserve Fund | Electric Fund | 6,000,000 |
| Electric Rate Stabilization Fund | Electric Fund | 400,000 |
| Water and Wastewater Capital Reserve Fund | Water and Wastewater Fund | 639,848 |
| Stormwater Fund | General Fund | 90,495 |
| Golf Fund | General Fund | 459,212 |
| Fleet Management Fund | Fleet Management Capital Reserve Fund | 806,643 |
| Fleet Management Capital Reserve Fund | Fleet Management Fund | 567,021 |
| Total | | <u>\$ 11,853,187</u> |

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

The Electric, Water and Wastewater, and Natural Gas Funds made transfers to the General Fund, which consisted of transfers related to payments in lieu of taxes in the amounts of \$231,106, \$357,314, and \$76,051, respectively. The Electric and Natural Gas Funds also made transfers in the amounts of \$1,200,000 and \$1,025,497 as profit distributions to support General Fund services.

The Electric Capital Reserve Fund received a transfer in the amount of \$6,000,000 from the Electric Fund for future capital needs, including plans for a third delivery station to supply the electrical system.

The Electric Rate Stabilization Fund received a transfer in the amount of \$400,000 from the Electric Fund for short-term rate management and stabilization needs of Electric utility customers.

The Water and Wastewater Capital Reserve Fund received a transfers in the amounts of \$500,000 and \$139,848 from the Water and Wastewater Fund for future capital needs and system development fees collected, respectively.

The Stormwater Fund received a transfer from the General Fund in the amount of \$90,495 for operational funding.

The Golf Fund received a transfer from the General Fund in the amount of \$459,212 for operational and capital funding.

The Fleet Management Fund received a transfer from the Capital Reserve Fund in the amount of \$806,643 to purchase vehicles and equipment for the City's motor pool fleet.

The Fleet Management Capital Reserve Fund received a transfer in the amount of \$567,021 from the Fleet Management Fund for future capital needs.

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure, on-behalf payments for pension contributions of \$24,250 made by the State for the fifty-two employed firefighters' who perform firefighting duties for the City's fire department. The employees elected to be members of the Firefighters' and Rescue Squad Workers' Pension Fund, a cost sharing multiple employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

E. Net Investment in Capital Assets

Net investment in capital assets at the government-wide level consists of the following:

| | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| Capital assets | \$ 40,276,833 | \$ 100,672,299 |
| Less: long-term debt on capital assets | (5,220,129) | (7,306,215) |
| Net investment in capital assets | <u>\$ 35,056,704</u> | <u>\$ 93,366,084</u> |

F. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

| | |
|--|---------------------|
| Total fund balance - General Fund | \$ 11,689,616 |
| Less: | |
| Prepaid Items | (4,000) |
| Stabilization by State Statute | <u>(3,460,236)</u> |
| Fund balance available for appropriation | 8,225,380 |
| Less: Restrictions, commitments, and assignments of fund balance available for appropriation | |
| Restricted for general government | (3,100) |
| Committed for general government | (9,370) |
| Appropriated fund balance in 2019-20 budget | <u>(1,920,720)</u> |
| Unassigned fund balance | <u>\$ 6,292,190</u> |

City Council must authorize the use of Neighborhood Revitalization Funds and any unspent funds at the end of the fiscal year are classified as Committed Fund Balance for future year neighborhood revitalization initiatives.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

| | <u>General Fund</u> | <u>Non-Major Funds</u> |
|--------------|---------------------|------------------------|
| Encumbrances | \$ 937,427 | \$ - |

3. Jointly Governed Organization

North Carolina Municipal Power Agency Number 1

The City of Lexington, in conjunction with eighteen other local governments, is a member of the North Carolina Municipal Power Agency Number 1. The agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one Council member (or Commissioner) to the agency's governing board. The nineteen members, who receive power from the agency, have signed power sales agreements to purchase a specified share of the power generated by the agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2020 were \$32,863,804. These expenses are reflected in the Electric Fund's operations. Complete financial statements for the Power Agency can be obtained from the Agency's administrative offices at P.O. Box 29513, Raleigh, NC 27626-0513.

4. Joint Venture

Lake Thom-A-Lex

The municipalities of Lexington and Thomasville, North Carolina jointly own and operate a waterworks reservoir system. Both cities' governing bodies have authority, under resolutions adopted individually, to acquire, construct, improve, maintain, and jointly operate this system. Both cities have authority to issue bonds or other means of financing as necessary to acquire, construct, and/or improve the system. There are no bonds outstanding for the joint venture at June 30, 2020, and there are no bonds authorized but unissued. The cities' governing boards also have joint control over budgeting the operation.

As of May 1, 2000, the two cities and their county of location, Davidson County, entered into an agreement to form the Lake Thom-A-Lex Recreation Authority. This Authority, consisting of five members appointed by the governmental parties, is responsible for the oversight and promotion of operations related to recreation at Lake Thom-A-Lex.

Costs of operations are shared equally between the City of Lexington, the City of Thomasville, and Davidson County. The City of Thomasville maintains control over the financial records for assets and liabilities of the lake. Effective July 1, 2009 Davidson County began maintaining control over the financial records of the operation of the lake and bills the City of Lexington for its share of the costs. These costs are included as an operating expenditure in the Water Plant Department in the City's Water and Wastewater Fund. The City spent \$27,734 for the fiscal year ended June 30, 2020.

The City of Lexington has a 50% interest in the joint venture and an ongoing financial responsibility for Lake Thom-A-Lex. The City's original investment of \$180,000 was recorded in 1957, the year the joint venture began. Assets consist of 1,034 acres of land, an earthen dam constructed in 1957, a boathouse, piers, restroom building, playground, picnic shelters, boats, and a vehicle, which are jointly owned. The City's equity interest as of June 30, 2020 was \$337,809, which is shown in the government-wide financial statements. There is no distribution of net income. Net position remains in the joint venture for future operational needs of the system. Lake Thom-A-Lex has the same fiscal year-end as the City of Lexington, which is June 30, 2020. Lake Thom-A-Lex did not issue

separate financial statements. The following condensed financial information as of and for the year ended June 30, 2020 has been provided by the City of Thomasville.

Assets

| | |
|--------------------------------|--------------------------|
| Cash | \$ 314,001 |
| Accounts receivable | 38,615 |
| Land | 223,395 |
| Buildings | 15,000 |
| Other improvements | 1,190,537 |
| Equipment | <u>87,018</u> |
| | 1,868,566 |
| Less: accumulated depreciation | <u>(1,192,948)</u> |
| Total assets | <u><u>\$ 675,618</u></u> |

Net Position

\$ 675,618

Revenues

| | |
|-------------------------------------|---------------|
| Permits, rentals, concessions, etc. | \$ 48,361 |
| Contributions | |
| City of Thomasville | 27,734 |
| City of Lexington | 27,734 |
| Davidson County | <u>27,734</u> |
| Total revenues | 131,563 |

Expenditures

| | |
|--------------------------------|----------------|
| Salaries and employee benefits | 107,343 |
| Operating expenditures | <u>28,182</u> |
| Total expenditures | <u>135,525</u> |

Revenues over (under) expenditures (3,962)

Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures \$ (3,962)

Reconciling items:

 Depreciation expense (42,040)

Change in net position (46,002)

Net position

 Beginning of year, July 1 721,620

 End of year, June 30 \$ 675,618

5. Related Organizations

A. Lexington Housing Authority

This unit operates under the "Housing Authorities Law" of the State of North Carolina for the benefit of the City's residents. The five-member board of the Lexington Housing Authority is appointed by the mayor of the

City of Lexington. The City is accountable because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City does not approve or modify the Authority's budget and does not select its management. The City does not finance any of the Authority's deficits and is not entitled to any surpluses. The City is not obligated in any manner for the Authority's debt. Complete financial statements for the Lexington Housing Authority can be obtained from the Authority's offices at 1 Jamaica Drive, Lexington, North Carolina 27292.

6. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the City's financial statements for the refund of grant monies.

7. Discretely Presented Component Unit – Uptown Lexington

Long-Term Debt

On June 22, 2020 Uptown Lexington entered into a direct placement Paycheck Protection Program loan with First National Bank of Pennsylvania in the amount of \$16,200 due in monthly payments of \$337.50 plus interest at 1.00% beginning on July 22, 2021 through June 22, 2025. The note is not secured. In the event of default, the lender may a) require immediate payment of all amounts owing under the note, b) collect all amounts owing from the borrower, or c) file suit and obtain judgement.

Required debt service payments for the base obligation as of June 30, 2020 are as follows:

| Year Ending June 30 | Principal | Interest |
|------------------------|------------------|---------------|
| 2021 | \$ - | \$ - |
| 2022 | 4,050 | 306 |
| 2023 | 4,050 | 103 |
| 2024 | 4,050 | 63 |
| 2025 | 4,050 | 22 |
| | <u>\$ 16,200</u> | <u>\$ 494</u> |

The long-term debt activity for Uptown Lexington for the year ended June 30, 2020 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion of Balance |
|---------------------------------------|----------------------|------------------|-------------|-------------------|----------------------------------|
| Direct placement installment purchase | <u>\$ -</u> | <u>\$ 16,200</u> | <u>\$ -</u> | <u>\$ 16,200</u> | <u>\$ -</u> |

8. Significant Effects of Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a coronavirus, (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact City revenues. At the current time, we are unable to quantify the potential effects of this pandemic.

On July 31, 2020, the City entered into a \$430,000 direct placement installment purchase contract with First National Bank for a Water and Wastewater Jet Vac Truck due in semi-annual payments of \$44,348 including interest beginning on December 1, 2020 through June 1, 2025. Interest on this obligation is at 1.18%.

On September 14, 2020, the City entered into a \$351,000 direct placement installment purchase contract with First National Bank for two Recycling and Waste Collection Refuse Trucks due in semi-annual payments of \$44,799 including interest beginning on December 1, 2020 through June 1, 2024. Interest on this obligation is at 1.053%.

9. Significant Effects of Subsequent Events – Discretely Presented Component Unit

In March 2020, subsequent to its December 31, 2019 fiscal year end, Front Street-Lexington purchased land for \$2,476,588 from an unrelated group of sellers. Front Street-Lexington intends to develop and sell the property. In conjunction with this purchase, Front Street-Lexington paid \$400,000 in cash and entered into a direct placement seller-financed interest-free installment financing agreement with a base obligation of \$2,076,588. The property is pledged as collateral for the debt while the debt is outstanding. Front Street-Lexington intends to develop and sell the property, using sales proceeds to pay the required debt service. Principal payments are payable as the property is developed and sold with a minimum of \$400,000 due by March 5, 2025 and the remaining principal due upon either the sale of 50% of the property or by March 5, 2030, whichever is earlier. The agreement also contains a maximum contingent obligation not to exceed \$495,317.

10. Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, in the fiscal year ending June 30, 2020. The City's majority equity interest in Front Street-Lexington, a legally separate organization, does not meet the definition of an investment. In accordance with GASB Statement No. 90, the City reports Front Street-Lexington as a component unit and the City reports an asset related to the majority equity interest using the equity method. The implementation of this statement had no effect on net position.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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City of Lexington, North Carolina
City of Lexington's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Seven Fiscal Years *

Exhibit A-1

Local Government Employees' Retirement System

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| City of Lexington's proportion of the net pension liability (asset) (%) | 0.22505% | 0.24601% | 0.23996% | 0.25048% | 0.25463% | 0.25594% | 0.25270% |
| City of Lexington's proportionate share of the net pension liability (asset) (\$) | \$ 6,145,940 | \$ 5,836,199 | \$ 3,665,924 | \$ 5,316,025 | \$ 1,142,764 | \$ (1,509,396) | \$ 3,046,005 |
| City of Lexington's covered payroll | \$ 14,926,011 | \$ 15,579,001 | \$ 15,075,706 | \$ 14,114,948 | \$ 14,050,453 | \$ 14,213,987 | \$ 14,008,463 |
| City of Lexington's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 41.18% | 37.46% | 24.32% | 37.66% | 8.13% | (10.62%) | 21.74% |
| Plan fiduciary net position as a percentage of the total pension liability** | 90.86% | 91.63% | 94.18% | 91.47% | 98.09% | 102.47% | 94.16% |

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**This will be the same percentage for all participant employers in the LGERS plan.

Note: This exhibit will eventually present information for ten years. Additional years' information will be presented as it becomes available.

**City of Lexington, North Carolina
City of Lexington's Contributions
Required Supplementary Information
Last Seven Fiscal Years**

Exhibit A-2

Local Government Employees' Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|------------------|------------------|----------------|------------------|------------------|
| Contractually required contribution | \$ 1,424,486 | \$ 1,178,286 | \$ 1,190,478 | \$ 1,114,935 | \$ 953,728 | \$ 1,005,958 | \$ 1,017,648 |
| Contributions in relation to the contractually required contribution | <u>1,424,486</u> | <u>1,178,286</u> | <u>1,190,478</u> | <u>1,114,935</u> | <u>953,728</u> | <u>1,005,958</u> | <u>1,017,648</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City of Lexington's covered payroll | \$ 15,663,573 | \$ 14,926,011 | \$ 15,579,001 | \$ 15,075,706 | \$ 14,114,948 | \$ 14,050,453 | \$ 14,213,987 |
| Contributions as a percentage of covered payroll | 9.09% | 7.89% | 7.64% | 7.40% | 6.76% | 7.16% | 7.16% |

Note: This exhibit will eventually present information for ten years. Additional years' information will be presented as it becomes available.

City of Lexington, North Carolina
City of Lexington's Proportionate Share of Net Pension Liability
Required Supplementary Information
Last Six Fiscal Years *

Exhibit A-3

Firefighters' and Rescue Squad Workers' Pension

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| City of Lexington's proportionate share of the net pension liability (%) | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| City of Lexington's proportionate share of the net pension liability (\$) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with City of Lexington | <u>48,076</u> | <u>66,480</u> | <u>59,433</u> | <u>43,304</u> | <u>42,989</u> | <u>32,450</u> |
| Total | <u>\$ 48,076</u> | <u>\$ 66,480</u> | <u>\$ 59,433</u> | <u>\$ 43,304</u> | <u>\$ 42,989</u> | <u>\$ 32,450</u> |
| City of Lexington's covered payroll | \$ 2,306,355 | \$ 2,287,838 | \$ 2,213,203 | \$ 2,056,592 | \$ 2,000,993 | \$ 1,965,433 |
| City of Lexington's proportionate share of the net pension liability as a percentage of its covered payroll | 2.08% | 2.91% | 2.69% | 2.11% | 2.15% | 1.65% |
| Plan fiduciary net position as a percentage of the total pension liability | 92.43% | 89.69% | 89.35% | 84.94% | 91.40% | 93.42% |

*The amounts presented are for the prior year.

Note: This exhibit will eventually present information for ten years. Additional years' information will be presented as it becomes available.

City of Lexington, North Carolina
Schedule of Changes in Total Pension Liability
Required Supplementary Information

Exhibit A-4

Law Enforcement Officers' Special Separation Allowance

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Beginning Balance | \$ 2,389,543 | \$ 2,395,833 | \$ 2,257,382 | \$ 2,329,866 |
| Service Cost | 90,434 | 99,412 | 83,433 | 86,066 |
| Interest on the total pension liability | 84,067 | 73,352 | 84,043 | 79,843 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 7,862 | 61,214 | 396 | - |
| Changes of assumptions or other inputs | 70,836 | (91,106) | 130,799 | (51,650) |
| Benefit payments | (160,021) | (149,162) | (160,220) | (186,743) |
| Other changes | - | - | - | - |
| Ending balance of the total pension liability | <u>\$ 2,482,721</u> | <u>\$ 2,389,543</u> | <u>\$ 2,395,833</u> | <u>\$ 2,257,382</u> |

The amounts presented for each fiscal year were determined as of the prior year ending December 31.

Note: This exhibit will eventually present information for ten years. Additional years' information will be presented as it becomes available.

City of Lexington, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
Required Supplementary Information

Exhibit A-5

Law Enforcement Officers' Special Separation Allowance

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|--------------|
| Total pension liability | \$ 2,482,721 | \$ 2,389,543 | \$ 2,395,833 | \$ 2,257,382 |
| Covered-employee payroll | 2,955,278 | 2,967,900 | 2,796,508 | 2,783,911 |
| Total pension liability as a percentage of covered-employee payroll | 84.01% | 80.51% | 85.67% | 81.09% |

Notes to the schedules:

The City of Lexington has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note: This exhibit will eventually present information for ten years. Additional years' information will be presented as it becomes available.

City of Lexington, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information

Exhibit A-6

| | 2020 | 2019 | 2018 |
|---|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | |
| Service Cost at end of year | \$ 694,638 | \$ 717,336 | \$ 831,349 |
| Interest | 650,123 | 604,292 | 526,656 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | (1,674,374) | 16,703 | 408,009 |
| Changes of assumptions or other inputs | 337,469 | (515,457) | (1,189,400) |
| Benefit payments | (1,235,210) | (937,766) | (1,259,077) |
| Other | - | - | - |
| Net change in Total OPEB Liability | (1,227,354) | (114,892) | (682,463) |
| Total OPEB Liability - beginning | 17,324,385 | 17,439,277 | 18,121,740 |
| Total OPEB Liability - ending | \$ 16,097,031 | \$ 17,324,385 | \$ 17,439,277 |
| Covered-employee payroll | \$ 13,589,003 | \$ 14,058,965 | \$ 14,058,965 |
| Total OPEB liability as a percentage of covered-employee payroll | 118.46% | 123.23% | 124.04% |

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

| <u>Fiscal Year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2020 | 3.50% |
| 2019 | 3.89% |
| 2018 | 3.56% |

Note: This exhibit will eventually present information for ten years. Additional years' information will be presented as it becomes available.



**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

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MAJOR GOVERNMENTAL FUNDS

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Major Governmental Funds

General Fund

The General Fund is the principal fund of the City from which the major portion of the City's operations are financed. This fund finances the regular operation of all departments and accounts for all activities that are not legally or by sound financial management to be accounted for in other funds.

A summary of revenues and expenditures is presented below:

| <u>REVENUES BY SOURCE</u> | <u>Amount</u> | <u>Percent of Total</u> |
|--------------------------------|----------------------|-----------------------------|
| Ad valorem taxes | \$ 10,504,426 | 42% |
| Other taxes and licenses | 675,730 | 3% |
| Unrestricted intergovernmental | 7,532,583 | 30% |
| Restricted intergovernmental | 826,560 | 3% |
| Permits and fees | 352,071 | 1% |
| Sales and services | 1,881,961 | 8% |
| Investment earnings | 180,947 | 1% |
| Miscellaneous | 77,179 | 0% |
| Other financing sources | <u>2,912,534</u> | <u>12%</u> |
| Total revenues | <u>\$ 24,943,991</u> | <u>100%</u> |

EXPENDITURES BY FUNCTION

| | | |
|-----------------------------------|----------------------|-------------|
| General government | \$ 4,260,177 | 17% |
| Public safety | 12,160,804 | 47% |
| Highways and streets | 1,634,712 | 6% |
| Sanitation | 3,518,431 | 14% |
| Culture and recreation | 1,675,897 | 7% |
| Economic and physical development | 730,958 | 3% |
| Debt service | 1,043,100 | 4% |
| Other financing uses | <u>549,707</u> | <u>2%</u> |
| Total expenditures | <u>\$ 25,573,786</u> | <u>100%</u> |



**City of Lexington, North Carolina
General Fund**

Exhibit B-1

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2020**

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|---------------|------------------------------------|
| Revenues | | | |
| Ad valorem taxes | | | |
| Taxes | \$ | \$ 10,408,744 | \$ |
| Interest | | 95,682 | |
| Total | 9,918,500 | 10,504,426 | 585,926 |
| | | | |
| Other taxes and licenses | | | |
| Occupancy tax | | 343,510 | |
| Municipal vehicle tax | | 332,220 | |
| Total | 807,500 | 675,730 | (131,770) |
| | | | |
| Unrestricted intergovernmental | | | |
| Federal Build America Bond interest credit | | 17,267 | |
| Utilities sales tax | | 1,892,993 | |
| Piped natural gas sales tax | | 149,463 | |
| Telecommunications tax | | 131,288 | |
| Video franchise tax | | 109,712 | |
| Payments in lieu of taxes | | 1,654 | |
| Beer and wine tax | | 78,060 | |
| Local option sales tax | | 4,737,746 | |
| ABC revenues | | 414,400 | |
| Total | 7,301,440 | 7,532,583 | 231,143 |
| | | | |
| Restricted intergovernmental | | | |
| ABC recreation | | 88,800 | |
| ABC law enforcement | | 29,564 | |
| Solid waste disposal tax | | 13,734 | |
| Powell Bill allocation | | 550,383 | |
| On-behalf of payments - fire | | 24,250 | |
| Public safety | | 14,236 | |
| Disaster assistance | | 11,870 | |
| Coronavirus Relief Fund | | 90,388 | |
| NCMPA 1 lighting rebate | | 3,335 | |
| Total | 695,040 | 826,560 | 131,520 |
| | | | |
| Permits and fees | | | |
| Inspection fees and permits | | 352,071 | |
| Total | 201,600 | 352,071 | 150,471 |

Continued on next page.

**City of Lexington, North Carolina
General Fund**

**Exhibit B-1
*continued***

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2020**

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|------------|------------|------------------------------------|
| Sales and services | | | |
| Property rental | \$ | \$ 4,201 | \$ |
| Court cost and parking fees | | 4,558 | |
| Public safety charges | | 117,307 | |
| Cemetery fees | | 66,850 | |
| Mowing and debris removal fees | | 21,440 | |
| Demolition fees | | 2,276 | |
| Recreation fees | | 18,702 | |
| Waste collection fees | | 1,553,558 | |
| Other charges | | 93,069 | |
| Total | 1,946,092 | 1,881,961 | (64,131) |
| Investment earnings | 203,730 | 180,947 | (22,783) |
| Miscellaneous | | | |
| Sale of materials | | 4,016 | |
| Donations | | 62,725 | |
| Other | | 10,438 | |
| Total | 160,500 | 77,179 | (83,321) |
| Total revenues | 21,234,402 | 22,031,457 | 797,055 |
| Expenditures | | | |
| General government | | | |
| Governing board | | | |
| Salaries and employee benefits | | 99,095 | |
| Operating expenses | | 48,269 | |
| Cost redistribution | | (122,017) | |
| Total governing board | 69,555 | 25,347 | 44,208 |
| City administration | | | |
| Salaries and employee benefits | | 446,830 | |
| Operating expenses | | 43,502 | |
| Cost redistribution | | (387,433) | |
| City administration | 217,248 | 102,899 | 114,349 |

Continued on next page.

**City of Lexington, North Carolina
General Fund**

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2020**

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|------------|------------------------------------|
| Administrative - other | | | |
| Retiree benefits | \$ | \$ 446,132 | \$ |
| Operating expenses | | 685,589 | |
| Administrative charges risk management fund | | 724,807 | |
| Administrative charges utility administration fund | | 507,645 | |
| Grants to other agencies | | 110,997 | |
| Payment to Lexington Tourism Authority | | 333,204 | |
| Cost redistribution | | (222,279) | |
| Total administrative - other | 2,681,573 | 2,586,095 | 95,478 |
| Finance | | | |
| Salaries and employee benefits | | 733,161 | |
| Operating expenses | | 32,232 | |
| Cost redistribution | | (403,436) | |
| Total finance | 400,305 | 361,957 | 38,348 |
| Legal | | | |
| Operating expenses | | 37,359 | |
| Cost redistribution | | (16,858) | |
| Total legal | 33,642 | 20,501 | 13,141 |
| Human resources | | | |
| Salaries and employee benefits | | 341,074 | |
| Operating expenses | | 53,183 | |
| Cost redistribution | | (164,552) | |
| Total human resources | 270,066 | 229,705 | 40,361 |
| Information technologies | | | |
| Salaries and employee benefits | | 449,873 | |
| Operating expenses | | 563,611 | |
| Capital outlay | | 31,813 | |
| Cost redistribution | | (403,701) | |
| Total information technologies | 719,949 | 641,596 | 78,353 |

Continued on next page.

**City of Lexington, North Carolina
General Fund**

**Exhibit B-1
*continued***

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2020**

| | Budget | Actual | Variance Positive (Negative) |
|--|------------|------------|------------------------------------|
| Public buildings | | | |
| Salaries and employee benefits | \$ | \$ 269,767 | \$ |
| Operating expenses | | 125,969 | |
| Cost redistribution | | (103,659) | |
| Total public buildings | 367,768 | 292,077 | 75,691 |
| Total general government | 4,760,106 | 4,260,177 | 499,929 |
| Public safety | | | |
| Police | | | |
| Salaries and employee benefits | | 5,313,323 | |
| Operating expenses | | 941,791 | |
| Capital outlay | | 749,070 | |
| Cost redistribution | | (67,307) | |
| Total police | 7,221,548 | 6,936,877 | 284,671 |
| Fire | | | |
| Salaries and employee benefits | | 3,720,760 | |
| Operating expenses | | 497,184 | |
| Capital outlay | | 117,099 | |
| Total fire | 5,207,949 | 4,335,043 | 872,906 |
| Business and community development | | | |
| Salaries and employee benefits | | 746,478 | |
| Operating expenses | | 142,406 | |
| Total business and community development | 975,035 | 888,884 | 86,151 |
| Total public safety | 13,404,532 | 12,160,804 | 1,243,728 |
| Highways and streets | | | |
| Public services administration | | | |
| Salaries and employee benefits | | 324,331 | |
| Operating expenses | | 24,450 | |
| Cost redistribution | | (235,347) | |
| Total public services administration | 151,079 | 113,434 | 37,645 |

Continued on next page.

**City of Lexington, North Carolina
General Fund**

**Exhibit B-1
*continued***

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2020**

| | Budget | Actual | Variance Positive (Negative) |
|---|-----------|------------|------------------------------------|
| Street | | | |
| Salaries and employee benefits | \$ | \$ 767,868 | \$ |
| Operating expenses | | 903,706 | |
| Capital outlay | | 22,437 | |
| Cost redistribution | | (172,733) | |
| Total street | 1,666,906 | 1,521,278 | 145,628 |
| Total highways and streets | 1,817,985 | 1,634,712 | 183,273 |
| Sanitation | | | |
| Recycling and waste collection services | | | |
| Salaries and employee benefits | | 700,738 | |
| Operating expenses | | 833,317 | |
| Tipping fees - landfill | | 354,966 | |
| Capital outlay | | 1,629,410 | |
| Total sanitation | 3,722,336 | 3,518,431 | 203,905 |
| Culture and recreation | | | |
| Spectator recreation | | | |
| Operating expenses | | 53,241 | |
| Grants to other agencies | | 60,000 | |
| Total spectator recreation | 279,745 | 113,241 | 166,504 |
| Parks and recreation | | | |
| Salaries and employee benefits | | 447,334 | |
| Operating expenses | | 282,120 | |
| Capital outlay | | 38,099 | |
| Total parks and recreation | 1,095,728 | 767,553 | 328,175 |
| Public grounds | | | |
| Salaries and employee benefits | | 630,631 | |
| Operating expenses | | 176,598 | |
| Capital outlay | | 7,623 | |
| Cost redistribution | | (19,749) | |
| Total public grounds | 934,752 | 795,103 | 139,649 |
| Total culture and recreation | 2,310,225 | 1,675,897 | 634,328 |

Continued on next page.

**City of Lexington, North Carolina
General Fund**

**Exhibit B-1
continued**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2020**

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------|---------------|------------------------------------|
| Economic and physical development | | | |
| Salaries and employee benefits | \$ | \$ 78,626 | \$ |
| Operating expenses | | 500,584 | |
| Grants to other agencies | | 91,360 | |
| Capital outlay | | 60,388 | |
| Total economic and physical development | 938,216 | 730,958 | 207,258 |
| Debt service | | | |
| Principal retirement | 1,626,432 | 844,229 | 782,203 |
| Interest and other charges | 224,677 | 198,871 | 25,806 |
| Total debt service | 1,851,109 | 1,043,100 | 808,009 |
| Total expenditures | 28,804,509 | 25,024,079 | 3,780,430 |
| Revenue over (under) expenditures | (7,570,107) | (2,992,622) | 4,577,485 |
| Other financing sources (uses) | | | |
| Installment purchase debt issued | 2,367,169 | - | (2,367,169) |
| Transfers from other funds | | | |
| Electric Fund | 1,200,000 | 1,200,000 | - |
| Electric Fund (payment in lieu of taxes) | 231,106 | 231,106 | - |
| Water and Wastewater Fund (payment in lieu of taxes) | 357,314 | 357,314 | - |
| Natural Gas Fund | 1,025,497 | 1,025,497 | - |
| Natural Gas Fund (payment in lieu of taxes) | 76,051 | 76,051 | - |
| Transfers to other funds | | | |
| Stormwater Fund | (90,495) | (90,495) | - |
| Golf Fund | (459,212) | (459,212) | - |
| Sale of capital assets | 5,000 | 22,566 | 17,566 |
| Total other financing sources (uses) | 4,712,430 | 2,362,827 | (2,349,603) |
| Revenues and other financing sources over (under) expenditures and other financing uses | (2,857,677) | (629,795) | 2,227,882 |
| Fund balance appropriated | 2,857,677 | - | (2,857,677) |
| Net change in fund balance | \$ - | (629,795) | \$ (629,795) |
| Fund balance - beginning | | 12,319,411 | |
| Fund balance - ending | | \$ 11,689,616 | |



NONMAJOR GOVERNMENTAL FUNDS

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Grant Projects Fund (formerly Community Development Grants Fund) – accounts for grants received from various sources. Proceeds from these grants are restricted for purposes specified by the individual grant(s), including public safety and community and economic development purposes. Projects currently accounted for in this fund are as follows:

- *Coronavirus Relief Fund Grant Project* – accounts for the receipt and expenditure of funds under the Coronavirus Relief Fund that are not accounted for directly in the General Fund.
- *Piedmont Candy Building Reuse Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Commerce Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.
- *Goose and the Monkey Building Reuse Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Commerce Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.
- *Cider Bros Building Reuse Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Commerce Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.

Controlled Substance Fund – accounts for the collected controlled substance revenues received from Federal, State, and County sources, which are restricted for public safety use.

Public Safety Grants Fund – accounts for monetary and equipment grants received from various public safety agencies. Proceeds and equipment received from these grants are restricted for public safety use. Projects currently accounted for in this fund are as follows:

- *2018 Victim Assistant Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Public Safety Grant designed to assist with developing and strengthening victim services in cases involving crimes against women.
- *2019 Victim Assistant Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Public Safety Grant designed to assist with developing and strengthening victim services in cases involving crimes against women.

Special Tax District Fund – accounts for the special additional ad valorem property tax levied by the City, collected and contributed to Uptown Lexington, Inc. for the revitalization of the uptown area.

Economic Stimulus Grants Fund – accounts for federal stimulus grants authorized under the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009. Proceeds from these grants are restricted for the revitalization and stimulus of the local economy.

Capital Projects Fund

General Capital Projects Fund is used to account for multi-year capital projects associated with the City's governmental funds and in conformity with the City's five-year capital planning process. Capital projects associated with proprietary operations are reported in the proprietary funds section. Projects currently accounted for in this fund are as follows:

- *Recreation Center Acquisition and Development Project* – authorizes the purchase of the Recreation Center facility and land, along with the development of a recreation center.
- *Skate/BMX Park Project* – authorizes construction of a Skate/BMX Park.
- *Lexington Business Center Project* – authorizes the development of the Lexington Business Park.
- *Lexington Furniture Industries, Inc. Plant #1 Project* – authorizes the development and maintenance of the Plant #1 property, funded by rental property revenues.

City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

Exhibit C-1

| | Special Revenue Funds | | | | | Capital Projects | Total Nonmajor Governmental Funds |
|--|-----------------------|-------------------------|----------------------------|----------------------------|--------------------------------|---------------------|--|
| | Grant Projects | Controlled Substance | Public Safety Grants | Special Tax District | Economic Stimulus Grants | | |
| Assets | | | | | | | |
| Cash and cash equivalents | \$ - | \$ 137,152 | \$ - | \$ - | \$ - | \$ 1,028,236 | \$ 1,165,388 |
| Receivables (net) | | | | | | | |
| Taxes | - | - | - | 7,178 | - | - | 7,178 |
| Accounts - unbilled | - | - | - | - | - | 1,000 | 1,000 |
| Interest | - | 15 | - | - | - | 62 | 77 |
| Due from other governments | - | 3,267 | 4,678 | 1,504 | - | 643 | 10,092 |
| Total assets | <u>\$ -</u> | <u>\$ 140,434</u> | <u>\$ 4,678</u> | <u>\$ 8,682</u> | <u>\$ -</u> | <u>\$ 1,029,941</u> | <u>\$ 1,183,735</u> |
| Liabilities | | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 175 | \$ - | \$ - | \$ - | \$ 863 | \$ 1,038 |
| Due to other funds | - | - | 4,678 | - | - | - | 4,678 |
| Total liabilities | <u>-</u> | <u>175</u> | <u>4,678</u> | <u>-</u> | <u>-</u> | <u>863</u> | <u>5,716</u> |
| Deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,178</u> | <u>-</u> | <u>-</u> | <u>7,178</u> |

Continued on next page.

City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2020

Exhibit C-1
Continued

| | Special Revenue Funds | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|-------------------------|----------------------------|----------------------------|--------------------------------|---------------------|--|
| | Grant Projects | Controlled Substance | Public Safety Grants | Special Tax District | Economic Stimulus Grants | Capital Projects | |
| Fund balances | | | | | | | |
| Restricted | | | | | | | |
| Stabilization by state statute | \$ - | \$ 3,282 | \$ - | \$ 1,504 | \$ - | \$ - | \$ 4,786 |
| Law enforcement | - | 136,977 | - | - | - | - | 136,977 |
| Capital projects | | | | | | | |
| Business park development | - | - | - | - | - | 175,297 | 175,297 |
| Committed | | | | | | | |
| Recreation improvements | - | - | - | - | - | 337,728 | 337,728 |
| Depot District improvements | - | - | - | - | - | 516,053 | 516,053 |
| Total fund balances | <u>-</u> | <u>140,259</u> | <u>-</u> | <u>1,504</u> | <u>-</u> | <u>1,029,078</u> | <u>1,170,841</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ -</u> | <u>\$ 140,434</u> | <u>\$ 4,678</u> | <u>\$ 8,682</u> | <u>\$ -</u> | <u>\$ 1,029,941</u> | <u>\$ 1,183,735</u> |

**City of Lexington, North Carolina
Nonmajor Governmental Funds**

Exhibit C-2

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2020**

| | Special Revenue Funds | | | | | Capital Projects | Total Nonmajor Governmental Funds |
|---------------------------------------|-----------------------|-------------------------|----------------------------|----------------------------|--------------------------------|---------------------|--|
| | Grant Projects | Controlled Substance | Public Safety Grants | Special Tax District | Economic Stimulus Grants | | |
| Revenues | | | | | | | |
| Ad valorem taxes | \$ - | \$ - | \$ - | \$ 89,027 | \$ - | \$ - | \$ 89,027 |
| Restricted intergovernmental | 200,561 | 78,932 | 70,051 | - | - | - | 349,544 |
| Sales and services | - | - | - | - | - | 112,460 | 112,460 |
| Investment earnings | - | 1,786 | - | - | - | 4,961 | 6,747 |
| Miscellaneous | - | 25 | - | - | - | - | 25 |
| Total revenues | <u>200,561</u> | <u>80,743</u> | <u>70,051</u> | <u>89,027</u> | <u>-</u> | <u>117,421</u> | <u>557,803</u> |
| Expenditures | | | | | | | |
| Public safety | - | 130,089 | 70,051 | - | - | - | 200,140 |
| Culture and recreation | - | - | - | - | - | 167,775 | 167,775 |
| Economic and physical development | 200,561 | - | - | 87,740 | - | 354,289 | 642,590 |
| Total expenditures | <u>200,561</u> | <u>130,089</u> | <u>70,051</u> | <u>87,740</u> | <u>-</u> | <u>522,064</u> | <u>1,010,505</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>(49,346)</u> | <u>-</u> | <u>1,287</u> | <u>-</u> | <u>(404,643)</u> | <u>(452,702)</u> |
| Other financing sources (uses) | | | | | | | |
| Sale of capital assets | - | 31,847 | - | - | - | 199,044 | 230,891 |
| Total other financing sources (uses) | <u>-</u> | <u>31,847</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>199,044</u> | <u>230,891</u> |
| Net change in fund balances | <u>-</u> | <u>(17,499)</u> | <u>-</u> | <u>1,287</u> | <u>-</u> | <u>(205,599)</u> | <u>(221,811)</u> |
| Fund balances - beginning | <u>-</u> | <u>157,758</u> | <u>-</u> | <u>217</u> | <u>-</u> | <u>1,234,677</u> | <u>1,392,652</u> |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 140,259</u> | <u>\$ -</u> | <u>\$ 1,504</u> | <u>\$ -</u> | <u>\$ 1,029,078</u> | <u>\$ 1,170,841</u> |

City of Lexington, North Carolina
Grant Projects Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2020

Exhibit C-3

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|----------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues | | | | | |
| Coronavirus Relief Fund Grant | | | | | |
| Restricted intergovernmental | \$ 90,388 | \$ - | \$ - | \$ - | \$ (90,388) |
| Total | <u>90,388</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(90,388)</u> |
| Piedmont Candy Building Reuse Grant | | | | | |
| Restricted intergovernmental | 750,000 | 326,839 | - | 326,839 | (423,161) |
| Total | <u>750,000</u> | <u>326,839</u> | <u>-</u> | <u>326,839</u> | <u>(423,161)</u> |
| Goose and the Monkey Building Reuse Grant | | | | | |
| Restricted intergovernmental | 240,000 | 39,439 | 200,561 | 240,000 | - |
| Total | <u>240,000</u> | <u>39,439</u> | <u>200,561</u> | <u>240,000</u> | <u>-</u> |
| Cider Bros Building Reuse Grant | | | | | |
| Restricted intergovernmental | 500,000 | - | - | - | (500,000) |
| Total | <u>500,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(500,000)</u> |
| Total revenues | <u>1,580,388</u> | <u>366,278</u> | <u>200,561</u> | <u>566,839</u> | <u>(1,013,549)</u> |
| Expenditures | | | | | |
| Public Safety | | | | | |
| Coronavirus Relief Fund Grant | 90,388 | - | - | - | 90,388 |
| Total public safety | <u>90,388</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>90,388</u> |
| Economic and physical development | | | | | |
| Piedmont Candy Building Reuse Grant | 750,000 | 326,839 | - | 326,839 | 423,161 |
| Goose and the Monkey Building Reuse Grant | 240,000 | 39,439 | 200,561 | 240,000 | - |
| Cider Bros Building Reuse Grant | 500,000 | - | - | - | 500,000 |
| Total economic and physical development | <u>1,490,000</u> | <u>366,278</u> | <u>200,561</u> | <u>566,839</u> | <u>923,161</u> |
| Total expenditures | <u>1,580,388</u> | <u>366,278</u> | <u>200,561</u> | <u>566,839</u> | <u>1,013,549</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance - beginning | | | <u>-</u> | | |
| Fund balance - ending | | | <u>\$ -</u> | | |

City of Lexington, North Carolina
Controlled Substance Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the fiscal year ended June 30, 2020

Exhibit C-4

| | Budget | Actual | Variance Positive (Negative) |
|--|---------------------------------|-------------------------------|--|
| Revenues | | | |
| Restricted intergovernmental | \$ | \$ 78,932 | \$ |
| Investment earnings | | 1,786 | |
| Miscellaneous | <u> </u> | <u>25</u> | <u> </u> |
| Total revenues | <u> </u> - | <u>80,743</u> | <u>80,743</u> |
| Expenditures | | | |
| Public safety | | | |
| Operations | | 81,003 | |
| Capital outlay | | <u>49,086</u> | |
| Total expenditures | <u>149,365</u> | <u>130,089</u> | <u>19,276</u> |
| Revenues over (under) expenditures | (149,365) | (49,346) | 100,019 |
| Other financing sources | | | |
| Sale of capital assets | <u> </u> - | <u>31,847</u> | <u>31,847</u> |
| Total other financing sources | <u> </u> - | <u>31,847</u> | <u>31,847</u> |
| Revenues and other financing sources over (under) expenditures | (149,365) | (17,499) | 131,866 |
| Fund balance appropriated | <u>149,365</u> | <u> </u> - | <u>(149,365)</u> |
| Net change in fund balance | <u>\$ </u> - | <u>(17,499)</u> | <u>\$ </u> (17,499) |
| Fund balance - beginning | | <u>157,758</u> | |
| Fund balance - ending | | <u>\$ 140,259</u> | |

City of Lexington, North Carolina
Public Safety Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2020

Exhibit C-5

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|-------------------------------------|--------------------------|----------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues | | | | | |
| Restricted intergovernmental | | | | | |
| 2018 Victim Assistant Grant Project | \$ 87,649 | \$ 55,372 | \$ 12,679 | \$ 68,051 | \$ (19,598) |
| 2019 Victim Assistant Grant Project | 92,654 | - | 57,372 | 57,372 | (35,282) |
| Total revenues | <u>180,303</u> | <u>55,372</u> | <u>70,051</u> | <u>125,423</u> | <u>(54,880)</u> |
| Expenditures | | | | | |
| Public safety | | | | | |
| 2018 Victim Assistant Grant Project | 116,866 | 55,372 | 12,679 | 68,051 | 48,815 |
| 2019 Victim Assistant Grant Project | 123,539 | - | 57,372 | 57,372 | 66,167 |
| Total expenditures | <u>240,405</u> | <u>55,372</u> | <u>70,051</u> | <u>125,423</u> | <u>114,982</u> |
| Revenues over (under) expenditures | <u>(60,102)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>60,102</u> |
| Other financing sources | | | | | |
| 2018 Victim Assistant Grant Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 29,217 | - | - | - | (29,217) |
| Total | <u>29,217</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(29,217)</u> |
| 2019 Victim Assistant Grant Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 30,885 | - | - | - | (30,885) |
| Total | <u>30,885</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(30,885)</u> |
| Total other financing sources | <u>60,102</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(60,102)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance - beginning | | | | | |
| Fund balance - ending | | | <u>\$ -</u> | | |

City of Lexington, North Carolina
Special Tax District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2020

Exhibit C-6

| | Budget | Actual | Variance Positive (Negative) |
|------------------------------------|---------|-----------|------------------------------------|
| Revenues | | | |
| Ad valorem taxes | | | |
| Taxes | \$ | \$ 88,187 | \$ |
| Interest | | 840 | |
| Total revenues | 101,900 | 89,027 | (12,873) |
| Expenditures | | | |
| Economic and physical development | | | |
| Payment to Uptown Lexington, Inc. | | 87,740 | |
| Total expenditures | 101,900 | 87,740 | 14,160 |
| Revenues over (under) expenditures | - | 1,287 | 1,287 |
| Net change in fund balance | \$ - | 1,287 | \$ 1,287 |
| Fund balance - beginning | | 217 | |
| Fund balance - ending | | \$ 1,504 | |

City of Lexington, North Carolina
Economic Stimulus Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2020

Exhibit C-7

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|--|--------------------------|------------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues | | | | | |
| Neighborhood Stabilization Program Grant | | | | | |
| Restricted intergovernmental | \$ 2,100,000 | \$ 2,100,000 | \$ - | \$ 2,100,000 | \$ - |
| Program income | 283,552 | 283,551 | - | 283,551 | (1) |
| Total revenues | <u>2,383,552</u> | <u>2,383,551</u> | <u>-</u> | <u>2,383,551</u> | <u>(1)</u> |
| Expenditures | | | | | |
| Economic and physical development | | | | | |
| Neighborhood Stabilization Program Grant | 2,541,152 | 2,541,151 | - | 2,541,151 | 1 |
| Total expenditures | <u>2,541,152</u> | <u>2,541,151</u> | <u>-</u> | <u>2,541,151</u> | <u>1</u> |
| Revenues over (under) expenditures | <u>(157,600)</u> | <u>(157,600)</u> | <u>-</u> | <u>(157,600)</u> | <u>-</u> |
| Other financing sources | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 157,600 | 157,600 | - | 157,600 | - |
| Total other financing sources | <u>157,600</u> | <u>157,600</u> | <u>-</u> | <u>157,600</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balance - beginning | | | <u>-</u> | | |
| Fund balance - ending | | | <u>\$ -</u> | | |

City of Lexington, North Carolina
Nonmajor General Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2020

Exhibit C-8

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|---|--------------------------|------------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues | | | | | |
| Recreation Center Acquisition and Development Project | | | | | |
| Restricted intergovernmental | \$ 250,000 | \$ 250,000 | \$ - | \$ 250,000 | \$ - |
| Sales and services | | | | | |
| Property rental | - | 11,250 | 3,000 | 14,250 | 14,250 |
| Miscellaneous | | | | | |
| Donations | 125,000 | 125,000 | - | 125,000 | - |
| Total | <u>375,000</u> | <u>386,250</u> | <u>3,000</u> | <u>389,250</u> | <u>14,250</u> |
| Skate/BMX Park Project | | | | | |
| Investment earnings | - | 11,290 | 855 | 12,145 | 12,145 |
| Total | <u>-</u> | <u>11,290</u> | <u>855</u> | <u>12,145</u> | <u>12,145</u> |
| Lexington Business Center Project | | | | | |
| Restricted intergovernmental | 1,817,500 | 1,817,500 | - | 1,817,500 | - |
| Investment earnings | 150,896 | 165,712 | 4,106 | 169,818 | 18,922 |
| Miscellaneous | | | | | |
| Reimbursement of costs | 211,261 | 211,261 | - | 211,261 | - |
| Sale of property | 2,119,788 | 2,119,788 | - | 2,119,788 | - |
| Donations | 107,500 | 107,500 | - | 107,500 | - |
| Total | <u>4,406,945</u> | <u>4,421,761</u> | <u>4,106</u> | <u>4,425,867</u> | <u>18,922</u> |
| Lexington Furniture Industries, Inc. Plant #1 Project | | | | | |
| Restricted intergovernmental | 180,000 | 180,000 | - | 180,000 | - |
| Sales and services | | | | | |
| Property rental | 1,150,616 | 1,018,235 | 109,460 | 1,127,695 | (22,921) |
| Miscellaneous | | | | | |
| Reimbursement of costs | 1,417,000 | 1,467,000 | - | 1,467,000 | 50,000 |
| Sale of materials | 119,356 | 72,793 | - | 72,793 | (46,563) |
| Total | <u>2,866,972</u> | <u>2,738,028</u> | <u>109,460</u> | <u>2,847,488</u> | <u>(19,484)</u> |
| Total revenues | <u>7,648,917</u> | <u>7,557,329</u> | <u>117,421</u> | <u>7,674,750</u> | <u>25,833</u> |
| Expenditures | | | | | |
| Culture and recreation | | | | | |
| Recreation Center Acquisition and Development Project | 900,000 | 650,000 | - | 650,000 | 250,000 |
| Skate/BMX Park Project | 1,369,500 | 1,140,392 | 167,775 | 1,308,167 | 61,333 |
| Total culture and recreation | <u>2,269,500</u> | <u>1,790,392</u> | <u>167,775</u> | <u>1,958,167</u> | <u>311,333</u> |

Continued on next page.

City of Lexington, North Carolina
Nonmajor General Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2020

Exhibit C-8
continued

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|--|--------------------------|----------------|-----------------|------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Economic and physical development | | | | | |
| Lexington Business Center Project | \$ 5,679,470 | \$ 5,513,060 | \$ 10,035 | \$ 5,523,095 | \$ 156,375 |
| Lexington Furniture Industries, Inc. Plant #1 Project | 4,016,972 | 3,382,788 | 344,254 | 3,727,042 | 289,930 |
| Total economic and physical development | 9,696,442 | 8,895,848 | 354,289 | 9,250,137 | 446,305 |
| Total expenditures | 11,965,942 | 10,686,240 | 522,064 | 11,208,304 | 757,638 |
| Revenues over (under) expenditures | (4,317,025) | (3,128,911) | (404,643) | (3,533,554) | 783,471 |
| Other financing sources (uses) | | | | | |
| Recreation Center Acquisition and Development Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 525,000 | 525,000 | - | 525,000 | - |
| Total | 525,000 | 525,000 | - | 525,000 | - |
| Skate/BMX Park Project | | | | | |
| Installment purchase obligations issued | 1,140,000 | 1,140,000 | - | 1,140,000 | - |
| Transfers from other funds | | | | | |
| General Fund | 229,500 | 229,500 | - | 229,500 | - |
| Total | 1,369,500 | 1,369,500 | - | 1,369,500 | - |
| Lexington Business Center Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 1,411,825 | 1,411,825 | - | 1,411,825 | - |
| Natural Gas Fund | 79,700 | 79,700 | - | 79,700 | - |
| Transfers to other funds | | | | | |
| General Fund | (219,000) | (219,000) | - | (219,000) | - |
| Total | 1,272,525 | 1,272,525 | - | 1,272,525 | - |
| Lexington Furniture Industries, Inc. Plant #1 Project | | | | | |
| Transfers from other funds | | | | | |
| General Fund | 1,150,000 | 1,150,000 | - | 1,150,000 | - |
| Sale of capital assets | - | 46,563 | 199,044 | 245,607 | 245,607 |
| Total | 1,150,000 | 1,196,563 | 199,044 | 1,395,607 | 245,607 |
| Total other financing sources (uses) | 4,317,025 | 4,363,588 | 199,044 | 4,562,632 | 245,607 |
| Net change in fund balance | \$ - | \$ 1,234,677 | (205,599) | \$ 1,029,078 | \$ 1,029,078 |
| Fund balance - beginning | | | 1,234,677 | | |
| Fund balance - ending | | | \$ 1,029,078 | | |



MAJOR ENTERPRISE FUNDS

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MAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The City's major enterprise funds are as follows:

Electric Fund – This fund is used to account for the City's electric operations. The City provides electric distribution service to residential, commercial and industrial customers, both inside and outside the city limits. This self-supporting fund has revenues sufficient to meet the operating expenses and provide funds for electric line construction. These revenues are also used to provide for principal and interest on Electric Fund debt. The City also maintains an Electric Projects Fund, Electric Capital Reserve Fund, and Electric Rate Stabilization Fund that are consolidated into the Electric Fund for financial reporting purposes.

Water and Wastewater Fund – This fund is used to account for the City's water and wastewater operations. The City provides water treatment and distribution as well as wastewater treatment and collection for users primarily within the city limits. This self-supporting fund has revenues sufficient to meet the operating expenses and provide funds for water and wastewater line construction. These revenues are also used to provide for principal and interest on Water and Wastewater Fund debt. The City also maintains a Water and Wastewater Projects Fund and a Water and Wastewater Capital Reserve Fund that are consolidated into the Water and Wastewater Fund for financial reporting purposes.

Natural Gas Fund – This fund is used to account for the City's natural gas operations. The City provides natural gas distribution services to residential, commercial and industrial customers, both inside and outside the city limits. This self-supporting fund has revenues sufficient to meet the operating expenses and provide funds for natural gas line construction. These revenues are also used to provide for principal and interest on Natural Gas Fund debt. The City also maintains a Natural Gas Capital Reserve Fund and a Natural Gas Rate Stabilization Fund that are consolidated into the Natural Gas Fund for financial reporting purposes.



City of Lexington, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-1

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|------------|---------------|------------------------------------|
| Revenues | | | |
| Operating revenues | | | |
| Charges for sales and services | | | |
| Residential | \$ | \$ 27,151,839 | \$ |
| Commercial | | 15,552,067 | |
| Industrial | | 2,495,816 | |
| Area lights | | 894,773 | |
| Street lighting | | 378,321 | |
| Traffic lights | | 22,204 | |
| Cable amplifiers | | 170,189 | |
| Renewable Energy Portfolio Standards | | 273,184 | |
| Disaster assistance | | 240 | |
| Other operating | | 378,420 | |
| Total operating revenues | 46,610,160 | 47,317,053 | 706,893 |
| Nonoperating revenues | | | |
| Investment earnings | | 212,298 | |
| Working capital refund | | 7,505,400 | |
| Total nonoperating revenues | 7,784,470 | 7,717,698 | (66,772) |
| Total revenues | 54,394,630 | 55,034,751 | 640,121 |

Continued on next page.

City of Lexington, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-1
continued

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------|-------------|------------------------------------|
| Expenditures | | | |
| Electric operations | | | |
| Salaries and employee benefits | \$ | \$ 76,565 | \$ |
| Maintenance | | 2,362,138 | |
| Cost of sales and services | | 5,855,813 | |
| Purchases for resale | | 32,863,804 | |
| Administrative charges general fund | | 720,663 | |
| Administrative charges risk management fund | | 72,112 | |
| Administrative charges utility administration fund | | 1,667,512 | |
| Capital outlay | | 1,051,485 | |
| Total electric operations | 45,742,868 | 44,670,092 | 1,072,776 |
| Debt service | | | |
| Principal retirement | | 632,392 | |
| Interest and other charges | | 117,622 | |
| Total debt service | 750,017 | 750,014 | 3 |
| Total expenditures | 46,492,885 | 45,420,106 | 1,072,779 |
| Revenues over expenditures | 7,901,745 | 9,614,645 | 1,712,900 |
| Other financing sources (uses) | | | |
| Transfers to other funds | | | |
| General Fund | (1,200,000) | (1,200,000) | - |
| General Fund (payment in lieu of taxes) | (231,106) | (231,106) | - |
| Electric Capital Reserve Fund | (6,000,000) | (6,000,000) | - |
| Electric Rate Stabilization Fund | (400,000) | (400,000) | - |
| Total other financing sources (uses) | (7,831,106) | (7,831,106) | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | 70,639 | 1,783,539 | 1,712,900 |
| Addition to reserve for working capital requirements | (70,639) | - | 70,639 |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | \$ - | 1,783,539 | \$ 1,783,539 |

Continued on next page.

City of Lexington, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-1
continued

| | Budget | Actual | Variance Positive (Negative) |
|---|--------|------------------|------------------------------------|
| Reconciliation from budgetary basis (modified accrual) to full accrual basis | | | |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | | \$ 1,783,539 | |
| Reconciling items | | | |
| Principal retirement | | 632,392 | |
| Capital outlay | | 1,051,485 | |
| Depreciation | | (1,329,794) | |
| Contracted labor and overhead charged to construction | | 512,458 | |
| Materials charged to construction | | 343,399 | |
| Gain (loss) on sale of property | | (15,569) | |
| Increase (decrease) in inventory | | (29,879) | |
| Provision for uncollectable accounts | | (138,062) | |
| Change in accrued interest | | 2,563 | |
| Increase (decrease) in deferred outflow of resources - OPEB | | (33,047) | |
| (Increase) decrease in total OPEB liability | | 406,231 | |
| (Increase) decrease in deferred inflows of resources - OPEB | | (50,008) | |
| Items related to subfund - Electric Capital Reserve Fund | | | |
| Investment earnings | | 97,680 | |
| Transfer from Electric Fund | | 6,000,000 | |
| Items related to subfund - Electric Rate Stabilization Fund | | | |
| Investment earnings | | 13,246 | |
| Transfer from Electric Fund | | 400,000 | |
| Total reconciling items | | 7,863,095 | |
| Change in net position | | \$ 9,646,634 | |

City of Lexington, North Carolina
Electric Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-2

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------|--------------|------------------------------------|
| Revenues | | | |
| Investment earnings | \$ - | \$ 97,680 | \$ 97,680 |
| Revenues over expenditures | - | 97,680 | 97,680 |
| Other financing sources | | | |
| Transfers from other funds | | | |
| Electric Fund | 6,000,000 | 6,000,000 | - |
| Total other financing sources | 6,000,000 | 6,000,000 | - |
| Revenues and other financing sources over (under) expenditures | 6,000,000 | 6,097,680 | 97,680 |
| Addition to reserve for electric capital requirements | (6,000,000) | - | 6,000,000 |
| Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position | \$ - | \$ 6,097,680 | \$ 6,097,680 |

City of Lexington, North Carolina
Electric Rate Stabilization Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-3

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|------------|------------------------------------|
| Revenues | | | |
| Investment earnings | \$ 12,067 | \$ 13,246 | \$ 1,179 |
| Revenues over expenditures | 12,067 | 13,246 | 1,179 |
| Other financing sources | | | |
| Transfers from other funds | | | |
| Electric Fund | 400,000 | 400,000 | - |
| Total other financing sources | 400,000 | 400,000 | - |
| Revenues and other financing sources over (under) expenditures | 412,067 | 413,246 | 1,179 |
| Addition to reserve for electric rate stabilization requirements | (412,067) | - | 412,067 |
| Revenues and other financing sources over (under) expenditures and addition to net position | \$ - | \$ 413,246 | \$ 413,246 |

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-4

| | Budget | Actual | Variance Positive (Negative) |
|---|------------|--------------|------------------------------------|
| Revenues | | | |
| Operating revenues | | | |
| Charges for sales and services - Water | | | |
| Residential | \$ | \$ 2,473,557 | \$ |
| Commercial | | 1,213,736 | |
| Industrial | | 1,052,608 | |
| Other water charges | | 80,833 | |
| Charges for sales and services - Wastewater | | | |
| Residential | | 3,113,081 | |
| Commercial | | 1,992,033 | |
| Industrial | | 409,266 | |
| Other wastewater charges | | 70,831 | |
| Other operating | | 375,112 | |
| Total operating revenues | 10,871,148 | 10,781,057 | (90,091) |
| Nonoperating revenues | | | |
| Federal Build America Bond interest credit | | 5,453 | |
| Investment earnings | | 83,935 | |
| Total nonoperating revenues | 154,604 | 89,388 | (65,216) |
| Total revenues | 11,025,752 | 10,870,445 | (155,307) |

Continued on next page.

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-4
continued

| | Budget | Actual | Variance Positive (Negative) |
|--|------------|------------|------------------------------------|
| Expenditures | | | |
| Water and wastewater operations | | | |
| Water and wastewater administration | | | |
| Salaries and employee benefits | \$ | \$ 387,944 | \$ |
| Cost of sales and services | | 70,851 | |
| Administrative charges general fund | | 949,308 | |
| Administrative charges risk management fund | | 135,576 | |
| Administrative charges utility administration fund | | 579,600 | |
| Capital outlay | | 53,903 | |
| Total water and wastewater administration | 2,218,068 | 2,177,182 | 40,886 |
| Water plant | | | |
| Salaries and employee benefits | | 817,150 | |
| Maintenance | | 266,098 | |
| Cost of sales and services | | 905,519 | |
| Capital outlay | | 79,561 | |
| Total water plant | 2,492,738 | 2,068,328 | 424,410 |
| Wastewater plant | | | |
| Salaries and employee benefits | | 1,125,013 | |
| Maintenance | | 315,178 | |
| Cost of sales and services | | 1,486,305 | |
| Capital outlay | | 48,736 | |
| Total wastewater plant | 3,594,356 | 2,975,232 | 619,124 |
| Water resources maintenance & construction | | | |
| Salaries and employee benefits | | 1,045,368 | |
| Maintenance | | 279,968 | |
| Cost of sales and services | | 1,314,983 | |
| Capital outlay | | 231,480 | |
| Total water resources maintenance & construction | 3,085,795 | 2,871,799 | 213,996 |
| Total water and wastewater operations | 11,390,957 | 10,092,541 | 1,298,416 |

Continued on next page.

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-4
continued

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------|------------|------------------------------------|
| Debt service | | | |
| Principal retirement | \$ | \$ 42,648 | \$ |
| Interest and other charges | | 16,583 | |
| Total debt service | 59,232 | 59,231 | 1 |
| Total expenditures | 11,450,189 | 10,151,772 | 1,298,417 |
| Revenue over expenditures | (424,437) | 718,673 | 1,143,110 |
| Other financing sources (uses) | | | |
| Transfers to other funds | | | |
| General Fund (payment in lieu of taxes) | (357,314) | (357,314) | - |
| Water and Wastewater Capital Reserve Fund | (640,000) | (639,848) | 152 |
| Total other financing sources (uses) | (997,314) | (997,162) | 152 |
| Revenues and other financing sources over (under) expenditures and other financing uses | (1,421,751) | (278,489) | 1,143,262 |
| Appropriated net position | 1,421,751 | - | (1,421,751) |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | \$ - | (278,489) | \$ (278,489) |

Continued on next page.

City of Lexington, North Carolina
Water and Wastewater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-4
continued

| | Budget | Actual | Variance Positive (Negative) |
|---|--------|--------------|------------------------------------|
| Reconciliation from budgetary basis (modified accrual) to full accrual basis | | | |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | | \$ (278,489) | |
| Reconciling items | | | |
| Principal retirement | | 42,648 | |
| Capital outlay | | 413,680 | |
| Depreciation | | (1,423,323) | |
| Wages and overhead charged to construction | | 12,855 | |
| Material charged to construction | | 5,868 | |
| Increase (decrease) in inventory | | 99,980 | |
| Provision for uncollectable accounts | | (51,255) | |
| Change in accrued interest | | 541 | |
| (Increase) decrease in compensated absences payable | | (26,896) | |
| Increase (decrease) in deferred outflow of resources - pensions | | (140,432) | |
| (Increase) decrease in net pension liability | | (16,272) | |
| (Increase) decrease in deferred inflows of resources - pensions | | (16,009) | |
| Increase (decrease) in deferred outflow of resources - OPEB | | (3,740) | |
| (Increase) decrease in total OPEB liability | | 95,218 | |
| (Increase) decrease in deferred inflows of resources - OPEB | | (110,139) | |
| Change in equity interest in joint venture | | (23,001) | |
| Items related to subfund - Water and Wastewater Capital Reserve Fund | | | |
| Investment earnings | | 49,384 | |
| Transfer from Water and Wastewater Fund | | 639,848 | |
| Total reconciling items | | (451,045) | |
| Change in net position | | \$ (729,534) | |

City of Lexington, North Carolina
Water and Wastewater Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2020

Exhibit D-5

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|--|--------------------------|-------------------|--------------------|-------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues | | | | | |
| Wastewater Asset Management Grant Project | | | | | |
| Restricted intergovernmental | \$ 150,000 | \$ 150,000 | \$ - | \$ 150,000 | \$ - |
| Total revenues | <u>150,000</u> | <u>150,000</u> | <u>-</u> | <u>150,000</u> | <u>-</u> |
| Expenditures | | | | | |
| Brown Street Force Main Project | 200,000 | 51,497 | 47,207 | 98,704 | 101,296 |
| Wastewater Asset Management Grant Project | 165,000 | 161,687 | - | 161,687 | 3,313 |
| Total expenditures | <u>365,000</u> | <u>213,184</u> | <u>47,207</u> | <u>260,391</u> | <u>104,609</u> |
| Revenues over (under) expenditures | <u>(215,000)</u> | <u>(63,184)</u> | <u>(47,207)</u> | <u>(110,391)</u> | <u>104,609</u> |
| Other financing sources | | | | | |
| Brown Street Force Main Project | | | | | |
| Transfers from other funds | | | | | |
| Operating fund | 200,000 | 200,000 | - | 200,000 | - |
| Total | <u>200,000</u> | <u>200,000</u> | <u>-</u> | <u>200,000</u> | <u>-</u> |
| Wastewater Asset Management Grant Project | | | | | |
| Transfers from other funds | | | | | |
| Operating fund | 15,000 | 11,687 | - | 11,687 | (3,313) |
| Total | <u>15,000</u> | <u>11,687</u> | <u>-</u> | <u>11,687</u> | <u>(3,313)</u> |
| Total other financing sources | <u>215,000</u> | <u>211,687</u> | <u>-</u> | <u>211,687</u> | <u>(3,313)</u> |
| Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ 148,503</u> | <u>\$ (47,207)</u> | <u>\$ 101,296</u> | <u>\$ 101,296</u> |

City of Lexington, North Carolina
Water and Wastewater Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-6

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|------------|------------------------------------|
| Revenues | | | |
| Investment earnings | \$ - | \$ 49,384 | \$ 49,384 |
| Revenues over expenditures | - | 49,384 | 49,384 |
| Other financing sources | | | |
| Transfers from other funds | | | |
| Water and Wastewater Fund | 640,000 | 639,848 | (152) |
| Total other financing sources | 640,000 | 639,848 | (152) |
| Revenues and other financing sources over (under) expenditures | 640,000 | 689,232 | 49,232 |
| Addition to reserve for water and wastewater capital requirements | (640,000) | - | 640,000 |
| Revenues and other financing sources over (under) expenditures and addition to net position | \$ - | \$ 689,232 | \$ 689,232 |

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-7

| | Budget | Actual | Variance Positive (Negative) |
|--|------------|--------------|------------------------------------|
| Revenues | | | |
| Operating revenues | | | |
| Charges for sales and services | | | |
| Residential | \$ | \$ 4,313,197 | \$ |
| Commercial | | 3,120,374 | |
| Industrial | | 2,310,119 | |
| Other operating | | 55,615 | |
| Total operating revenues | 12,780,452 | 9,799,305 | (2,981,147) |
| Nonoperating revenues | | | |
| Federal Build America Bond interest credit | | 15,449 | |
| Investment earnings | | 64,452 | |
| Total nonoperating revenues | 128,605 | 79,901 | (48,704) |
| Total revenues | 12,909,057 | 9,879,206 | (3,029,851) |

Continued on next page.

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-7
continued

| | Budget | Actual | Variance Positive (Negative) |
|---|-------------|--------------|------------------------------------|
| Expenditures | | | |
| Natural gas operations | | | |
| Salaries and employee benefits | \$ | \$ 1,448,223 | \$ |
| Maintenance | | 339,188 | |
| Cost of sales and services | | 1,540,455 | |
| Purchases for resale | | 4,114,204 | |
| Administrative charges general fund | | 614,168 | |
| Administrative charges risk management fund | | 69,270 | |
| Administrative charges utility administration fund | | 1,141,497 | |
| Capital outlay | | 939,612 | |
| Total natural gas operations | 12,931,450 | 10,206,617 | 2,724,833 |
| Debt service | | | |
| Principal retirement | | 120,835 | |
| Interest and other charges | | 46,987 | |
| Total debt service | 286,703 | 167,822 | 118,881 |
| Total expenditures | 13,218,153 | 10,374,439 | 2,843,714 |
| Revenues over expenditures | (309,096) | (495,233) | (186,137) |
| Other financing sources (uses) | | | |
| Transfers to other funds | | | |
| General Fund | (1,025,497) | (1,025,497) | - |
| General Fund (payment in lieu of taxes) | (76,051) | (76,051) | - |
| Total other financing uses | (1,101,548) | (1,101,548) | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | (1,410,644) | (1,596,781) | (186,137) |
| Appropriated net position | 1,410,644 | - | (1,410,644) |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | \$ - | (1,596,781) | \$ (1,596,781) |

Continued on next page.

City of Lexington, North Carolina
Natural Gas Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-7
continued

| | Budget | Actual | Variance Positive (Negative) |
|---|--------|----------------|------------------------------------|
| Reconciliation from budgetary basis (modified accrual) to full accrual basis | | | |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | | \$ (1,596,781) | |
| Reconciling items: | | | |
| Principal retirement | | 120,835 | |
| Capital outlay | | 939,612 | |
| Depreciation | | (654,821) | |
| Wages and overhead charged to construction | | 759,983 | |
| Materials charged to construction | | 167,503 | |
| Gain (loss) on sale of property | | (6,350) | |
| Increase (decrease) in inventory | | (9,077) | |
| Provision for uncollectable accounts | | (13,584) | |
| Change in accrued interest | | 1,533 | |
| (Increase) decrease in compensated absences payable | | 7,134 | |
| Increase (decrease) in deferred outflow of resources - pensions | | (39,574) | |
| (Increase) decrease in net pension liability | | (33,095) | |
| (Increase) decrease in deferred inflows of resources - pensions | | (7,371) | |
| Increase (decrease) in deferred outflow of resources - OPEB | | (8,704) | |
| (Increase) decrease in total OPEB liability | | 125,147 | |
| (Increase) decrease in deferred inflows of resources - OPEB | | (51,696) | |
| Items related to subfund - Electric Capital Reserve Fund | | | |
| Investment earnings | | 24,392 | |
| Items related to subfund - Electric Rate Stabilization Fund | | | |
| Investment earnings | | 11,640 | |
| Total reconciling items | | 1,333,507 | |
| Change in net position | | \$ (263,274) | |

City of Lexington, North Carolina
Natural Gas Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-8

| | Budget | Actual | Variance Positive (Negative) |
|--|--------|-----------|------------------------------------|
| Revenues | | | |
| Investment earnings | \$ - | \$ 24,392 | \$ 24,392 |
| Revenues over expenditures | - | 24,392 | 24,392 |
| Addition to reserve for natural gas capital requirements | - | - | - |
| Revenues over expenditures and addition to net position | \$ - | \$ 24,392 | \$ 24,392 |

City of Lexington, North Carolina
Natural Gas Rate Stabilization Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit D-9

| | Budget | Actual | Variance Positive (Negative) |
|---|----------|-----------|------------------------------------|
| Revenues | | | |
| Investment earnings | \$ 9,873 | \$ 11,640 | \$ 1,767 |
| Revenues over expenditures | 9,873 | 11,640 | 1,767 |
| Addition to reserve for natural gas rate stabilization requirements | (9,873) | - | 9,873 |
| Revenues over expenditures and addition to net position | \$ - | \$ 11,640 | \$ 11,640 |



NONMAJOR ENTERPRISE FUNDS

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The City's nonmajor enterprise funds are as follows:

Stormwater Fund – This fund is used to account for the City's stormwater operations. The fund was established during the year ended June 30, 2020 and is supported by transfers from the General Fund during this initial year. Stormwater fees are being developed and it is anticipated that fees will be implemented during the year ended June 30, 2021. It is the intent that this fund be a self-supporting fund with revenues sufficient to meet the operating expenses and infrastructure requirements of the City's stormwater utility.

Golf Fund – This fund is used to account for the City's golf course operations at the Lexington's *Commons on the Green* municipal golf course. This fund has revenues that primarily sustain the operating expenses for the course.



City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Fund Net Position
June 30, 2020

Exhibit E-1

| | Stormwater | Golf | Total Nonmajor Enterprise Funds |
|---|------------------|-------------------|------------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 46,346 | \$ 259,306 | \$ 305,652 |
| Receivables (net) | | | |
| Interest | 6 | 31 | 37 |
| Due from other governments | 92 | 11,217 | 11,309 |
| Restricted cash and cash equivalents | | | |
| Customer deposits | - | 1,000 | 1,000 |
| Total current assets | <u>46,444</u> | <u>271,554</u> | <u>317,998</u> |
| Noncurrent assets | | | |
| Capital assets | | | |
| Land and other non-depreciable assets | - | 40,728 | 40,728 |
| Other capital assets, net of accumulated depreciation | - | 817,662 | 817,662 |
| Total capital assets | <u>-</u> | <u>858,390</u> | <u>858,390</u> |
| Total noncurrent assets | <u>-</u> | <u>858,390</u> | <u>858,390</u> |
| Total assets | <u>46,444</u> | <u>1,129,944</u> | <u>1,176,388</u> |
| Deferred outflows of resources | <u>-</u> | <u>114,915</u> | <u>114,915</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 27,477 | \$ 27,477 |
| Due to other funds | - | 28,153 | 28,153 |
| Compensated absences | - | 18,000 | 18,000 |
| Liabilities payable from restricted assets | | | |
| Customer deposits | - | 1,000 | 1,000 |
| Total current liabilities | <u>-</u> | <u>74,630</u> | <u>74,630</u> |
| Noncurrent liabilities | | | |
| Compensated absences | - | 19,648 | 19,648 |
| Net pension liability | - | 150,274 | 150,274 |
| Total OPEB liability | - | 276,696 | 276,696 |
| Advances from other funds: | | | |
| Natural gas fund | - | 44,725 | 44,725 |
| Total noncurrent liabilities | <u>-</u> | <u>491,343</u> | <u>491,343</u> |
| Total liabilities | <u>-</u> | <u>565,973</u> | <u>565,973</u> |
| Deferred inflows of resources | <u>-</u> | <u>49,790</u> | <u>49,790</u> |
| Net position | | | |
| Net investment in capital assets | - | 858,390 | 858,390 |
| Unrestricted | 46,444 | (229,294) | (182,850) |
| Total net position | <u>\$ 46,444</u> | <u>\$ 629,096</u> | <u>\$ 675,540</u> |

City of Lexington, North Carolina

Exhibit E-2

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the fiscal year ended June 30, 2020

| | Stormwater | Golf | Total Nonmajor Enterprise Funds |
|---|------------------|-------------------|------------------------------------|
| Operating revenues | | | |
| Charges for sales and services | \$ 5,000 | \$ 522,747 | \$ 527,747 |
| Other operating | <u>7</u> | <u>6,109</u> | <u>6,116</u> |
| Total operating revenues | <u>5,007</u> | <u>528,856</u> | <u>533,863</u> |
| Operating expenses | | | |
| Cost of sales and services | 50,162 | 869,252 | 919,414 |
| Administration | - | 12,804 | 12,804 |
| Depreciation | <u>-</u> | <u>182,448</u> | <u>182,448</u> |
| Total operating expenses | <u>50,162</u> | <u>1,064,504</u> | <u>1,114,666</u> |
| Operating income (loss) | (45,155) | (535,648) | (580,803) |
| Nonoperating revenues (expenses) | | | |
| Investment earnings | 1,104 | 7,782 | 8,886 |
| Interest and other charges | <u>-</u> | <u>(3,030)</u> | <u>(3,030)</u> |
| Total nonoperating revenues (expenses) | <u>1,104</u> | <u>4,752</u> | <u>5,856</u> |
| Income (loss) before transfers | (44,051) | (530,896) | (574,947) |
| Transfers from other funds | | | |
| General Fund | <u>90,495</u> | <u>459,212</u> | <u>549,707</u> |
| Change in net position | 46,444 | (71,684) | (25,240) |
| Net position - beginning | <u>-</u> | <u>700,780</u> | <u>700,780</u> |
| Net position - ending | <u>\$ 46,444</u> | <u>\$ 629,096</u> | <u>\$ 675,540</u> |

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2020

Exhibit E-3

| | Stormwater | Golf | Total Nonmajor Enterprise Funds |
|--|------------|------------|------------------------------------|
| Cash flows from operating activities | | | |
| Cash received from customers | \$ 5,000 | \$ 522,747 | \$ 527,747 |
| Cash received (paid) for interfund services provided (used) | - | (12,804) | (12,804) |
| Cash paid for goods and services | (50,254) | (260,191) | (310,445) |
| Cash paid to employees | - | (603,000) | (603,000) |
| Other operating income | 7 | 6,109 | 6,116 |
| Net cash provided (used) by operating activities | (45,247) | (347,139) | (392,386) |
| Cash flows from noncapital financing activities | | | |
| Advances from (to) other funds | - | (65,653) | (65,653) |
| Transfers from other funds | 90,495 | 459,212 | 549,707 |
| Net cash provided (used) by noncapital financing activities | 90,495 | 393,559 | 484,054 |
| Cash flows from capital and related financing activities | | | |
| Acquisition and construction of capital assets | - | (37,000) | (37,000) |
| Interest and other charges paid on debt | - | (3,030) | (3,030) |
| Net cash provided (used) by capital and related financing activities | - | (40,030) | (40,030) |
| Cash flows from investing activities | | | |
| Receipts of investment earnings | 1,098 | 7,936 | 9,034 |
| Net cash provided by investing activities | 1,098 | 7,936 | 9,034 |
| Net increase (decrease) in cash and cash equivalents | 46,346 | 14,326 | 60,672 |
| Cash and cash equivalents - beginning | - | 245,980 | 245,980 |
| Cash and cash equivalents - ending | \$ 46,346 | \$ 260,306 | \$ 306,652 |

Continued on next page.

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2020

Exhibit E-3
continued

| | Stormwater | Golf | Total Nonmajor Enterprise Funds |
|---|-------------|--------------|------------------------------------|
| Reconciliation of operating income to net cash provided (used) by operating activities | | | |
| Operating income (loss) | \$ (45,155) | \$ (535,648) | \$ (580,803) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Depreciation | - | 182,448 | 182,448 |
| Changes in assets and liabilities | | | |
| (Increase) decrease in intergovernmental receivable | (92) | 1,721 | 1,629 |
| (Increase) decrease in deferred outflows of resources - pensions | - | 14,705 | 14,705 |
| (Increase) decrease in deferred outflows of resources - OPEB | - | 3,914 | 3,914 |
| Increase (decrease) in accounts payable and accrued liabilities | - | 1,947 | 1,947 |
| Increase (decrease) in customer deposits | - | (2,625) | (2,625) |
| Increase (decrease) in compensated absences | - | 4,806 | 4,806 |
| Increase (decrease) in net pension liability | - | 140,584 | 140,584 |
| Increase (decrease) in total OPEB liability | - | (180,520) | (180,520) |
| Increase (decrease) in deferred inflows of resources - pensions | - | 2,925 | 2,925 |
| Increase (decrease) in deferred inflows of resources - OPEB | - | 18,604 | 18,604 |
| Total adjustments | (92) | 188,509 | 188,417 |
| Net cash provided (used) by operating activities | \$ (45,247) | \$ (347,139) | \$ (392,386) |

City of Lexington, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit E-4

| | Budget | Actual | Variance Positive (Negative) |
|---|----------|-----------|------------------------------------|
| Revenues | | | |
| Operating revenues | | | |
| Charges for sales and services | \$ | \$ 5,000 | \$ |
| Other operating | | 7 | |
| Total operating revenues | - | 5,007 | 5,007 |
| Nonoperating revenues | | | |
| Investment earnings | | 1,104 | |
| Total nonoperating revenues | - | 1,104 | 1,104 |
| Total revenues | - | 6,111 | 6,111 |
| Expenditures | | | |
| Stormwater operations | | | |
| Cost of sales and services | | 50,162 | |
| Total stormwater operations | 90,495 | 50,162 | 40,333 |
| Total expenditures | 90,495 | 50,162 | 40,333 |
| Revenues over expenditures | (90,495) | (44,051) | 46,444 |
| Other financing sources | | | |
| Transfers from other funds | | | |
| General Fund | 90,495 | 90,495 | - |
| Total other financing sources | 90,495 | 90,495 | - |
| Revenues and other financing sources over (under) expenditures | \$ - | 46,444 | \$ 46,444 |
| Reconciliation from budgetary basis (modified accrual) to full accrual basis | | | |
| Reconciling items | | - | |
| Change in net position | | \$ 46,444 | |

City of Lexington, North Carolina
Golf Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit E-5

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|------------|------------------------------------|
| Revenues | | | |
| Operating revenues | | | |
| Charges for sales and services | | | |
| Golf course | \$ | \$ 297,956 | \$ |
| Golf cart rentals | | 202,299 | |
| Municipal club rental | | 22,492 | |
| Other operating | | 6,109 | |
| Total operating revenues | 620,708 | 528,856 | (91,852) |
| Nonoperating revenues | | | |
| Investment earnings | | 7,782 | |
| Total nonoperating revenues | 3,370 | 7,782 | 4,412 |
| Total revenues | 624,078 | 536,638 | (87,440) |
| Expenditures | | | |
| Golf operations | | | |
| Salaries and employee benefits | | 606,259 | |
| Cost of sales and services | | 257,975 | |
| Administrative charges risk management fund | | 12,804 | |
| Capital outlay | | 37,000 | |
| Total operating expenditures | 1,012,458 | 914,038 | 98,420 |
| Debt service | | | |
| Interest and other charges | | 3,030 | |
| Total debt service | 70,832 | 3,030 | 67,802 |
| Total expenditures | 1,083,290 | 917,068 | 166,222 |
| Revenues over (under) expenditures | (459,212) | (380,430) | 78,782 |
| Other financing sources | | | |
| Transfers from other funds | | | |
| General Fund | 459,212 | 459,212 | - |
| Total other financing sources | 459,212 | 459,212 | - |
| Revenues and other financing sources over (under) expenditures | - | 78,782 | 78,782 |
| Appropriated net position | - | - | - |
| Revenues, other financing sources, and appropriated net position over (under) expenditures | \$ - | 78,782 | \$ 78,782 |

Continued on next page.

City of Lexington, North Carolina
Golf Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit E-5
continued

| | Budget | Actual | Variance Positive (Negative) |
|--|--------|-------------|------------------------------------|
| Reconciliation from budgetary basis (modified accrual) to full accrual basis | | | |
| Revenues, other financing sources, and appropriated net position over (under) expenditures | | \$ 78,782 | |
| Reconciling items: | | | |
| Capital outlay | | 37,000 | |
| Depreciation | | (182,448) | |
| (Increase) decrease in compensated absences payable | | (4,806) | |
| Increase (decrease) in deferred outflows of resources - pensions | | (14,705) | |
| (Increase) decrease in net pension liability | | (14,162) | |
| (Increase) decrease in deferred inflows of resources - pensions | | (2,925) | |
| Increase (decrease) in deferred outflows of resources - OPEB | | (3,914) | |
| (Increase) decrease in total OPEB liability | | 54,098 | |
| (Increase) decrease in deferred inflows of resources - OPEB | | (18,604) | |
| Total reconciling items | | (150,466) | |
| Change in net position | | \$ (71,684) | |

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INTERNAL SERVICE FUNDS

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments on a cost reimbursement basis.

Fleet Management Fund – This fund is used to account for the City’s fleet management and motor pool operations. The fund accounts for the costs of required fuel and maintenance to the City's on-road and off-road vehicles and equipment. The costs of providing this service are billed to the user departments. Certain types of vehicles and equipment are acquired by the individual departments. Fleet Management also maintains a motor pool fleet of cars, trucks (one ton or less), and general purpose equipment, which are rented out to the individual departments. Revenues earned from this activity are used to cover maintenance costs and to provide funding for replacement of such vehicles and equipment in the future. The City also maintains a Fleet Management Capital Reserve Fund that is consolidated into the Fleet Management Fund for financial reporting purposes. Monies received for vehicle and equipment replacement are transferred to and held in the Fleet Management Capital Reserve Fund until needed.

Group Insurance Fund – This fund was established as a self-insurance fund for employee health and dental coverage. The City pays the majority of premium costs for its active employees. This fund accounts for City and employee premium contributions as well as payments to a third-party administrator for total claims, stop-loss premiums, and administrative charges.

Risk Management Fund – This fund accounts for the City's self-insured workers' compensation program, general and property liability and life and disability insurance. Claims review and handling is provided by a third-party administrator to whom premiums are paid for coverage after self-insured retentions are met as well as administrative charges. Costs of this fund are shared directly or indirectly by all participating funds that have employees, property, and various liability risks.

Utility Administration Fund – This fund is used to account for administrative services that are shared by the City’s utility operations, including management, billing/collections, warehousing, meter reading, and marketing services for the Electric, Water and Wastewater, and Natural Gas utilities. The fund also provides billing/collections services for the General Fund for recycling and waste collection services. The four aforementioned funds are charged as user departments to recover the total cost of this fund. Charges to the user departments are prorated based on their operational budgets and number of customers. The City also maintains a Utility Administration Projects Fund that is consolidated into the Utility Administration Fund for financial reporting purposes.



City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2020

Exhibit F-1

| | Governmental-type Activities | | | Business-type Activities | Total Internal Service Funds |
|---|------------------------------|--------------------|--------------------|-----------------------------|---------------------------------|
| | Fleet Management | Group Insurance | Risk Management | Utility Administration | |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 736,055 | \$ 3,036,634 | \$ 2,505,956 | \$ 1,784,677 | \$ 8,063,322 |
| Receivables (net) | | | | | |
| Accounts - billed | - | - | - | 7,326 | 7,326 |
| Interest | 128 | 1,146 | 293 | 183 | 1,750 |
| Due from other governments | 55,756 | 142 | 2,088 | 26,772 | 84,758 |
| Restricted cash and cash equivalents | | | | | |
| Inventories | 138,726 | - | - | - | 138,726 |
| Prepaid items | - | - | - | 17,000 | 17,000 |
| Total current assets | <u>930,665</u> | <u>3,037,922</u> | <u>2,508,337</u> | <u>1,835,958</u> | <u>8,312,882</u> |
| Noncurrent assets | | | | | |
| Designated cash and cash equivalents | | | | | |
| Capital reserve | 716,540 | - | - | - | 716,540 |
| Group insurance reserve | - | 6,660,976 | - | - | 6,660,976 |
| Capital assets | | | | | |
| Land and other non-depreciable assets | 15,000 | - | - | 631,723 | 646,723 |
| Other capital assets, net of accumulated depreciation | 854,664 | - | 43,905 | 3,529,315 | 4,427,884 |
| Total capital assets | <u>869,664</u> | <u>-</u> | <u>43,905</u> | <u>4,161,038</u> | <u>5,074,607</u> |
| Total noncurrent assets | <u>1,586,204</u> | <u>6,660,976</u> | <u>43,905</u> | <u>4,161,038</u> | <u>12,452,123</u> |
| Total assets | <u>2,516,869</u> | <u>9,698,898</u> | <u>2,552,242</u> | <u>5,996,996</u> | <u>20,765,005</u> |
| Deferred outflows of resources | <u>91,953</u> | <u>10,562</u> | <u>40,077</u> | <u>404,312</u> | <u>546,904</u> |

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2020

Exhibit F-1
continued

| | Governmental-type Activities | | | Business-type Activities | Total Internal Service Funds |
|--|------------------------------|---------------------|---------------------|-----------------------------|---------------------------------|
| | Fleet Management | Group Insurance | Risk Management | Utility Administration | |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 108,489 | \$ 11,659 | \$ 15,409 | \$ 295,512 | \$ 431,069 |
| Unpaid claims costs | - | 252,071 | 116,400 | - | 368,471 |
| Compensated absences | 17,000 | 1,200 | 6,500 | 77,000 | 101,700 |
| Installment purchases payable | - | - | - | 207,600 | 207,600 |
| Total current liabilities | <u>125,489</u> | <u>264,930</u> | <u>138,309</u> | <u>580,112</u> | <u>1,108,840</u> |
| Noncurrent liabilities | | | | | |
| Compensated absences | 17,669 | 1,435 | 7,132 | 74,343 | 100,579 |
| Net pension liability | 134,947 | 17,467 | 45,879 | 513,345 | 711,638 |
| Total OPEB liability | 127,372 | 2,034 | 138,277 | 1,071,879 | 1,339,562 |
| Installment purchases payable | - | - | - | 1,756,000 | 1,756,000 |
| Total noncurrent liabilities | <u>279,988</u> | <u>20,936</u> | <u>191,288</u> | <u>3,415,567</u> | <u>3,907,779</u> |
| Total liabilities | <u>405,477</u> | <u>285,866</u> | <u>329,597</u> | <u>3,995,679</u> | <u>5,016,619</u> |
| Deferred inflows of resources | <u>25,516</u> | <u>1,013</u> | <u>23,729</u> | <u>190,163</u> | <u>240,421</u> |
| Net position | | | | | |
| Net investment in capital assets | 869,664 | - | 43,905 | 2,197,438 | 3,111,007 |
| Unrestricted | 1,308,165 | 9,422,581 | 2,195,088 | 18,028 | 12,943,862 |
| Total net position | <u>\$ 2,177,829</u> | <u>\$ 9,422,581</u> | <u>\$ 2,238,993</u> | <u>\$ 2,215,466</u> | <u>\$ 16,054,869</u> |

City of Lexington, North Carolina

Exhibit F-2

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the fiscal year ended June 30, 2020

| | Governmental-type Activities | | | Business-type Activities | Total Internal Service Funds |
|---|------------------------------|---------------------|---------------------|--------------------------|------------------------------|
| | Fleet Management | Group Insurance | Risk Management | Utility Administration | |
| Operating revenues | | | | | |
| Charges for services | \$ 2,009,978 | \$ 5,393,682 | \$ 1,235,553 | \$ 3,896,254 | \$ 12,535,467 |
| Restricted intergovernmental | - | - | - | 2,822 | 2,822 |
| Other operating | 15,354 | 134,914 | 43,878 | 597,749 | 791,895 |
| Total operating revenues | <u>2,025,332</u> | <u>5,528,596</u> | <u>1,279,431</u> | <u>4,496,825</u> | <u>13,330,184</u> |
| Operating expenses | | | | | |
| Cost of sales and services | 1,576,170 | - | - | - | 1,576,170 |
| Administration | - | 340,622 | 520,316 | 3,850,189 | 4,711,127 |
| Premiums | - | 712,746 | 525,837 | - | 1,238,583 |
| Claims | - | 3,283,849 | 348,259 | - | 3,632,108 |
| Depreciation | 745,193 | - | 29,508 | 760,392 | 1,535,093 |
| Total operating expenses | <u>2,321,363</u> | <u>4,337,217</u> | <u>1,423,920</u> | <u>4,610,581</u> | <u>12,693,081</u> |
| Operating income (loss) | <u>(296,031)</u> | <u>1,191,379</u> | <u>(144,489)</u> | <u>(113,756)</u> | <u>637,103</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 25,062 | 128,099 | 33,513 | 15,455 | 202,129 |
| Gain (loss) on sale of property | (88,498) | - | - | (137,353) | (225,851) |
| Interest and other charges | - | - | - | (48,219) | (48,219) |
| Total nonoperating revenues (expenses) | <u>(63,436)</u> | <u>128,099</u> | <u>33,513</u> | <u>(170,117)</u> | <u>(71,941)</u> |
| Change in net position | (359,467) | 1,319,478 | (110,976) | (283,873) | 565,162 |
| Net position - beginning | <u>2,537,296</u> | <u>8,103,103</u> | <u>2,349,969</u> | <u>2,499,339</u> | <u>15,489,707</u> |
| Net position - ending | <u>\$ 2,177,829</u> | <u>\$ 9,422,581</u> | <u>\$ 2,238,993</u> | <u>\$ 2,215,466</u> | <u>\$ 16,054,869</u> |

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2020

Exhibit F-3

| | Governmental-type Activities | | | Business-type Activities | Total Internal Service Funds |
|--|------------------------------|---------------------|---------------------|-----------------------------|---------------------------------|
| | Fleet Management | Group Insurance | Risk Management | Utility Administration | |
| Cash flows from operating activities | | | | | |
| Cash received from services provided | \$ 2,011,496 | \$ 5,429,652 | \$ 1,235,553 | \$ 3,912,510 | \$ 12,589,211 |
| Cash paid for goods and services | (1,096,566) | (4,493,601) | (1,113,591) | (2,217,745) | (8,921,503) |
| Cash paid to employees | (496,580) | (62,956) | (191,501) | (1,141,642) | (1,892,679) |
| Other operating income | 15,354 | 134,914 | 43,878 | 597,749 | 791,895 |
| Net cash provided (used) by operating activities | <u>433,704</u> | <u>1,008,009</u> | <u>(25,661)</u> | <u>1,150,872</u> | <u>2,566,924</u> |
| Cash flows from noncapital financing activities | | | | | |
| Operating grants | - | - | - | 3,278 | 3,278 |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,278</u> | <u>3,278</u> |
| Cash flows from capital and related financing activities | | | | | |
| Acquisition and construction of capital assets | (925,033) | - | - | (124,682) | (1,049,715) |
| Principal paid on installment purchase debt | - | - | - | (207,600) | (207,600) |
| Interest and other charges paid on debt | - | - | - | (49,627) | (49,627) |
| Proceeds from the sale of assets | 384,160 | - | - | 1,046 | 385,206 |
| Net cash provided (used) by capital and related financing activities | <u>(540,873)</u> | <u>-</u> | <u>-</u> | <u>(380,863)</u> | <u>(921,736)</u> |
| Cash flows from investing activities | | | | | |
| Receipts of investment earnings | 26,084 | 133,217 | 35,091 | 15,954 | 210,346 |
| Net cash provided by investing activities | <u>26,084</u> | <u>133,217</u> | <u>35,091</u> | <u>15,954</u> | <u>210,346</u> |
| Net increase (decrease) in cash and cash equivalents | (81,085) | 1,141,226 | 9,430 | 789,241 | 1,858,812 |
| Cash and cash equivalents - beginning | 1,533,680 | 8,556,384 | 2,496,526 | 995,436 | 13,582,026 |
| Cash and cash equivalents - ending | <u>\$ 1,452,595</u> | <u>\$ 9,697,610</u> | <u>\$ 2,505,956</u> | <u>\$ 1,784,677</u> | <u>\$ 15,440,838</u> |

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2020

Exhibit F-3
continued

| | Governmental-type Activities | | | Business-type Activities | Total Internal Service Funds |
|--|------------------------------|---------------------|--------------------|-----------------------------|---------------------------------|
| | Fleet Management | Group Insurance | Risk Management | Utility Administration | |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | | | | | |
| Operating income (loss) | \$ (296,031) | \$ 1,191,379 | \$ (144,489) | \$ (113,756) | \$ 637,103 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | |
| Restricted intergovernmental revenues | - | - | - | (2,822) | (2,822) |
| Depreciation | 745,193 | - | 29,508 | 760,392 | 1,535,093 |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | | | | | |
| (Increase) decrease in accounts receivable | 1,518 | 35,970 | - | 16,256 | 53,744 |
| (Increase) decrease in intergovernmental receivable | (12,674) | 305 | 1,493 | (5,003) | (15,879) |
| Increase (decrease) in amounts receivable related to restricted intergovernmental revenues | - | - | - | (456) | (456) |
| (Increase) decrease in inventory | 21,762 | - | - | - | 21,762 |
| (Increase) decrease in deferred outflows of resources - pensions | 22,477 | 966 | 9,230 | 50,419 | 83,092 |
| (Increase) decrease in deferred outflows of resources - OPEB | 7,003 | 1,310 | 119 | (20,892) | (12,460) |
| Increase (decrease) in accounts payable and accrued liabilities | 12,157 | (109,999) | (9,205) | 81,147 | (25,900) |
| (Increase) decrease in amounts accrued related to interest on capital debt | - | - | - | 1,408 | 1,408 |
| Increase (decrease) in unpaid claims cost | - | (100,778) | 82,247 | - | (18,531) |
| Increase (decrease) in compensated absences | 8,284 | 1,550 | 2,176 | 29,757 | 41,767 |
| Increase (decrease) in net pension liability | 574 | 2,620 | (1,884) | 48,129 | 49,439 |
| Increase (decrease) in total OPEB liability | (83,042) | (14,720) | (6,479) | 193,470 | 89,229 |
| Increase (decrease) in deferred inflows of resources - pensions | 2,357 | 362 | 757 | 9,988 | 13,464 |
| Increase (decrease) in deferred inflows of resources - OPEB | 4,126 | (956) | 10,866 | 102,835 | 116,871 |
| Total adjustments | <u>729,735</u> | <u>(183,370)</u> | <u>118,828</u> | <u>1,264,628</u> | <u>1,929,821</u> |
| Net cash provided (used) by operating activities | <u>\$ 433,704</u> | <u>\$ 1,008,009</u> | <u>\$ (25,661)</u> | <u>\$ 1,150,872</u> | <u>\$ 2,566,924</u> |

City of Lexington, North Carolina
Fleet Management Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-4

| | <u>Financial Plan</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------------|------------------|---|
| Revenues | | | |
| Operating revenues | | | |
| Charges for sales and services | \$ | \$ 2,009,978 | \$ |
| Other operating | | 15,354 | |
| Total operating revenues | <u>1,914,540</u> | <u>2,025,332</u> | <u>110,792</u> |
| Nonoperating revenues | | | |
| Investment earnings | | 10,059 | |
| Sale of property | | 384,160 | |
| Total nonoperating revenues | <u>310,695</u> | <u>394,219</u> | <u>83,524</u> |
| Total revenues | <u>2,225,235</u> | <u>2,419,551</u> | <u>194,316</u> |
| Expenditures | | | |
| Salaries and employee benefits | | 500,988 | |
| Cost of sales and services | | 397,842 | |
| Purchases for resale | | 693,799 | |
| Capital outlay | | 925,033 | |
| Total expenditures | <u>2,899,995</u> | <u>2,517,662</u> | <u>382,333</u> |
| Revenues over (under) expenditures | <u>(674,760)</u> | <u>(98,111)</u> | <u>576,649</u> |
| Other financing sources (uses) | | | |
| Transfers from other funds | | | |
| Fleet Management Capital Reserve Fund | 850,181 | 806,643 | (43,538) |
| Transfers to other funds | | | |
| Fleet Management Capital Reserve Fund | <u>(567,021)</u> | <u>(567,021)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>283,160</u> | <u>239,622</u> | <u>(43,538)</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | (391,600) | 141,511 | 533,111 |
| Appropriated net position | <u>391,600</u> | <u>-</u> | <u>(391,600)</u> |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | <u>\$ -</u> | <u>141,511</u> | <u>\$ 141,511</u> |

Continued on next page.

City of Lexington, North Carolina
Fleet Management Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-4
continued

| | Financial Plan | Actual | Variance Positive (Negative) |
|---|-------------------|--------------|------------------------------------|
| Reconciliation from financial plan basis (modified accrual) to full accrual | | | |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | | \$ 141,511 | |
| Reconciling items | | | |
| Capital outlay | | 925,033 | |
| Depreciation | | (745,193) | |
| Gain (loss) on sale of property | | (472,658) | |
| Increase (decrease) in inventory | | (21,762) | |
| (Increase) decrease in compensated absences payable | | (8,284) | |
| Increase (decrease) in deferred outflows of resources - pensions | | (22,477) | |
| (Increase) decrease in net pension liability | | (574) | |
| (Increase) decrease in deferred inflows of resources - pensions | | (2,357) | |
| Increase (decrease) in deferred outflows of resources - OPEB | | (7,003) | |
| (Increase) decrease in total OPEB liability | | 83,042 | |
| (Increase) decrease in deferred inflows of resources - OPEB | | (4,126) | |
| Items related to subfund - Fleet Management Capital Reserve Fund | | | |
| Investment earnings | | 15,003 | |
| Transfer from Fleet Management Fund | | 567,021 | |
| Transfer to Fleet Management Fund | | (806,643) | |
| Total reconciling items | | (500,978) | |
| Change in net position | | \$ (359,467) | |

City of Lexington, North Carolina
Fleet Management Capital Reserve Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-5

| | Budget | Actual | Variance Positive (Negative) |
|---|-----------|--------------|------------------------------------|
| Revenues | | | |
| Investment earnings | \$ - | \$ 15,003 | \$ 15,003 |
| Revenues over (under) expenditures | - | 15,003 | 15,003 |
| Other financing sources (uses) | | | |
| Transfers from other funds | | | |
| Fleet Management Fund | 567,021 | 567,021 | - |
| Transfers to other funds | | | |
| Fleet Management Fund | (850,181) | (806,643) | 43,538 |
| Total other financing sources (uses) | (283,160) | (239,622) | 43,538 |
| Revenues and other financing sources over (under) expenditures and other financing uses | (283,160) | (224,619) | 58,541 |
| Net position appropriated | 283,160 | - | (283,160) |
| Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position | \$ - | \$ (224,619) | \$ (224,619) |

City of Lexington, North Carolina
Group Insurance Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-6

| | Financial Plan | Actual | Variance Positive (Negative) |
|--|-------------------|--------------|------------------------------------|
| Revenues | | | |
| Operating revenues | | | |
| Premium charges to departments | \$ | \$ 4,441,314 | \$ |
| Premium charges to employees/retirees | | 949,856 | |
| Premium charges for COBRA | | 2,512 | |
| Other operating | | 134,914 | |
| Total operating revenues | 6,841,639 | 5,528,596 | (1,313,043) |
| Nonoperating revenues | | | |
| Investment earnings | | 128,099 | |
| Total nonoperating revenues | 122,440 | 128,099 | 5,659 |
| Total revenues | 6,964,079 | 5,656,695 | (1,307,384) |
| Expenditures | | | |
| Salaries and employee benefits | | 63,436 | |
| Administration | | 286,054 | |
| Premiums | | 712,746 | |
| Claims | | 3,283,849 | |
| Total expenditures | 6,964,079 | 4,346,085 | 2,617,994 |
| Revenues over (under) expenditures | \$ - | 1,310,610 | \$ 1,310,610 |
| Reconciliation from financial plan basis (modified accrual) to full accrual | | | |
| Reconciling items | | | |
| (Increase) decrease in compensated absences payable | | (1,550) | |
| Increase (decrease) in deferred outflows of resources - pensions | | (966) | |
| (Increase) decrease in net pension liability | | (2,620) | |
| (Increase) decrease in deferred inflows of resources - pensions | | (362) | |
| Increase (decrease) in deferred outflows of resources - OPEB | | (1,310) | |
| (Increase) decrease in total OPEB liability | | 14,720 | |
| (Increase) decrease in deferred inflows of resources - OPEB | | 956 | |
| Total reconciling items | | 8,868 | |
| Change in net position | | \$ 1,319,478 | |

City of Lexington, North Carolina
Risk Management Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-7

| | <u>Financial Plan</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------------|------------------|---|
| Revenues | | | |
| Operating revenues | | | |
| Premium charges to departments | \$ | \$ 1,231,628 | \$ |
| Premium charges to employees | | 3,925 | |
| Other operating | | 43,878 | |
| Total operating revenues | <u>1,274,979</u> | <u>1,279,431</u> | <u>4,452</u> |
| Nonoperating revenues | | | |
| Investment earnings | | 33,513 | |
| Total nonoperating revenues | <u>49,030</u> | <u>33,513</u> | <u>(15,517)</u> |
| Total revenues | <u>1,324,009</u> | <u>1,312,944</u> | <u>(11,065)</u> |
| Expenditures | | | |
| Salaries and employee benefits | | 192,631 | |
| Administration | | 312,900 | |
| Premiums | | 525,837 | |
| Claims | | 348,259 | |
| Total expenditures | <u>1,879,733</u> | <u>1,379,627</u> | <u>500,106</u> |
| Revenues over (under) expenditures | (555,724) | (66,683) | 489,041 |
| Appropriated net position | <u>555,724</u> | <u>-</u> | <u>(555,724)</u> |
| Revenues and appropriated net position over (under) expenditures | <u>\$ -</u> | <u>(66,683)</u> | <u>\$ (66,683)</u> |

Continued on next page.

City of Lexington, North Carolina
Risk Management Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-7
continued

| | Financial Plan | Actual | Variance Positive (Negative) |
|--|-------------------|----------------------------|------------------------------------|
| Reconciliation from financial plan basis (modified accrual) to full accrual | | | |
| Revenues and appropriated net position over (under) expenditures | | \$ (66,683) | |
| Reconciling items | | | |
| Depreciation | | (29,508) | |
| (Increase) decrease in compensated absences payable | | (2,176) | |
| Increase (decrease) in deferred outflows of resources - pensions | | (9,230) | |
| (Increase) decrease in net pension liability | | 1,884 | |
| (Increase) decrease in deferred inflows of resources - pensions | | (757) | |
| Increase (decrease) in deferred outflows of resources - OPEB | | (119) | |
| (Increase) decrease in total OPEB liability | | 6,479 | |
| (Increase) decrease in deferred inflows of resources - OPEB | | <u>(10,866)</u> | |
| Total reconciling items | | <u>(44,293)</u> | |
| Change in net position | | <u><u>\$ (110,976)</u></u> | |

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-8

| | Financial Plan | Actual | Variance Positive (Negative) |
|--|-------------------|------------|------------------------------------|
| Revenues | | | |
| Operating revenues | | | |
| Administrative charges general fund | \$ | \$ 507,645 | \$ |
| Administrative charges electric fund | | 1,667,512 | |
| Administrative charges water/wastewater fund | | 579,600 | |
| Administrative charges natural gas fund | | 1,141,497 | |
| Disaster assistance | | 2,822 | |
| Other operating | | 631,350 | |
| Total operating revenues | 4,498,689 | 4,530,426 | 31,737 |
| Nonoperating revenues | | | |
| Investment earnings | | 12,596 | |
| Sale of property | | 1,046 | |
| Total nonoperating revenues | 11,500 | 13,642 | 2,142 |
| Total revenues | 4,510,189 | 4,544,068 | 33,879 |
| Expenditures | | | |
| Utility administration | | | |
| Salaries and employee benefits | | 44,138 | |
| Administration | | 64,911 | |
| Capital outlay | | 34,581 | |
| Total utility administration | 235,355 | 143,630 | 91,725 |
| Utility services | | | |
| Salaries and employee benefits | | 877,948 | |
| Administration | | 248,521 | |
| Capital outlay | | 20,091 | |
| Total utility administration | 1,289,981 | 1,146,560 | 143,421 |
| Customer service | | | |
| Salaries and employee benefits | | 678,386 | |
| Administration | | 555,817 | |
| Total customer service | 1,608,695 | 1,234,203 | 374,492 |
| Warehousing | | | |
| Salaries and employee benefits | | 141,557 | |
| Administration | | 108,267 | |
| Total warehousing | 269,503 | 249,824 | 19,679 |

Continued on next page.

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-8
continued

| | <u>Financial Plan</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------------|------------------|---|
| Meter reading | | | |
| Salaries and employee benefits | \$ | \$ 194,208 | \$ |
| Administration | | 56,282 | |
| Capital outlay | | 39,341 | |
| Total meter reading | <u>321,484</u> | <u>289,831</u> | <u>31,653</u> |
| Marketing | | | |
| Salaries and employee benefits | | 97,968 | |
| Administration | | 368,480 | |
| Capital outlay | | 30,403 | |
| Total marketing | <u>784,823</u> | <u>496,851</u> | <u>287,972</u> |
| Debt service | | | |
| Principal retirement | | 207,600 | |
| Interest and other charges | | 49,627 | |
| Total debt service | <u>257,227</u> | <u>257,227</u> | <u>-</u> |
| Total expenditures | <u>4,767,068</u> | <u>3,818,126</u> | <u>948,942</u> |
| Revenues over (under) expenditures | (256,879) | 725,942 | 982,821 |
| Appropriated net position | <u>256,879</u> | <u>-</u> | <u>(256,879)</u> |
| Revenues and appropriated net position over (under) expenditures | <u>\$ -</u> | <u>725,942</u> | <u>\$ 725,942</u> |

Continued on next page.

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2020

Exhibit F-8
continued

| | Financial Plan | Actual | Variance Positive (Negative) |
|---|-------------------|--------------|------------------------------------|
| Reconciliation from financial plan basis (modified accrual) to full accrual | | | |
| Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses | | \$ 725,942 | |
| Reconciling items | | | |
| Principal retirement | | 207,600 | |
| Capital outlay | | 124,416 | |
| Depreciation | | (760,392) | |
| Gain (loss) on sale of property | | (138,399) | |
| Provision for uncollectable accounts | | (33,601) | |
| Change in accrued interest | | 1,408 | |
| (Increase) decrease in compensated absences payable | | (29,757) | |
| Increase (decrease) in deferred outflows of resources - pensions | | (50,419) | |
| (Increase) decrease in net pension liability | | (48,129) | |
| (Increase) decrease in deferred inflows of resources - pensions | | (9,988) | |
| Increase (decrease) in deferred outflows of resources - OPEB | | 20,892 | |
| (Increase) decrease in total OPEB liability | | (193,470) | |
| (Increase) decrease in deferred inflows of resources - OPEB | | (102,835) | |
| Items related to subfund - Utility Administration Projects Fund | | | |
| Investment earnings | | 2,859 | |
| Total reconciling items | | (1,009,815) | |
| Change in net position | | \$ (283,873) | |

City of Lexington, North Carolina
Utility Administration Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2020

Exhibit F-9

| | Project Authorization | Actual | | | Variance Positive (Negative) |
|--|--------------------------|-------------------|-----------------|-------------------|------------------------------------|
| | | Prior Years | Current Year | Total to Date | |
| Revenues | | | | | |
| Workorder System Project | | | | | |
| Investment earnings | \$ - | \$ 11,352 | \$ 2,859 | \$ 14,211 | \$ 14,211 |
| Total | <u>-</u> | <u>11,352</u> | <u>2,859</u> | <u>14,211</u> | <u>14,211</u> |
| Total revenues | <u>-</u> | <u>11,352</u> | <u>2,859</u> | <u>14,211</u> | <u>14,211</u> |
| Expenditures | | | | | |
| Work Order System Project | 375,000 | 186,027 | 266 | 186,293 | 188,707 |
| Total expenditures | <u>375,000</u> | <u>186,027</u> | <u>266</u> | <u>186,293</u> | <u>188,707</u> |
| Revenues over (under) expenditures | <u>(375,000)</u> | <u>(174,675)</u> | <u>2,593</u> | <u>(172,082)</u> | <u>202,918</u> |
| Other financing sources | | | | | |
| Workorder System Project | | | | | |
| Transfers from other funds | | | | | |
| Utility Administration Fund | 375,000 | 375,000 | - | 375,000 | - |
| Total | <u>375,000</u> | <u>375,000</u> | <u>-</u> | <u>375,000</u> | <u>-</u> |
| Total other financing sources | <u>375,000</u> | <u>375,000</u> | <u>-</u> | <u>375,000</u> | <u>-</u> |
| Revenues and other financing sources over (under) expenditures | <u>\$ -</u> | <u>\$ 200,325</u> | <u>\$ 2,593</u> | <u>\$ 202,918</u> | <u>\$ 202,918</u> |

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SUPPLEMENTAL FINANCIAL DATA

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SUPPLEMENTAL FINANCIAL DATA

This section includes additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable – General Fund

Analysis of Current Tax Levy – City-Wide Levy



City of Lexington, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Exhibit G-1

| Fiscal Year | Uncollected Balance June 30, 2019 | Current Net Levy | Collections and Credits | Uncollected Balance June 30, 2020 |
|---|---|---------------------|----------------------------|---|
| 2019-20 | \$ - | \$ 10,509,312 | \$ 10,200,591 | \$ 308,721 |
| 2018-19 | 320,034 | - | 158,779 | 161,255 |
| 2017-18 | 163,219 | - | 57,685 | 105,534 |
| 2016-17 | 105,576 | - | 30,335 | 75,241 |
| 2015-16 | 78,181 | - | 23,408 | 54,773 |
| 2014-15 | 63,697 | - | 12,184 | 51,513 |
| 2013-14 | 70,038 | - | 11,951 | 58,087 |
| 2012-13 | 69,659 | - | 8,990 | 60,669 |
| 2011-12 | 69,215 | - | 6,611 | 62,604 |
| 2010-11 | 56,495 | - | 3,043 | 53,452 |
| Prior | 190,577 | - | 53,342 | 137,235 |
| | \$ 1,186,691 | \$ 10,509,312 | \$ 10,566,919 | 1,129,084 |
| Less: allowance for uncollectible accounts: | | | | |
| General Fund | | | | 722,000 |
| Ad valorem taxes receivable - net | | | | \$ 407,084 |
| <u>Reconciliation to revenues</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 10,504,426 |
| Reconciling items | | | | |
| Penalties collected on ad valorem taxes - remitted to Davidson County School System(s) | | | | 14,247 |
| Interest collected | | | | (95,682) |
| Discounts allowed | | | | 85,852 |
| Abatements and releases - prior years | | | | 58,076 |
| Total reconciling items | | | | 62,493 |
| Total collections and credits | | | | \$ 10,566,919 |

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2020

Exhibit G-2

| | City - Wide | | | Total Levy | |
|---------------------------------------|-----------------------|----------|---------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original levy | | | | | |
| Property taxed at current year's rate | \$ 1,613,229,656 | \$ 0.650 | \$ 10,486,012 | \$ 9,698,916 | \$ 787,096 |
| Penalties | - | | 15,088 | 15,088 | - |
| Total | 1,613,229,656 | | 10,501,100 | 9,714,004 | 787,096 |
| Discoveries | | | | | |
| Current year taxes | 1,314,660 | 0.650 | 8,545 | 8,545 | - |
| Penalties | - | | 104 | 104 | - |
| Total | 1,314,660 | | 8,649 | 8,649 | - |
| Abatements | (67,252) | | (437) | (437) | - |
| Total property valuation | \$ 1,614,477,064 | | | | |
| Net levy | | | 10,509,312 | 9,722,216 | 787,096 |
| Uncollected taxes at June 30 | | | (308,721) | (308,721) | - |
| Current year's taxes collected | | | \$ 10,200,591 | \$ 9,413,495 | \$ 787,096 |
| Current levy collection percentage | | | 97.06% | 96.82% | 100.00% |

Continued on next page.

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2020

Exhibit G-2
continued

Secondary Market Disclosures

| | |
|---|------------------|
| Assessed Valuation | |
| Assessment Ratio ¹ | 100% |
| Real Property | \$ 1,186,913,585 |
| Personal Property | 282,232,558 |
| Public Service Company Property ² | 24,239,209 |
| Registered Motor Vehicles | 121,091,712 |
| Total Assessed Valuation | 1,614,477,064 |
| City-wide Tax Rate | 0.650 |
| Levy (includes discoveries, releases and abatements) ³ | \$ 10,509,312 |

In addition to the City-wide levy indicated above, the City levied the following special district tax

| | |
|----------------------------|-----------|
| Municipal Service District | \$ 90,246 |
|----------------------------|-----------|

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³The levy includes interest and penalties.





NONMAJOR COMPONENT UNIT FINANCIAL DATA

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NONMAJOR COMPONENT UNIT FINANCIAL DATA

City of Lexington Board of Alcoholic Control (ABC Board), a component unit of City of Lexington, is a legally separate entity for which the City is financially accountable. The ABC Board issues separate financial statements.

Lexington Tourism Authority (Tourism Authority), a component unit of City of Lexington, is a legally separate entity for which the City is financially accountable. The Tourism Authority issues separate financial statements.

Uptown Lexington, Inc. (Uptown Lexington), a component unit of City of Lexington, is a legally separate entity for which the City is financially accountable. Uptown Lexington does not issue separate financial statements.

Front Street-Lexington, LLC, (Front Street-Lexington), a component unit of City of Lexington, is a legally separate entity for which the City is financially accountable. Front Street-Lexington issues separate financial statements.



City of Lexington, North Carolina
Nonmajor Component Units
Combining Statement of Net Position
June 30, 2020

Exhibit H-1

| | ABC Board | Tourism Authority | Uptown Lexington | Front Street- Lexington | Totals |
|---|-------------------|----------------------|---------------------|----------------------------|---------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 374,188 | \$ 487,935 | \$ 140,660 | \$ 20,075 | \$ 1,022,858 |
| Due from other governments | - | 2,318 | - | - | 2,318 |
| Due from primary government | - | 20,519 | - | - | 20,519 |
| Inventories | 435,437 | - | - | - | 435,437 |
| Deposits and prepaid items | 5,513 | - | - | 51,105 | 56,618 |
| Total current assets | <u>815,138</u> | <u>510,772</u> | <u>140,660</u> | <u>71,180</u> | <u>1,537,750</u> |
| Noncurrent assets | | | | | |
| Capital assets | | | | | |
| Land and other non-depreciable assets | 253,386 | - | - | - | 253,386 |
| Other capital assets, net of accumulated depreciation | 595,308 | - | - | - | 595,308 |
| Total capital assets | <u>848,694</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>848,694</u> |
| Total noncurrent assets | <u>848,694</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>848,694</u> |
| Total assets | <u>1,663,832</u> | <u>510,772</u> | <u>140,660</u> | <u>71,180</u> | <u>2,386,444</u> |
| Deferred outflows of resources | <u>54,394</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>54,394</u> |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 302,481 | 563 | 3,014 | 1,205 | 307,263 |
| Due to primary government | 144,539 | - | - | - | 144,539 |
| Compensated absences | - | 3,078 | - | - | 3,078 |
| Installment purchases payable | 33,056 | - | - | - | 33,056 |
| Total current liabilities | <u>480,076</u> | <u>3,641</u> | <u>3,014</u> | <u>1,205</u> | <u>487,936</u> |
| Noncurrent liabilities | | | | | |
| Net pension liability | 52,434 | - | - | - | 52,434 |
| Payroll Protection Program loan | - | - | 16,200 | - | 16,200 |
| Installment purchases payable | 190,396 | - | - | - | 190,396 |
| Total noncurrent liabilities | <u>242,830</u> | <u>-</u> | <u>16,200</u> | <u>-</u> | <u>259,030</u> |
| Total liabilities | <u>722,906</u> | <u>3,641</u> | <u>19,214</u> | <u>1,205</u> | <u>746,966</u> |
| Net position | | | | | |
| Net investment in capital assets | 625,242 | - | - | - | 625,242 |
| Restricted for | | | | | |
| Stabilization by state statute | - | 22,837 | - | - | 22,837 |
| Tourism promotion | - | 484,294 | - | - | 484,294 |
| Uptown revitalization | - | - | 121,446 | - | 121,446 |
| Economic development, nonexpendable | - | - | - | 34,288 | 34,288 |
| Working capital | 166,939 | - | - | - | 166,939 |
| Unrestricted | 203,139 | - | - | 35,687 | 238,826 |
| Total net position | <u>\$ 995,320</u> | <u>\$ 507,131</u> | <u>\$ 121,446</u> | <u>\$ 69,975</u> | <u>\$ 1,693,872</u> |

City of Lexington, North Carolina
Nonmajor Component Units

Exhibit H-2

Combining Statement of Revenues, Expenses, and Changes in Net Position
For the fiscal year ended June 30, 2020

| | ABC Board | Tourism Authority | Uptown Lexington | Front Street- Lexington | Totals |
|--|-------------------|----------------------|---------------------|----------------------------|---------------------|
| Operating revenues | | | | | |
| Sales and services | \$ 5,619,027 | \$ 12,434 | \$ - | \$ - | \$ 5,631,461 |
| Payment from City of Lexington | - | 333,204 | 138,100 | - | 471,304 |
| Other grants and donations | - | - | 100,817 | - | 100,817 |
| Other operating revenues | - | 25,661 | - | - | 25,661 |
| Total operating revenues | <u>5,619,027</u> | <u>371,299</u> | <u>238,917</u> | <u>-</u> | <u>6,229,243</u> |
| Operating expenses | | | | | |
| Cost of sales and services | 4,243,531 | - | - | - | 4,243,531 |
| Other operating expenses | 616,806 | 325,914 | 215,478 | 25 | 1,158,223 |
| Total operating expenses | <u>4,860,337</u> | <u>325,914</u> | <u>215,478</u> | <u>25</u> | <u>5,401,754</u> |
| Operating income (loss) | <u>758,690</u> | <u>45,385</u> | <u>23,439</u> | <u>(25)</u> | <u>827,489</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 802 | 5,319 | 712 | - | 6,833 |
| Other nonoperating revenues | - | - | 1,526 | - | 1,526 |
| Interest and other charges | (7,554) | - | - | - | (7,554) |
| Required distributions | (662,953) | - | - | - | (662,953) |
| Total nonoperating revenues (expenses) | <u>(669,705)</u> | <u>5,319</u> | <u>2,238</u> | <u>-</u> | <u>(662,148)</u> |
| Income (loss) before capital contributions | 88,985 | 50,704 | 25,677 | (25) | 165,341 |
| Capital contributions | - | - | - | 70,000 | 70,000 |
| Change in net position | 88,985 | 50,704 | 25,677 | 69,975 | 235,341 |
| Net position - beginning | 906,335 | 456,427 | 95,769 | - | 1,458,531 |
| Net position - ending | <u>\$ 995,320</u> | <u>\$ 507,131</u> | <u>\$ 121,446</u> | <u>\$ 69,975</u> | <u>\$ 1,693,872</u> |

Uptown Lexington, Inc.
(A component unit of the City of Lexington, North Carolina)
Balance Sheet
June 30, 2020

Exhibit H-3

Assets

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 140,660 |
| Total assets | <u>\$ 140,660</u> |

Liabilities

| | |
|--|--------------|
| Accounts payable and accrued liabilities | \$ 3,014 |
| Total liabilities | <u>3,014</u> |

Fund balance

| | |
|-----------------------|----------------|
| Restricted | |
| Uptown revitalization | <u>137,646</u> |
| Total fund balance | <u>137,646</u> |

| | |
|------------------------------------|-------------------|
| Total liabilities and fund balance | \$ <u>140,660</u> |
|------------------------------------|-------------------|

Amounts in the combining statement of net position (Exhibit H-1) are different because:

| | |
|--|-----------------|
| Fund balance as reported on the Balance Sheet | \$ 137,646 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the fund. | |
| Payroll Protection Program loan | <u>(16,200)</u> |

| | |
|--|-------------------|
| Net position reported on the combining statement of net position (Exhibit H-1) | \$ <u>121,446</u> |
|--|-------------------|

Uptown Lexington, Inc.
(A component unit of the City of Lexington, North Carolina)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2020

Exhibit H-4

| | Budget | Actual | Variance Positive (Negative) |
|--|-----------|------------|------------------------------------|
| Revenues | | | |
| Contribution from City of Lexington | | | |
| Special district property tax | \$ 94,000 | \$ 87,740 | \$ (6,260) |
| Other grants from City of Lexington | 60,000 | 50,360 | (9,640) |
| Donations/fund raisers | 105,000 | 100,817 | (4,183) |
| Investment earnings | - | 712 | 712 |
| Miscellaneous | - | 1,526 | 1,526 |
| Total revenues | 259,000 | 241,155 | (17,845) |
| Expenditures | | | |
| Salaries and employee benefits | 94,880 | 87,630 | 7,250 |
| Operations | 164,120 | 127,848 | 36,272 |
| Total expenditures | 259,000 | 215,478 | 43,522 |
| Revenues over (under) expenditures | - | 25,677 | 25,677 |
| Other financing sources | | | |
| Proceeds from Payroll Protection Program loan | - | 16,200 | 16,200 |
| Revenues and other financing sources over (under) expenditures | - | 41,877 | 41,877 |
| Appropriated fund balance | - | - | - |
| Net change in fund balance | \$ - | 41,877 | \$ 41,877 |
| Fund balance - beginning | | 95,769 | |
| Fund balance - ending | | \$ 137,646 | |
| Amounts reported in the combining statement of revenues, expenses, and changes in net position (Exhibit H-2) are different because: | | | |
| Net change in fund balance | | \$ 41,877 | |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | | |
| New long-term debt issued | | (16,200) | |
| Change in net position reported on the combining statement of revenues, expenses, and changes in net position (Exhibit H-2) | | \$ 25,677 | |

STATISTICAL SECTION



STATISTICAL SECTION

This section of the City of Lexington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

| Contents | Pages |
|---|--------------|
| Financial Trends | 191-200 |
| <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | |
| Revenue Capacity | 201-209 |
| <i>These schedules contain information to help the reader assess the City's most significant local revenue sources: property taxes and major enterprise fund revenues.</i> | |
| Debt Capacity | 210-216 |
| <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information | 217-218 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | |
| Operating Information | 219-222 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i> | |

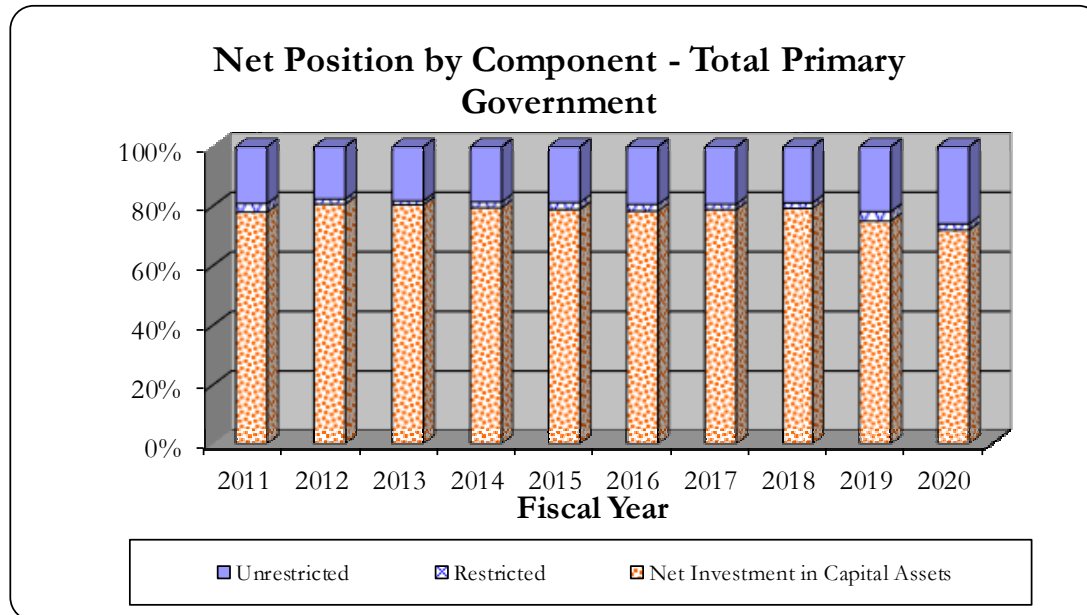
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



City of Lexington, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 40,644,556 | \$ 41,139,252 | \$ 40,979,496 | \$ 40,515,571 | \$ 39,963,277 | \$ 40,746,459 | \$ 39,724,703 | \$ 38,072,669 | \$ 36,749,294 | \$ 35,056,704 |
| Restricted | 4,474,720 | 2,688,766 | 2,129,153 | 3,085,267 | 3,766,473 | 3,707,261 | 3,101,871 | 3,010,654 | 5,439,650 | 3,780,396 |
| Unrestricted | 6,772,075 | 5,604,954 | 6,178,403 | 4,622,411 | 3,257,506 | 3,615,660 | 4,316,593 | (872,267) | 1,101,426 | 2,200,347 |
| Total governmental activities net position | <u>\$ 51,891,351</u> | <u>\$ 49,432,972</u> | <u>\$ 49,287,052</u> | <u>\$ 48,223,249</u> | <u>\$ 46,987,256</u> | <u>\$ 48,069,380</u> | <u>\$ 47,143,167</u> | <u>\$ 40,211,056</u> | <u>\$ 43,290,370</u> | <u>\$ 41,037,447</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 81,274,231 | \$ 84,208,432 | \$ 85,923,171 | \$ 87,427,567 | \$ 88,722,117 | \$ 89,108,109 | \$ 92,174,754 | \$ 91,584,949 | \$ 92,457,973 | \$ 93,366,084 |
| Restricted | 42,836 | - | - | - | - | - | - | - | - | - |
| Unrestricted | 22,944,440 | 21,587,378 | 22,372,358 | 25,170,883 | 27,313,675 | 28,413,442 | 27,875,935 | 31,663,603 | 36,381,153 | 43,973,398 |
| Total business-type activities net position | <u>\$104,261,507</u> | <u>\$105,795,810</u> | <u>\$108,295,529</u> | <u>\$112,598,450</u> | <u>\$116,035,792</u> | <u>\$117,521,551</u> | <u>\$120,050,689</u> | <u>\$123,248,552</u> | <u>\$128,839,126</u> | <u>\$137,339,482</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$121,918,787 | \$125,347,684 | \$126,902,667 | \$127,943,138 | \$128,685,394 | \$129,854,568 | \$131,899,457 | \$129,657,618 | \$129,207,267 | \$128,422,788 |
| Restricted | 4,517,556 | 2,688,766 | 2,129,153 | 3,085,267 | 3,766,473 | 3,707,261 | 3,101,871 | 3,010,654 | 5,439,650 | 3,780,396 |
| Unrestricted | 29,716,515 | 27,192,332 | 28,550,761 | 29,793,294 | 30,571,181 | 32,029,102 | 32,192,528 | 30,791,336 | 37,482,579 | 46,173,745 |
| Total primary government net position | <u>\$156,152,858</u> | <u>\$155,228,782</u> | <u>\$157,582,581</u> | <u>\$160,821,699</u> | <u>\$163,023,048</u> | <u>\$165,590,931</u> | <u>\$167,193,856</u> | <u>\$163,459,608</u> | <u>\$172,129,496</u> | <u>\$178,376,929</u> |



City of Lexington, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General government | \$ 3,438,520 | \$ 4,130,112 | \$ 4,178,911 | \$ 4,780,061 | \$ 4,617,011 | \$ 4,563,721 | \$ 4,371,376 | \$ 4,157,905 | \$ 4,274,241 | \$ 4,644,311 |
| Public safety | 9,607,070 | 10,384,670 | 9,981,953 | 10,390,718 | 9,728,760 | 10,289,676 | 10,542,762 | 10,979,166 | 10,792,937 | 13,182,740 |
| Highways and streets | 2,467,267 | 2,744,783 | 3,134,934 | 3,125,174 | 2,826,265 | 2,262,216 | 2,647,205 | 2,743,916 | 2,473,426 | 3,210,269 |
| Sanitation | 1,858,518 | 1,804,492 | 1,806,731 | 1,983,755 | 1,625,203 | 1,584,771 | 1,662,081 | 1,764,804 | 1,965,427 | 2,673,118 |
| Culture and recreation | 1,391,684 | 1,397,814 | 1,527,273 | 1,532,975 | 1,575,688 | 1,672,963 | 1,746,678 | 1,769,180 | 2,036,239 | 2,073,165 |
| Economic and physical development | 1,342,633 | 2,752,101 | 184,060 | 143,139 | 73,939 | 1,380,493 | 835,883 | 514,067 | 1,938,504 | 1,346,325 |
| Interest on long-term debt | 202,506 | 167,568 | 153,788 | 141,426 | 183,188 | 179,867 | 194,869 | 186,736 | 191,366 | 192,520 |
| Total governmental activities expenses | <u>20,308,198</u> | <u>23,381,540</u> | <u>20,967,650</u> | <u>22,097,248</u> | <u>20,630,054</u> | <u>21,933,707</u> | <u>22,000,854</u> | <u>22,115,774</u> | <u>23,672,140</u> | <u>27,322,448</u> |
| Business-type activities | | | | | | | | | | |
| Electric | 45,943,820 | 47,049,771 | 48,425,865 | 52,221,251 | 51,399,095 | 49,994,983 | 48,195,965 | 46,639,150 | 47,277,891 | 44,648,529 |
| Water and Wastewater | 7,929,297 | 7,953,182 | 7,698,833 | 8,441,895 | 7,788,441 | 8,185,398 | 9,010,151 | 9,121,189 | 9,382,370 | 11,377,344 |
| Natural Gas | 12,338,924 | 9,543,636 | 9,797,266 | 11,407,325 | 10,347,419 | 8,438,306 | 8,248,712 | 10,137,799 | 9,452,739 | 9,494,256 |
| Stormwater | - | - | - | - | - | - | - | - | - | 50,162 |
| Golf | 756,527 | 810,830 | 1,037,258 | 809,312 | 815,233 | 871,926 | 944,635 | 1,129,231 | 909,770 | 1,033,354 |
| Total business-type activities expenses | <u>66,968,568</u> | <u>65,357,419</u> | <u>66,959,222</u> | <u>72,879,783</u> | <u>70,350,188</u> | <u>67,490,613</u> | <u>66,399,463</u> | <u>67,027,369</u> | <u>67,022,770</u> | <u>66,603,645</u> |
| Total primary government expenses | <u>\$ 87,276,766</u> | <u>\$ 88,738,959</u> | <u>\$ 87,926,872</u> | <u>\$ 94,977,031</u> | <u>\$ 90,980,242</u> | <u>\$ 89,424,320</u> | <u>\$ 88,400,317</u> | <u>\$ 89,143,143</u> | <u>\$ 90,694,910</u> | <u>\$ 93,926,093</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$ 4,641 | \$ 55,617 | \$ 152,683 | \$ 241,521 | \$ 88,413 | \$ 15,021 | \$ 11,799 | \$ 18,397 | \$ 3,914 | \$ 2,463 |
| Public safety | 293,066 | 222,367 | 293,915 | 194,359 | 305,823 | 382,193 | 330,857 | 436,522 | 478,041 | 514,218 |
| Highways and streets | 4,328 | 3,620 | 12,110 | 4,406 | 2,009 | 290 | 1,599 | 3,183 | 23,549 | 4,024 |
| Sanitation | 811,013 | 815,666 | 809,692 | 924,808 | 1,169,368 | 1,171,703 | 1,171,786 | 1,312,322 | 1,513,620 | 1,554,188 |
| Culture and recreation | 115,575 | 93,521 | 98,914 | 84,643 | 85,667 | 106,829 | 295,567 | 134,419 | 206,565 | 94,278 |
| Economic and physical development | 91,347 | 167,840 | 175,741 | 170,481 | 232,908 | 200,114 | 89,775 | 212,290 | 214,482 | 199,271 |
| Operating grants and contributions | 2,793,823 | 1,807,962 | 1,151,258 | 1,049,845 | 830,907 | 2,035,092 | 968,124 | 962,406 | 2,306,497 | 1,246,636 |
| Capital grants and contributions | 1,635,126 | 1,563,195 | 946,861 | 714,152 | 25,000 | 578,556 | 89,591 | 128,393 | 405,590 | - |
| Total governmental activities program revenues | <u>5,748,919</u> | <u>4,729,788</u> | <u>3,641,174</u> | <u>3,384,215</u> | <u>2,740,095</u> | <u>4,489,798</u> | <u>2,959,098</u> | <u>3,207,932</u> | <u>5,152,258</u> | <u>3,615,078</u> |

Continued on next page.

City of Lexington, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2
continued

| | Fiscal Year | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Business-type activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Electric | \$ 48,164,096 | \$ 47,654,094 | \$ 50,204,074 | \$ 54,209,465 | \$ 54,027,183 | \$ 51,048,228 | \$ 50,712,382 | \$ 51,845,218 | \$ 50,953,717 | \$ 47,722,708 |
| Water and Wastewater | 8,502,090 | 8,733,673 | 8,707,334 | 9,012,258 | 8,946,524 | 8,835,534 | 9,276,952 | 9,759,870 | 10,779,418 | 10,924,325 |
| Natural Gas | 13,997,277 | 10,659,045 | 11,859,814 | 14,347,360 | 12,999,357 | 10,035,838 | 10,124,317 | 12,439,780 | 12,293,569 | 10,173,536 |
| Stormwater | - | - | - | - | - | - | - | - | - | 5,007 |
| Golf | 589,319 | 749,128 | 780,138 | 646,750 | 648,358 | 653,191 | 628,632 | 729,107 | 635,234 | 528,856 |
| Operating grants and contributions | - | 45,776 | 20,344 | 614,114 | 46,368 | 823,343 | 445,525 | 139,919 | 448,776 | 3,062 |
| Capital grants and contributions | - | 1,469,210 | 352,407 | 633,527 | - | - | 24,000 | - | - | 7,505,400 |
| Total business-type activities program revenues | <u>71,252,782</u> | <u>69,310,926</u> | <u>71,924,111</u> | <u>79,463,474</u> | <u>76,667,790</u> | <u>71,396,134</u> | <u>71,211,808</u> | <u>74,913,894</u> | <u>75,110,714</u> | <u>76,862,894</u> |
| Total primary government program revenues | <u>\$ 77,001,701</u> | <u>\$ 74,040,714</u> | <u>\$ 75,565,285</u> | <u>\$ 82,847,689</u> | <u>\$ 79,407,885</u> | <u>\$ 75,885,932</u> | <u>\$ 74,170,906</u> | <u>\$ 78,121,826</u> | <u>\$ 80,262,972</u> | <u>\$ 80,477,972</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (14,559,279) | \$ (18,651,752) | \$ (17,326,476) | \$ (18,713,033) | \$ (17,889,959) | \$ (17,443,909) | \$ (19,041,756) | \$ (18,907,842) | \$ (18,519,882) | \$ (23,707,370) |
| Business-type activities | <u>4,284,214</u> | <u>3,953,507</u> | <u>4,964,889</u> | <u>6,583,691</u> | <u>6,317,602</u> | <u>3,905,521</u> | <u>4,812,345</u> | <u>7,886,525</u> | <u>8,087,944</u> | <u>10,259,249</u> |
| Total primary government net expense | <u>\$ (10,275,065)</u> | <u>\$ (14,698,245)</u> | <u>\$ (12,361,587)</u> | <u>\$ (12,129,342)</u> | <u>\$ (11,572,357)</u> | <u>\$ (13,538,388)</u> | <u>\$ (14,229,411)</u> | <u>\$ (11,021,317)</u> | <u>\$ (10,431,938)</u> | <u>\$ (13,448,121)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 8,228,253 | \$ 8,149,184 | \$ 9,047,127 | \$ 9,433,618 | \$ 9,355,556 | \$ 9,147,226 | \$ 10,082,718 | \$ 10,070,975 | \$ 10,203,898 | \$ 10,501,093 |
| Other taxes | 259,127 | 264,890 | 265,420 | 265,561 | 314,466 | 318,347 | 320,251 | 327,810 | 367,932 | 675,730 |
| Unrestricted intergovernmental revenues | 5,246,060 | 5,230,900 | 5,328,292 | 5,600,504 | 6,061,070 | 6,487,277 | 6,879,181 | 7,085,383 | 7,313,227 | 7,532,583 |
| Unrestricted investment earnings | 55,897 | 52,586 | 31,238 | 27,417 | 27,756 | 53,649 | 77,321 | 195,401 | 515,476 | 367,621 |
| Unrestricted miscellaneous | - | - | - | - | 5,881 | 4,988 | 4,233 | 4,318 | 974 | 37,159 |
| Transfers | 2,452,971 | 2,495,813 | 2,508,479 | 2,322,130 | 2,229,769 | 2,514,546 | 2,403,486 | 2,226,301 | 3,197,689 | 2,340,261 |
| Total governmental activities | <u>16,242,308</u> | <u>16,193,373</u> | <u>17,180,556</u> | <u>17,649,230</u> | <u>17,994,498</u> | <u>18,526,033</u> | <u>19,767,190</u> | <u>19,910,188</u> | <u>21,599,196</u> | <u>21,454,447</u> |
| Business-type activities | | | | | | | | | | |
| Unrestricted investment earnings | 86,902 | 76,609 | 43,309 | 41,360 | 44,803 | 94,784 | 120,279 | 292,858 | 700,319 | 581,368 |
| Transfers | (2,452,971) | (2,495,813) | (2,508,479) | (2,322,130) | (2,229,769) | (2,514,546) | (2,403,486) | (2,226,301) | (3,197,689) | (2,340,261) |
| Total business-type activities | <u>(2,366,069)</u> | <u>(2,419,204)</u> | <u>(2,465,170)</u> | <u>(2,280,770)</u> | <u>(2,184,966)</u> | <u>(2,419,762)</u> | <u>(2,283,207)</u> | <u>(1,933,443)</u> | <u>(2,497,370)</u> | <u>(1,758,893)</u> |
| Total primary government | <u>\$ 13,876,239</u> | <u>\$ 13,774,169</u> | <u>\$ 14,715,386</u> | <u>\$ 15,368,460</u> | <u>\$ 15,809,532</u> | <u>\$ 16,106,271</u> | <u>\$ 17,483,983</u> | <u>\$ 17,976,745</u> | <u>\$ 19,101,826</u> | <u>\$ 19,695,554</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 1,683,029 | \$ (2,458,379) | \$ (145,920) | \$ (1,063,803) | \$ 104,539 | \$ 1,082,124 | \$ 725,434 | \$ 1,002,346 | \$ 3,079,314 | \$ (2,252,923) |
| Business-type activities | <u>1,918,145</u> | <u>1,534,303</u> | <u>2,499,719</u> | <u>4,302,921</u> | <u>4,132,636</u> | <u>1,485,759</u> | <u>2,529,138</u> | <u>5,953,082</u> | <u>5,590,574</u> | <u>8,500,356</u> |
| Total primary government | <u>\$ 3,601,174</u> | <u>\$ (924,076)</u> | <u>\$ 2,353,799</u> | <u>\$ 3,239,118</u> | <u>\$ 4,237,175</u> | <u>\$ 2,567,883</u> | <u>\$ 3,254,572</u> | <u>\$ 6,955,428</u> | <u>\$ 8,669,888</u> | <u>\$ 6,247,433</u> |

City of Lexington, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

| | Fiscal Year | | | | | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 75,521 | \$ 67,597 | \$ 58,814 | \$ 12,698 | \$ 3,920 | \$ 3,329 | \$ 3,329 | \$ 15,829 | \$ 3,789 | \$ 4,000 |
| Spendable | | | | | | | | | | |
| Restricted | 1,813,519 | 1,321,691 | 1,040,399 | 2,428,451 | 3,315,217 | 3,293,374 | 2,754,989 | 2,690,624 | 4,828,117 | 3,463,336 |
| Committed | 12,224 | 10,230 | 15,105 | 15,939 | 13,902 | 15,329 | 13,524 | 13,691 | 14,034 | 9,370 |
| Assigned | 734,440 | 768,000 | 975,954 | 1,017,376 | 1,292,822 | 772,298 | 1,155,856 | 1,116,391 | 1,564,396 | 1,920,720 |
| Unassigned | 4,886,011 | 5,486,866 | 6,068,607 | 5,176,348 | 4,744,018 | 5,573,391 | 5,572,456 | 6,483,688 | 5,909,075 | 6,292,190 |
| Total General Fund | <u>\$ 7,521,715</u> | <u>\$ 7,654,384</u> | <u>\$ 8,158,879</u> | <u>\$ 8,650,812</u> | <u>\$ 9,369,879</u> | <u>\$ 9,657,721</u> | <u>\$ 9,500,154</u> | <u>\$ 10,320,223</u> | <u>\$ 12,319,411</u> | <u>\$ 11,689,616</u> |
| All other governmental funds | | | | | | | | | | |
| Spendable | | | | | | | | | | |
| Restricted | \$ 2,661,201 | \$ 1,367,075 | \$ 1,088,754 | \$ 656,816 | \$ 1,523,329 | \$ 1,875,021 | \$ 346,882 | \$ 320,030 | \$ 611,533 | \$ 317,060 |
| Committed | 492,367 | 257,460 | 273,971 | 290,250 | 267,921 | 269,596 | 208,761 | 656,308 | 813,053 | 853,781 |
| Unassigned | (69,997) | (33,090) | (46,525) | (14) | (227,371) | (292,943) | (89,750) | - | (31,934) | - |
| Total all other governmental funds | <u>\$ 3,083,571</u> | <u>\$ 1,591,445</u> | <u>\$ 1,316,200</u> | <u>\$ 947,052</u> | <u>\$ 1,563,879</u> | <u>\$ 1,851,674</u> | <u>\$ 465,893</u> | <u>\$ 976,338</u> | <u>\$ 1,392,652</u> | <u>\$ 1,170,841</u> |

City of Lexington, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

| | Fiscal Year | | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revenues | | | | | | | | | | |
| Ad valorem taxes | \$ 8,064,247 | \$ 7,984,145 | \$ 8,925,727 | \$ 9,390,723 | \$ 9,362,764 | \$ 8,989,843 | \$ 9,880,081 | \$ 10,122,823 | \$ 10,254,723 | \$ 10,504,426 |
| Special ad valorem taxes | 101,669 | 99,678 | 93,791 | 94,355 | 97,777 | 105,524 | 99,406 | 99,196 | 100,370 | 89,027 |
| Other taxes and licenses | 259,127 | 264,890 | 264,915 | 264,000 | 316,532 | 318,347 | 320,251 | 327,810 | 367,932 | 675,730 |
| Unrestricted intergovernmental | 5,245,141 | 5,153,753 | 5,268,973 | 6,157,526 | 6,061,070 | 6,487,277 | 6,879,181 | 7,085,383 | 7,313,227 | 7,532,583 |
| Restricted intergovernmental | 4,203,869 | 3,217,560 | 2,072,489 | 1,496,082 | 864,602 | 2,530,682 | 921,357 | 1,023,008 | 1,467,548 | 1,176,104 |
| Permits and fees | 202,391 | 165,203 | 183,454 | 168,223 | 225,193 | 212,467 | 181,616 | 221,521 | 300,901 | 352,071 |
| Sales and services | 1,032,606 | 1,030,119 | 1,039,346 | 1,116,132 | 1,391,418 | 1,558,256 | 1,596,244 | 1,753,951 | 2,014,351 | 1,994,421 |
| Investment earnings | 43,925 | 37,827 | 22,357 | 18,763 | 19,054 | 36,776 | 50,371 | 109,056 | 280,167 | 187,694 |
| Miscellaneous | 257,416 | 284,120 | 233,561 | 157,656 | 230,437 | 281,403 | 231,006 | 687,928 | 1,223,092 | 77,204 |
| Total revenues | <u>19,410,391</u> | <u>18,237,295</u> | <u>18,104,613</u> | <u>18,863,460</u> | <u>18,568,847</u> | <u>20,520,575</u> | <u>20,159,513</u> | <u>21,430,676</u> | <u>23,322,311</u> | <u>22,589,260</u> |
| Expenditures | | | | | | | | | | |
| General government | 3,277,885 | 3,396,522 | 3,742,625 | 4,343,856 | 4,408,748 | 4,214,698 | 4,403,155 | 4,367,865 | 4,358,881 | 4,228,364 |
| Public safety | 9,156,333 | 9,324,691 | 9,290,324 | 9,727,623 | 9,531,599 | 9,884,140 | 10,622,635 | 11,385,934 | 10,903,338 | 11,445,689 |
| Highways and streets | 1,353,163 | 1,534,439 | 1,904,926 | 1,927,307 | 1,679,984 | 1,074,054 | 1,484,898 | 1,596,898 | 1,296,617 | 1,612,275 |
| Sanitation | 1,737,312 | 1,690,560 | 1,685,761 | 1,894,698 | 1,675,820 | 1,541,185 | 1,605,810 | 1,745,445 | 1,962,598 | 1,889,021 |
| Culture and recreation | 1,247,196 | 1,191,084 | 1,357,739 | 1,408,890 | 1,472,250 | 1,561,039 | 1,772,469 | 1,761,971 | 1,853,995 | 1,630,175 |
| Economic and physical development | 1,342,633 | 1,878,884 | 265,183 | 223,608 | 194,250 | 1,504,578 | 639,316 | 514,989 | 1,937,769 | 1,313,160 |
| Capital outlay | 489,233 | 1,165,404 | 591,277 | 1,099,879 | 441,262 | 1,770,495 | 720,952 | 1,152,229 | 107,332 | 2,705,025 |
| Construction in progress | 2,325,755 | 1,671,529 | 973,349 | 511,556 | 2,058,881 | 2,170,011 | 2,003,650 | 37,141 | 1,111,483 | 167,775 |
| Debt service: | | | | | | | | | | |
| Principal | 506,221 | 580,635 | 540,183 | 586,744 | 623,053 | 681,960 | 699,790 | 816,723 | 848,132 | 844,229 |
| Interest and other charges | 193,820 | 167,568 | 153,788 | 141,426 | 154,414 | 168,945 | 197,772 | 184,812 | 185,040 | 198,871 |
| Bond issuance cost | 25,686 | - | - | - | - | - | - | - | - | - |
| Total expenditures | <u>21,655,237</u> | <u>22,601,316</u> | <u>20,505,155</u> | <u>21,865,587</u> | <u>22,240,261</u> | <u>24,571,105</u> | <u>24,150,447</u> | <u>23,564,007</u> | <u>24,565,185</u> | <u>26,034,584</u> |
| Excess of revenues over (under) expenditures | (2,244,846) | (4,364,021) | (2,400,542) | (3,002,127) | (3,671,414) | (4,050,530) | (3,990,934) | (2,133,331) | (1,242,874) | (3,445,324) |

Continued on next page.

City of Lexington, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

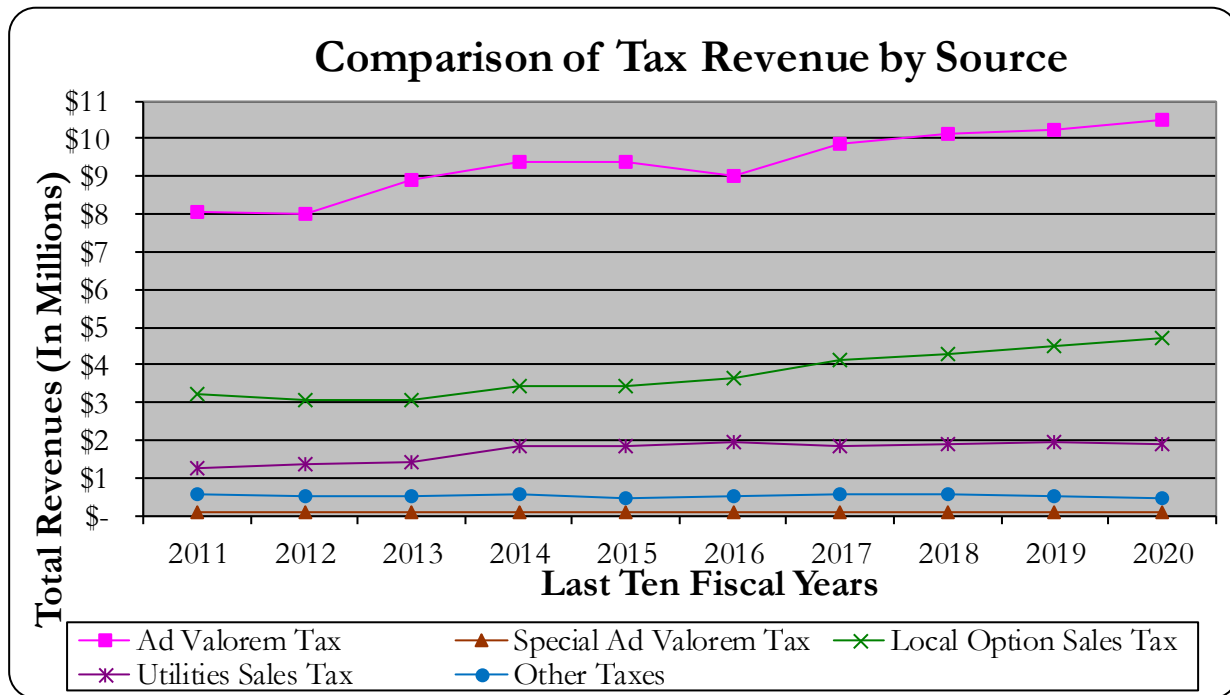
Table 4
continued

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------------|-----------------------|-------------------|-------------------|---------------------|-------------------|-----------------------|---------------------|---------------------|---------------------|
| Other financing sources (uses) | | | | | | | | | | |
| Installment purchase debt issued | \$ - | \$ 460,402 | \$ - | \$ 582,807 | \$ 2,410,000 | \$ 2,084,980 | \$ - | \$ 1,035,527 | \$ 1,140,000 | \$ - |
| Transfers from other funds | 3,254,381 | 3,116,815 | 2,854,724 | 2,998,881 | 3,147,907 | 3,282,377 | 3,391,048 | 3,228,265 | 3,046,180 | 2,889,968 |
| Transfers to other funds | (779,870) | (573,266) | (223,650) | (456,674) | (568,584) | (802,174) | (945,757) | (804,389) | (575,192) | (549,707) |
| Refunding bonds issued | 1,184,031 | - | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | 18,607 | 61,575 | 2,295 | 4,442 | 47,388 | 253,457 |
| Redemption of bonds | (1,150,000) | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>2,508,542</u> | <u>3,003,951</u> | <u>2,631,074</u> | <u>3,125,014</u> | <u>5,007,930</u> | <u>4,626,758</u> | <u>2,447,586</u> | <u>3,463,845</u> | <u>3,658,376</u> | <u>2,593,718</u> |
| Net change in fund balances | <u>\$ 263,696</u> | <u>\$ (1,360,070)</u> | <u>\$ 230,532</u> | <u>\$ 122,887</u> | <u>\$ 1,336,516</u> | <u>\$ 576,228</u> | <u>\$ (1,543,348)</u> | <u>\$ 1,330,514</u> | <u>\$ 2,415,502</u> | <u>\$ (851,606)</u> |
| Debt service as a percentage of noncapital expenditures | 3.9% | 3.8% | 3.7% | 3.6% | 3.9% | 4.1% | 4.2% | 4.5% | 4.4% | 4.5% |
| Debt service as a percentage of total expenditures | 3.4% | 3.3% | 3.4% | 3.3% | 3.5% | 3.5% | 3.7% | 4.3% | 4.2% | 4.0% |
| Capital outlay as a percentage of total expenditures | 13.0% | 12.6% | 7.6% | 7.4% | 11.2% | 16.0% | 11.3% | 5.0% | 5.0% | 11.0% |

City of Lexington, North Carolina
Governmental Funds Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 5

| Fiscal Year | Ad Valorem Tax | Special Ad Valorem Tax | Local Option Sales Tax | Utilities Sales Tax | Other Taxes | Total Taxes |
|-------------|----------------|------------------------|------------------------|---------------------|-------------|---------------|
| 2011 | \$ 8,064,247 | \$ 101,669 | \$ 3,236,005 | \$ 1,265,918 | \$ 545,753 | \$ 13,213,592 |
| 2012 | 7,984,145 | 99,678 | 3,050,437 | 1,343,834 | 527,775 | 13,005,869 |
| 2013 | 8,925,727 | 93,791 | 3,083,691 | 1,430,901 | 504,597 | 14,038,707 |
| 2014 | 9,390,723 | 94,355 | 3,428,265 | 1,827,102 | 556,534 | 15,296,979 |
| 2015 | 9,362,764 | 97,777 | 3,424,361 | 1,838,078 | 459,841 | 15,182,821 |
| 2016 | 8,989,843 | 105,524 | 3,646,785 | 1,962,379 | 543,973 | 15,248,504 |
| 2017 | 9,880,081 | 99,406 | 4,106,964 | 1,849,092 | 547,457 | 16,483,000 |
| 2018 | 10,122,823 | 99,196 | 4,263,394 | 1,883,982 | 553,538 | 16,922,933 |
| 2019 | 10,254,723 | 100,370 | 4,491,601 | 1,927,328 | 527,692 | 17,301,714 |
| 2020 | 10,504,426 | 89,027 | 4,737,746 | 1,892,993 | 468,523 | 17,692,715 |



Notes:

Other taxes include piped natural gas sales tax, telecommunications tax, video franchise tax and beer and wine tax.

City of Lexington, North Carolina
Electric Statement of Revenues and Expenses
Last Ten Fiscal Years

Table 6

| Description | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------------|-------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Operating revenues | | | | | | | | | | |
| Charges for service | \$ 46,290,133 | \$ 45,851,593 | \$ 48,347,174 | \$ 51,924,474 | \$ 53,405,203 | \$ 50,384,682 | \$ 50,130,246 | \$ 51,102,340 | \$ 50,192,272 | \$ 46,800,332 |
| Other operating revenues | <u>1,483,538</u> | <u>1,534,910</u> | <u>1,574,156</u> | <u>2,396,323</u> | <u>273,825</u> | <u>915,867</u> | <u>666,864</u> | <u>443,691</u> | <u>685,451</u> | <u>378,660</u> |
| Total operating revenues | <u>47,773,671</u> | <u>47,386,503</u> | <u>49,921,330</u> | <u>54,320,797</u> | <u>53,679,028</u> | <u>51,300,549</u> | <u>50,797,110</u> | <u>51,546,031</u> | <u>50,877,723</u> | <u>47,178,992</u> |
| Operating expenses | | | | | | | | | | |
| Salaries and benefits | 1,608,301 | 1,357,152 | 1,372,491 | 1,466,247 | 1,302,963 | 1,479,210 | 1,595,559 | 1,751,140 | 109,651 | - |
| Operating expenses | 4,523,644 | 4,501,733 | 4,824,251 | 6,098,297 | 4,286,391 | 6,248,503 | 5,343,517 | 4,706,488 | 10,176,453 | 9,605,649 |
| Purchases of power for resale | 38,272,708 | 39,655,108 | 40,755,523 | 43,138,820 | 44,364,741 | 40,618,065 | 39,643,028 | 38,458,043 | 35,236,370 | 32,863,804 |
| Depreciation | <u>956,883</u> | <u>916,110</u> | <u>922,514</u> | <u>949,226</u> | <u>956,873</u> | <u>998,503</u> | <u>1,048,465</u> | <u>1,033,041</u> | <u>1,081,713</u> | <u>1,329,794</u> |
| Total operating expenses | <u>45,361,536</u> | <u>46,430,103</u> | <u>47,874,779</u> | <u>51,652,590</u> | <u>50,910,968</u> | <u>49,344,281</u> | <u>47,630,569</u> | <u>45,948,712</u> | <u>46,604,187</u> | <u>43,799,247</u> |
| Operating income (loss) | <u>2,412,135</u> | <u>956,400</u> | <u>2,046,551</u> | <u>2,668,207</u> | <u>2,768,060</u> | <u>1,956,268</u> | <u>3,166,541</u> | <u>5,597,319</u> | <u>4,273,536</u> | <u>3,379,745</u> |
| Non-operating revenues (expenses) | | | | | | | | | | |
| Investment earnings | 37,686 | 34,225 | 19,060 | 16,136 | 16,907 | 37,028 | 48,105 | 128,915 | 346,784 | 323,224 |
| Working capital refund | - | - | - | - | - | - | - | - | - | 7,505,400 |
| Interest and other charges | (221,224) | (188,937) | (170,698) | (152,401) | (189,818) | (141,749) | (180,709) | (155,722) | (131,967) | (115,060) |
| Other | <u>(23,887)</u> | <u>(57,571)</u> | <u>(48,761)</u> | <u>61,532</u> | <u>(15,964)</u> | <u>(5,698)</u> | <u>(9,157)</u> | <u>(37,982)</u> | <u>(99,316)</u> | <u>(15,569)</u> |
| Total non-operating revenues (expenses) | <u>(207,425)</u> | <u>(212,283)</u> | <u>(200,399)</u> | <u>(74,733)</u> | <u>(188,875)</u> | <u>(110,419)</u> | <u>(141,761)</u> | <u>(64,789)</u> | <u>115,501</u> | <u>7,697,995</u> |
| Income before transfers | 2,204,710 | 744,117 | 1,846,152 | 2,593,474 | 2,579,185 | 1,845,849 | 3,024,780 | 5,532,530 | 4,389,037 | 11,077,740 |
| Capital contributions | - | - | - | - | - | - | 24,000 | - | 2,466,547 | - |
| Transfers from (to) other funds | <u>(1,310,393)</u> | <u>(634,423)</u> | <u>(1,338,781)</u> | <u>(520,204)</u> | <u>(2,774,154)</u> | <u>(2,171,161)</u> | <u>(1,452,514)</u> | <u>(1,433,688)</u> | <u>(1,426,993)</u> | <u>(1,431,106)</u> |
| Change in net position | <u>\$ 894,317</u> | <u>\$ 109,694</u> | <u>\$ 507,371</u> | <u>\$ 2,073,270</u> | <u>\$ (194,969)</u> | <u>\$ (325,312)</u> | <u>\$ 1,596,266</u> | <u>\$ 4,098,842</u> | <u>\$ 5,428,591</u> | <u>\$ 9,646,634</u> |

City of Lexington, North Carolina
Water and Wastewater Statement of Revenues and Expenses
Last Ten Fiscal Years

Table 7

| Description | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|------------------|---------------------|---------------------|
| Operating revenues | | | | | | | | | | |
| Water charges for service | \$ 3,636,646 | \$ 3,747,972 | \$ 3,660,282 | \$ 3,802,987 | \$ 3,889,062 | \$ 3,781,406 | \$ 4,056,628 | \$ 4,404,053 | \$ 4,839,953 | \$ 4,799,906 |
| Wastewater charges for service | 4,402,055 | 4,604,890 | 4,641,615 | 4,711,660 | 4,644,177 | 4,626,467 | 4,757,829 | 4,898,980 | 5,438,580 | 5,554,783 |
| Other operating revenues | 184,610 | 150,721 | 166,534 | 209,105 | 177,518 | 188,028 | 215,264 | 181,570 | 440,280 | 375,112 |
| Total operating revenues | <u>8,223,311</u> | <u>8,503,583</u> | <u>8,468,431</u> | <u>8,723,752</u> | <u>8,710,757</u> | <u>8,595,901</u> | <u>9,029,721</u> | <u>9,484,603</u> | <u>10,718,813</u> | <u>10,729,801</u> |
| Operating expenses | | | | | | | | | | |
| Water plant | 1,534,200 | 1,474,732 | 1,411,184 | 1,679,113 | 1,610,139 | 1,516,198 | 1,670,259 | 1,874,683 | 1,914,599 | 2,067,613 |
| Waste treatment plant | 2,090,429 | 2,223,004 | 2,129,017 | 2,369,950 | 2,194,026 | 2,232,117 | 2,749,027 | 2,786,059 | 2,775,952 | 2,990,618 |
| Water and wastewater | 2,688,509 | 2,588,725 | 2,613,371 | 2,805,339 | 2,482,718 | 2,907,602 | 3,322,142 | 3,254,940 | 3,487,156 | 4,743,197 |
| Depreciation | 1,170,159 | 1,197,166 | 1,225,251 | 1,260,606 | 1,291,217 | 1,270,280 | 1,222,572 | 1,231,317 | 1,261,484 | 1,423,323 |
| Total operating expenses | <u>7,483,297</u> | <u>7,483,627</u> | <u>7,378,823</u> | <u>8,115,008</u> | <u>7,578,100</u> | <u>7,926,197</u> | <u>8,964,000</u> | <u>9,146,999</u> | <u>9,439,191</u> | <u>11,224,751</u> |
| Operating income (loss) | <u>740,014</u> | <u>1,019,956</u> | <u>1,089,608</u> | <u>608,744</u> | <u>1,132,657</u> | <u>669,704</u> | <u>65,721</u> | <u>337,604</u> | <u>1,279,622</u> | <u>(494,950)</u> |
| Non-operating revenues (expenses) | | | | | | | | | | |
| Investment earnings | 18,139 | 18,283 | 11,507 | 11,693 | 12,480 | 25,440 | 32,864 | 77,212 | 169,334 | 133,319 |
| Interest and other charges | (250,483) | (185,947) | (162,232) | (139,249) | (124,747) | (60,462) | (45,310) | (30,334) | (17,219) | (10,589) |
| Other | (115,055) | (43,970) | 258 | (1,069) | (17,379) | - | (39,873) | - | (2,067) | - |
| Total non-operating revenues (expenses) | <u>(347,399)</u> | <u>(211,634)</u> | <u>(150,467)</u> | <u>(128,625)</u> | <u>(129,646)</u> | <u>(35,022)</u> | <u>(52,319)</u> | <u>46,878</u> | <u>150,048</u> | <u>122,730</u> |
| Income before contributions and transfers | 392,615 | 808,322 | 939,141 | 480,119 | 1,003,011 | 634,682 | 13,402 | 384,482 | 1,429,670 | (372,220) |
| Capital contributions | - | 1,461,439 | 82,471 | 633,527 | - | - | - | - | - | - |
| Transfers from (to) other funds | (737,295) | (1,293,919) | (778,351) | (511,795) | 226,397 | (204,930) | (431,543) | (321,476) | 3,152,335 | (357,314) |
| Change in net position | <u>\$ (344,680)</u> | <u>\$ 975,842</u> | <u>\$ 243,261</u> | <u>\$ 601,851</u> | <u>\$ 1,229,408</u> | <u>\$ 429,752</u> | <u>\$ (418,141)</u> | <u>\$ 63,006</u> | <u>\$ 4,582,005</u> | <u>\$ (729,534)</u> |

City of Lexington, North Carolina
Natural Gas Statement of Revenues and Expenses
Last Ten Fiscal Years

Table 8

| Description | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------------|--------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|
| Operating revenues | | | | | | | | | | |
| Charges for service | \$ 13,751,305 | \$ 10,396,960 | \$ 11,599,902 | \$ 13,831,625 | \$ 12,692,731 | \$ 9,725,193 | \$ 9,832,879 | \$ 11,990,888 | \$ 11,975,674 | \$ 9,730,106 |
| Other operating revenues | <u>34,308</u> | <u>19,229</u> | <u>19,294</u> | <u>248,463</u> | <u>46,018</u> | <u>246,147</u> | <u>61,395</u> | <u>206,424</u> | <u>35,312</u> | <u>55,615</u> |
| Total operating revenues | <u>13,785,613</u> | <u>10,416,189</u> | <u>11,619,196</u> | <u>14,080,088</u> | <u>12,738,749</u> | <u>9,971,340</u> | <u>9,894,274</u> | <u>12,197,312</u> | <u>12,010,986</u> | <u>9,785,721</u> |
| Operating expenses | | | | | | | | | | |
| Salaries and benefits | 1,279,185 | 992,526 | 1,028,218 | 1,111,860 | 1,054,521 | 1,142,684 | 1,246,310 | 1,305,610 | 1,244,214 | 1,332,385 |
| Operating expenses | 1,944,764 | 2,086,275 | 2,005,905 | 2,125,244 | 1,978,094 | 2,237,432 | 1,922,924 | 2,514,476 | 2,150,468 | 2,910,166 |
| Purchases of natural gas for resale | 8,163,925 | 5,385,773 | 5,744,010 | 7,116,775 | 6,389,183 | 4,004,732 | 4,222,520 | 5,337,517 | 5,276,012 | 4,114,204 |
| Depreciation | <u>540,673</u> | <u>544,692</u> | <u>573,748</u> | <u>584,781</u> | <u>561,669</u> | <u>561,600</u> | <u>580,694</u> | <u>537,604</u> | <u>528,377</u> | <u>654,821</u> |
| Total operating expenses | <u>11,928,547</u> | <u>9,009,266</u> | <u>9,351,881</u> | <u>10,938,660</u> | <u>9,983,467</u> | <u>7,946,448</u> | <u>7,972,448</u> | <u>9,695,207</u> | <u>9,199,071</u> | <u>9,011,576</u> |
| Operating income (loss) | <u>1,857,066</u> | <u>1,406,923</u> | <u>2,267,315</u> | <u>3,141,428</u> | <u>2,755,282</u> | <u>2,024,892</u> | <u>1,921,826</u> | <u>2,502,105</u> | <u>2,811,915</u> | <u>774,145</u> |
| Non-operating revenues (expenses) | | | | | | | | | | |
| Investment earnings | 20,795 | 15,544 | 8,390 | 9,997 | 12,018 | 25,085 | 28,956 | 62,180 | 160,744 | 100,484 |
| Interest and other charges | (224,816) | (193,196) | (174,536) | (158,855) | (176,581) | (121,392) | (60,592) | (39,677) | (34,925) | (30,005) |
| Other | <u>(18,728)</u> | <u>(48,908)</u> | <u>(11,726)</u> | <u>232</u> | <u>(3,736)</u> | <u>(12,944)</u> | <u>(9,064)</u> | <u>(122,337)</u> | <u>(13,429)</u> | <u>(6,350)</u> |
| Total nonoperating revenues (expenses) | <u>(222,749)</u> | <u>(226,560)</u> | <u>(177,872)</u> | <u>(148,626)</u> | <u>(168,299)</u> | <u>(109,251)</u> | <u>(40,700)</u> | <u>(99,834)</u> | <u>112,390</u> | <u>64,129</u> |
| Income before contributions and transfers | 1,634,317 | 1,180,363 | 2,089,443 | 2,992,802 | 2,586,983 | 1,915,641 | 1,881,126 | 2,402,271 | 2,924,305 | 838,274 |
| Capital contributions | - | 7,771 | 269,936 | - | - | - | - | - | - | - |
| Transfers from (to) other funds | <u>(954,822)</u> | <u>(1,147,666)</u> | <u>(1,100,646)</u> | <u>(1,408,915)</u> | <u>(926,267)</u> | <u>(881,812)</u> | <u>(1,049,818)</u> | <u>(1,072,046)</u> | <u>406,953</u> | <u>(1,101,548)</u> |
| Change in net position | <u>\$ 679,495</u> | <u>\$ 40,468</u> | <u>\$ 1,258,733</u> | <u>\$ 1,583,887</u> | <u>\$ 1,660,716</u> | <u>\$ 1,033,829</u> | <u>\$ 831,308</u> | <u>\$ 1,330,225</u> | <u>\$ 3,331,258</u> | <u>\$ (263,274)</u> |

City of Lexington, North Carolina
Assessed Value and Estimated Actual Value of Taxable Property¹
Last Ten Fiscal Years

Table 9

| Fiscal Year Ended June 30 | Real Property | Personal Property | Public Service Company Property | Registered Motor Vehicles | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value |
|---------------------------------|------------------|----------------------|---------------------------------------|---------------------------------|-----------------------------------|---------------------------------|--------------------------|-----------------------------------|
| 2011 | \$ 1,426,768,309 | \$ 180,908,594 | \$ 37,120,418 | \$ 72,266,356 | \$ 243,391,435 | \$ 1,473,672,242 | \$ 0.560 | \$ 1,473,672,242 |
| 2012 | 1,435,135,077 | 186,351,972 | 39,369,506 | 67,068,941 | 254,245,830 | 1,473,679,666 | 0.560 | 1,473,679,666 |
| 2013 | 1,466,821,451 | 183,511,640 | 36,013,348 | 71,866,572 | 257,744,610 | 1,500,468,401 | 0.600 | 1,500,468,401 |
| 2014 | 1,461,480,830 | 193,859,721 | 31,174,282 | 153,730,981 | 264,380,960 | 1,575,864,854 | 0.600 | 1,575,864,854 |
| 2015 | 1,454,225,103 | 204,849,734 | 30,680,478 | 112,545,099 | 260,711,580 | 1,541,588,834 | 0.600 | 1,541,588,834 |
| 2016 | 1,438,005,660 | 215,037,820 | 31,017,106 | 113,262,846 | 278,811,010 | 1,518,512,422 | 0.600 | 1,518,512,422 |
| 2017 | 1,431,840,784 | 238,074,662 | 29,398,521 | 111,949,987 | 280,951,135 | 1,530,312,819 | 0.650 | 1,530,312,819 |
| 2018 | 1,448,815,954 | 237,121,430 | 27,979,820 | 114,956,319 | 283,579,854 | 1,545,293,669 | 0.650 | 1,545,293,669 |
| 2019 | 1,448,373,994 | 246,043,800 | 28,066,558 | 119,903,441 | 279,754,381 | 1,562,633,412 | 0.650 | 1,562,633,412 |
| 2020 | 1,474,219,882 | 282,232,558 | 24,239,209 | 121,091,712 | 287,306,297 | 1,614,477,064 | 0.650 | 1,614,477,064 |

Sources:

Davidson County Tax Department
NC Department of Revenue

Notes:

¹Property is assessed as of the last revaluation using the Schedule of Values, Standards, and Rules adopted for that revaluation year. At the time of revaluation, property is assessed at 100% of fair market value. For personal property, it is valued at 100% market value as of January 1st of each year. Business personal property is valued at 100% but is depreciated each year based on the life of the equipment. Tax rates are per \$100 of assessed value.

City of Lexington, North Carolina
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Table 10

| Fiscal Year | City of Lexington | | Overlapping Rates Levied by Davidson County(1) | | Total Direct & Overlapping Rates |
|-------------|-------------------|---------------------------|--|--------------------------------|----------------------------------|
| | General Levy | Special Tax District Levy | Davidson County General Levy | Lexington School District Levy | |
| 2011 | \$ 0.560 | \$ 0.20 | \$ 0.54 | \$ 0.12 | \$ 1.420 |
| 2012 | 0.560 | 0.20 | 0.54 | 0.12 | 1.420 |
| 2013 | 0.600 | 0.20 | 0.54 | 0.12 | 1.460 |
| 2014 | 0.600 | 0.20 | 0.54 | 0.12 | 1.460 |
| 2015 | 0.600 | 0.20 | 0.54 | 0.12 | 1.460 |
| 2016 | 0.600 | 0.20 | 0.54 | 0.12 | 1.460 |
| 2017 | 0.650 | 0.20 | 0.54 | 0.12 | 1.510 |
| 2018 | 0.650 | 0.20 | 0.54 | 0.12 | 1.510 |
| 2019 | 0.650 | 0.20 | 0.54 | 0.12 | 1.510 |
| 2020 | 0.650 | 0.20 | 0.54 | 0.12 | 1.510 |

Source:

Davidson County tax information provided by Davidson County Tax Department.

Note:

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Lexington. Not all overlapping rates apply to all City of Lexington property owners (i.e. the rate for the special district applies only to the government's property owners whose property is located within the geographic boundaries of the uptown Lexington special tax district).

City of Lexington, North Carolina
Principal Property Taxpayers
Fiscal Years Ended June 30, 2020 and June 30, 2011

Table 11

| Taxpayer | Type of Business | 2020 | | | | 2011 | | | |
|-------------------------------|---------------------------|-----------------------|------|---------------------|-------------------------------------|-----------------------|------|---------------------|-------------------------------------|
| | | Assessed Valuation | Rank | Tax Levy | Percent of Total Assessed Valuation | Assessed Valuation | Rank | Tax Levy | Percent of Total Assessed Valuation |
| Halyard North Carolina (1) | Healthcare Products | \$ 102,988,079 | 1 | \$ 669,422 | 6.38% | \$ 78,370,339 | 1 | \$ 438,874 | 5.32% |
| Moran Foods Inc. | Food Distributor | 23,866,319 | 2 | 155,131 | 1.48% | - | - | - | - |
| Wal-Mart | Retail | 20,839,973 | 3 | 135,460 | 1.29% | 15,833,309 | 3 | 88,667 | 1.07% |
| Masterbrand Cabinets | Wood Kitchen Cabinets | 18,054,603 | 4 | 117,355 | 1.12% | - | - | - | - |
| Jeld-Wen Inc. | Windows and Doors | 16,507,066 | 5 | 107,296 | 1.02% | 20,823,633 | 2 | 116,612 | 1.41% |
| Vitacost.com Inc. | Online Retail | 15,314,418 | 6 | 99,544 | 0.95% | 13,479,483 | 5 | 75,485 | 0.91% |
| Chesapeake Pharmaceutical Pkg | Printing | 12,732,063 | 7 | 82,759 | 0.79% | 8,395,114 | 8 | 47,013 | 0.57% |
| Windstream | Communications | 10,887,725 | 8 | 70,770 | 0.67% | - | - | - | - |
| First National Bank (2) | Banking | 10,167,412 | 9 | 66,089 | 0.63% | 14,312,108 | 4 | 80,148 | 0.97% |
| Childress Winery & Vineyards | Viniculture | 8,210,111 | 10 | 53,366 | 0.51% | 9,438,844 | 7 | 52,858 | 0.64% |
| Diebold Southeast Mfg. Inc. | Security Delivery Systems | - | - | - | - | 12,933,999 | 6 | 72,430 | 0.88% |
| Arneg Holdings USA LLC | Refrigeration Equipment | - | - | - | - | 8,388,255 | 9 | 46,974 | 0.57% |
| Parkdale Mills Inc. | Textiles | - | - | - | - | 8,033,417 | 10 | 44,987 | 0.55% |
| Total | | <u>\$ 239,567,769</u> | | <u>\$ 1,557,192</u> | <u>14.84%</u> | <u>\$ 190,008,501</u> | | <u>\$ 1,064,048</u> | <u>12.89%</u> |

Source:

Davidson County Tax Department

Note:

(1) Formerly Kimberly Clark Corp

(2) Formerly NewBridge Bank

City of Lexington, North Carolina
Property Tax Levies and Collections - General Levy
Last Ten Fiscal Years

Table 12

| Fiscal Year | Total Tax Levy | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|----------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2011 | \$ 8,288,300 | \$ 7,775,260 | 93.81% | \$ 459,588 | \$ 8,234,848 | 99.36% |
| 2012 | 8,257,246 | 7,720,187 | 93.50% | 474,455 | 8,194,642 | 99.24% |
| 2013 | 8,987,527 | 8,447,008 | 93.99% | 479,850 | 8,926,858 | 99.32% |
| 2014 | 9,477,350 | 9,027,238 | 95.25% | 392,025 | 9,419,263 | 99.39% |
| 2015 | 9,267,995 | 8,943,133 | 96.49% | 273,349 | 9,216,482 | 99.44% |
| 2016 | 9,128,784 | 8,811,858 | 96.53% | 262,153 | 9,074,011 | 99.40% |
| 2017 | 9,963,786 | 9,602,457 | 96.37% | 286,088 | 9,888,545 | 99.24% |
| 2018 | 10,060,422 | 9,763,912 | 97.05% | 190,976 | 9,954,888 | 98.95% |
| 2019 | 10,163,290 | 9,843,256 | 96.85% | 158,779 | 10,002,035 | 98.41% |
| 2020 | 10,509,312 | 10,200,591 | 97.06% | - | 10,200,591 | 97.06% |

Source:

Davidson County Tax Department

City of Lexington, North Carolina
Major Enterprise Funds Charges for Sales and Services
Last Ten Fiscal Years

Table 13

| Fiscal Year | Electric | Water & Wastewater | Natural Gas | Total |
|----------------|---------------|-----------------------|----------------|---------------|
| 2011 | \$ 46,290,133 | \$ 8,038,701 | \$ 13,751,305 | \$ 68,080,139 |
| 2012 | 45,851,593 | 8,352,862 | 10,396,960 | 64,601,415 |
| 2013 | 48,347,174 | 8,301,897 | 11,599,902 | 68,248,973 |
| 2014 | 51,924,474 | 8,514,647 | 13,831,625 | 74,270,746 |
| 2015 | 53,405,203 | 8,533,239 | 12,692,731 | 74,631,173 |
| 2016 | 50,384,682 | 8,407,873 | 9,725,193 | 68,517,748 |
| 2017 | 50,299,613 | 8,858,496 | 9,839,447 | 68,997,556 |
| 2018 | 51,388,136 | 9,301,937 | 12,029,070 | 72,719,143 |
| 2019 | 50,355,294 | 10,240,132 | 11,991,388 | 72,586,814 |
| 2020 | 46,938,393 | 10,405,945 | 9,743,690 | 67,088,028 |

City of Lexington, North Carolina
Electric Fund Charges for Sales and Services
Last Ten Fiscal Years

Table 13a

| Fiscal Year | Residential (1) | Commercial | Industrial | REPS (2) | Total |
|----------------|-----------------|---------------|--------------|------------|---------------|
| 2011 | \$ 26,969,592 | \$ 16,784,777 | \$ 2,353,877 | \$ 181,887 | \$ 46,290,133 |
| 2012 | 26,101,324 | 17,030,354 | 2,565,399 | 154,516 | 45,851,593 |
| 2013 | 28,028,597 | 17,593,537 | 2,559,021 | 166,019 | 48,347,174 |
| 2014 | 30,136,463 | 18,822,104 | 2,783,984 | 181,923 | 51,924,474 |
| 2015 | 31,147,858 | 19,069,713 | 2,996,800 | 190,832 | 53,405,203 |
| 2016 | 29,093,752 | 18,180,333 | 2,913,663 | 196,934 | 50,384,682 |
| 2017 | 29,024,860 | 18,008,763 | 3,049,942 | 216,048 | 50,299,613 |
| 2018 | 30,298,507 | 18,058,501 | 2,797,802 | 233,326 | 51,388,136 |
| 2019 | 29,864,900 | 17,496,034 | 2,739,183 | 255,177 | 50,355,294 |
| 2020 | 28,046,612 | 16,122,781 | 2,495,816 | 273,184 | 46,938,393 |

Notes:

(1) Includes Area Lights

(2) Renewable Energy Portfolio Standards

North Carolina General Assembly Senate Bill 3 (Session Law 2007-397)

City of Lexington, North Carolina
Water Fund Charges for Sales and Services
Last Ten Fiscal Years

Table 13b

| Fiscal Year | Residential | Commercial | Industrial | Total |
|-------------|--------------|------------|------------|--------------|
| 2011 | \$ 1,781,051 | \$ 873,338 | \$ 982,257 | \$ 3,636,646 |
| 2012 | 1,818,058 | 907,844 | 1,022,070 | 3,747,972 |
| 2013 | 1,822,546 | 900,547 | 937,189 | 3,660,282 |
| 2014 | 1,836,442 | 892,306 | 1,074,239 | 3,802,987 |
| 2015 | 1,843,593 | 900,706 | 1,144,763 | 3,889,062 |
| 2016 | 1,839,681 | 875,633 | 1,066,092 | 3,781,406 |
| 2017 | 2,011,460 | 955,713 | 1,105,450 | 4,072,623 |
| 2018 | 2,192,301 | 1,066,380 | 1,171,691 | 4,430,372 |
| 2019 | 2,390,760 | 1,161,872 | 1,317,690 | 4,870,322 |
| 2020 | 2,554,390 | 1,213,736 | 1,052,608 | 4,820,734 |

City of Lexington, North Carolina
Wastewater Fund Charges for Sales and Services
Last Ten Fiscal Years

Table 13c

| Fiscal Year | Residential | Commercial | Industrial | Total |
|-------------|--------------|--------------|------------|--------------|
| 2011 | \$ 2,425,867 | \$ 1,673,242 | \$ 302,946 | \$ 4,402,055 |
| 2012 | 2,537,277 | 1,770,235 | 297,378 | 4,604,890 |
| 2013 | 2,539,599 | 1,776,637 | 325,379 | 4,641,615 |
| 2014 | 2,594,913 | 1,768,470 | 348,277 | 4,711,660 |
| 2015 | 2,564,512 | 1,769,408 | 310,257 | 4,644,177 |
| 2016 | 2,572,034 | 1,728,633 | 325,800 | 4,626,467 |
| 2017 | 2,505,443 | 1,939,975 | 340,455 | 4,785,873 |
| 2018 | 2,555,317 | 2,002,251 | 313,997 | 4,871,565 |
| 2019 | 2,902,071 | 2,116,870 | 350,869 | 5,369,810 |
| 2020 | 3,183,912 | 1,992,033 | 409,266 | 5,585,211 |

City of Lexington, North Carolina
Natural Gas Fund Charges for Sales and Services
Last Ten Fiscal Years

Table 13d

| Fiscal Year | Residential | Commercial | Industrial | Capacity Sales | Total |
|----------------|--------------|--------------|--------------|----------------|---------------|
| 2011 | \$ 5,594,495 | \$ 4,260,936 | \$ 3,845,909 | \$ 49,965 | \$ 13,751,305 |
| 2012 | 3,959,116 | 3,364,431 | 3,073,413 | - | 10,396,960 |
| 2013 | 4,757,704 | 4,024,866 | 2,817,332 | - | 11,599,902 |
| 2014 | 5,594,047 | 4,636,501 | 3,601,077 | - | 13,831,625 |
| 2015 | 4,994,576 | 4,260,240 | 3,437,915 | - | 12,692,731 |
| 2016 | 3,782,526 | 3,393,786 | 2,548,881 | - | 9,725,193 |
| 2017 | 3,831,318 | 3,593,982 | 2,414,147 | - | 9,839,447 |
| 2018 | 4,793,357 | 4,379,844 | 2,855,869 | - | 12,029,070 |
| 2019 | 5,063,838 | 4,358,580 | 2,568,970 | - | 11,991,388 |
| 2020 | 4,313,197 | 3,120,374 | 2,310,119 | - | 9,743,690 |

City of Lexington, North Carolina
Schedule of Top Ten Electric Customers
Fiscal Year Ended June 30, 2020

Table 14

| Customer | Type of Business | Consumption (kWh) | Amount Billed | Percent of Total Operating Revenue |
|-----------------------------|------------------------|----------------------|---------------------|--|
| City of Lexington | Government | 8,671,033 | \$ 1,298,829 | 2.38% |
| Lexington Memorial Hospital | Hospital | 9,503,649 | 913,435 | 1.67% |
| Davidson County Schools | Public School System | 5,676,685 | 784,988 | 1.44% |
| Lexington City Schools | Public School System | 5,823,430 | 627,273 | 1.15% |
| Food Lion | Grocery Store Chain | 5,722,191 | 504,170 | 0.92% |
| Cardinal Container | Corrugated Fiber Boxes | 5,917,615 | 501,688 | 0.92% |
| Davidson County | Government | 3,982,641 | 478,226 | 0.87% |
| Wal-Mart | Retail | 4,087,451 | 241,233 | 0.44% |
| United Furniture Industries | Upholstery Furniture | 2,271,771 | 232,857 | 0.43% |
| Piedmont Candy Company Inc. | | <u>2,160,160</u> | <u>211,165</u> | <u>0.39%</u> |
| | | <u>53,816,626</u> | <u>\$ 5,793,864</u> | <u>10.61%</u> |

City of Lexington, North Carolina
Schedule of Top Ten Water Customers
Fiscal Year Ended June 30, 2020

Table 15

| Customer | Type of Business | Consumption (CCF) | Amount Billed | Percent of Total Operating Revenue |
|----------------------------------|------------------------|----------------------|---------------------|--|
| Electric Glass Fiber America (1) | Glass Products | 225,849 | \$ 663,330 | 6.18% |
| City of Lexington | Government | 51,270 | 130,336 | 1.21% |
| Halyard North Carolina | Healthcare Products | 56,987 | 128,799 | 1.20% |
| Parkdale Mills, Inc. | Textiles | 24,428 | 58,160 | 0.54% |
| Lexington City Schools | Public School System | 14,932 | 57,631 | 0.54% |
| Davidson County | Government | 15,047 | 49,136 | 0.46% |
| Lexington Memorial Hospital | Hospital | 20,325 | 45,853 | 0.43% |
| Cardinal Container | Corrugated Fiber Boxes | 7,150 | 39,058 | 0.36% |
| NC Department of Public Safety | Prison | 16,805 | 37,358 | 0.35% |
| Johnson Concrete, Inc. | Masonry | <u>12,080</u> | <u>26,583</u> | <u>0.25%</u> |
| | | <u>444,873</u> | <u>\$ 1,236,244</u> | <u>11.52%</u> |

Notes:

(1) Formerly PPG Industries

City of Lexington, North Carolina
Schedule of Top Ten Wastewater Customers
Fiscal Year Ended June 30, 2020

Table 16

| Customer | Type of Business | Consumption (CCF) | Amount Billed | Percent of Total Operating Revenue |
|--------------------------------|------------------------|----------------------|-------------------|--|
| Davidson County Schools | Public School System | 20,001 | \$ 188,621 | 1.76% |
| Halyard North Carolina | Healthcare Products | 31,816 | 134,071 | 1.25% |
| Davidson County | Government | 18,208 | 103,465 | 0.96% |
| Atrium Companies Inc. | Vinyl Windows & Doors | 12,527 | 100,004 | 0.93% |
| Lexington Memorial Hospital | Hospital | 20,325 | 79,083 | 0.74% |
| Cardinal Container | Corrugated Fiber Boxes | 7,740 | 67,000 | 0.62% |
| NC Department of Public Safety | Prison | 16,805 | 64,946 | 0.61% |
| Richard Childress Racing, Inc | Motorsports | 4,576 | 45,094 | 0.42% |
| Lexington City Schools | Public School System | 13,691 | 37,441 | 0.35% |
| Matcore Metal Fabrication | Machine Tools | 4,631 | 36,182 | 0.34% |
| | | <u>150,320</u> | <u>\$ 855,907</u> | <u>7.98%</u> |

City of Lexington, North Carolina
Schedule of Top Ten Natural Gas Customers
Fiscal Year Ended June 30, 2020

Table 17

| Customer | Type of Business | Consumption (DT) | Amount Billed | Percent of Total Operating Revenue |
|--------------------------------------|----------------------|---------------------|---------------------|--|
| Electric Glass Fiber America (1) (2) | Glass Products | 538,905 | \$ 510,744 | 5.22% |
| Halyard North Carolina (2) | Healthcare Products | 171,413 | 261,406 | 2.67% |
| Matcor Metal Fabrication | Machine Tools | 42,930 | 213,789 | 2.18% |
| Kurz Transfer Products LP | Stamping Technology | 38,525 | 196,993 | 2.01% |
| Lexington Memorial Hospital | Hospital | 38,851 | 193,189 | 1.97% |
| Hanes Construction Company | Paving | 33,613 | 183,086 | 1.87% |
| JT Russell and Sons, Inc. | Asphalt Plant | 32,845 | 177,639 | 1.82% |
| Kepley Frank Hardwood Company | Hardwood Products | 32,800 | 165,738 | 1.69% |
| Lexington City Schools | Public School System | 24,963 | 141,520 | 1.45% |
| United Furniture Industries | Upholstery Furniture | 22,438 | 123,795 | 1.27% |
| | | <u>977,283</u> | <u>\$ 2,167,899</u> | <u>22.15%</u> |

Notes:

- (1) Formerly PPG Industries
- (2) Transport only customer

City of Lexington, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 18

| Fiscal Year | Governmental Activities | | Business-type Activities | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|-------------|--------------------------|-----------------------|--------------------------|---------------|-----------------------|--------------------------|-----------------------------------|----------------|
| | General Obligation Bonds | Installment Purchases | General Obligation Bonds | Revenue Bonds | Installment Purchases | | | |
| 2011 | \$ 971,861 | \$ 2,756,001 | \$ 4,271,139 | \$ 2,834,318 | \$ 10,623,806 | \$ 21,457,125 | 3.57% | 1,133 |
| 2012 | 760,062 | 2,847,566 | 3,671,938 | 2,601,036 | 9,550,795 | 19,431,397 | 3.15% | 1,033 |
| 2013 | 551,893 | 2,515,553 | 3,082,107 | 2,357,826 | 8,440,940 | 16,948,319 | 2.79% | 910 |
| 2014 | 347,435 | 2,716,074 | 2,502,565 | 2,104,263 | 7,293,618 | 14,963,955 | 2.33% | 802 |
| 2015 | 146,775 | 4,923,681 | 1,933,225 | 1,907,034 | 7,973,870 | 16,884,585 | 2.53% | 901 |
| 2016 | - | 6,418,476 | 1,374,000 | 1,634,284 | 12,575,832 | 22,002,592 | 3.26% | 1,188 |
| 2017 | - | 5,663,686 | 832,000 | - | 10,939,568 | 17,435,254 | 2.48% | 941 |
| 2018 | - | 5,827,490 | 300,000 | - | 9,272,253 | 15,399,743 | 2.17% | 847 |
| 2019 | - | 6,064,358 | - | - | 8,309,690 | 14,374,048 | NA | 792 |
| 2020 | - | 5,220,129 | - | - | 7,306,215 | 12,526,344 | NA | 689 |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) Refer to Demographic and Economic Statistics for personal income and population data.

City of Lexington, North Carolina
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 19

| Fiscal Year | General Obligation Bonds (1) | Less: Amounts Available in Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value of Property (2) | Per Capita (3) |
|----------------|------------------------------------|--|--------------|--|-------------------|
| 2011 | \$ 5,243,000 | \$ - | \$ 5,243,000 | 0.36% | 277 |
| 2012 | 4,432,000 | - | 4,432,000 | 0.30% | 236 |
| 2013 | 3,634,000 | - | 3,634,000 | 0.24% | 195 |
| 2014 | 2,850,000 | - | 2,850,000 | 0.18% | 153 |
| 2015 | 2,080,000 | - | 2,080,000 | 0.13% | 111 |
| 2016 | 1,374,000 | - | 1,374,000 | 0.09% | 74 |
| 2017 | 832,000 | - | 832,000 | 0.05% | 45 |
| 2018 | 300,000 | - | 300,000 | 0.02% | 17 |
| 2019 | - | - | - | 0.00% | - |
| 2020 | - | - | - | 0.00% | - |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt for business-type activities.

(2) Refer to Analysis of Current Tax Levy for property valuation data.

(3) Refer to Demographic and Economic Statistics for population data.

City of Lexington, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

Table 20

| Government Unit | Debt Outstanding | Percentage Applicable to City of Lexington (1) | Estimated Share of Overlapping Debt |
|--|---------------------|---|--|
| Debt repaid with property taxes: Davidson County | \$ 116,287,324 | 11.04% | \$ 12,838,121 |
| Subtotal, overlapping debt | | | 12,838,121 |
| City of Lexington, direct debt | | | 5,220,129 |
| Total direct and overlapping debt | | | \$ 18,058,250 |

Source:

Davidson County debt outstanding data provided by Davidson County which includes General Obligation Bonds, Limited Obligation Bonds, Certificates of Participation, Installment Financing and Qualified School Construction Bonds. Assessed value data used to estimate applicable percentages provided by Davidson County Tax Department.

Notes:

schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lexington. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage applicable to City of Lexington is a ratio of the City's assessed valuation of \$1,614,477,064 divided by the County's assessed valuation of \$14,621,789,141.

City of Lexington, North Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

Table 21

| Fiscal Year | Debt Limit | Less: Total Net Debt Applicable to Limit | Legal Debt Margin | Total Net Debt Applicable to the Limit as a Percentage of Debt Limit |
|----------------|----------------|---|-------------------|---|
| 2011 | \$ 117,893,779 | \$ 17,472,961 | \$ 100,420,818 | 14.82% |
| 2012 | 117,894,373 | 15,843,276 | 102,051,097 | 13.44% |
| 2013 | 120,037,472 | 13,763,538 | 106,273,934 | 11.47% |
| 2014 | 126,069,188 | 12,190,175 | 113,879,013 | 9.67% |
| 2015 | 123,327,107 | 14,462,718 | 108,864,389 | 11.73% |
| 2016 | 121,480,994 | 20,005,342 | 101,475,652 | 16.47% |
| 2017 | 122,425,026 | 17,221,273 | 105,203,753 | 14.07% |
| 2018 | 123,623,494 | 15,331,798 | 108,291,696 | 12.40% |
| 2019 | 125,010,673 | 14,374,048 | 110,636,625 | 11.50% |
| 2020 | 129,158,165 | 12,526,344 | 116,631,821 | 9.70% |

Legal Debt Margin Calculation for Fiscal Year 2019

| | |
|---|-----------------------|
| Total Assessed Valuation | \$ 1,614,477,064 |
| Debt limit (8 percent of total assessed value) | 129,158,165 |
| Debt applicable to limit (gross debt): | |
| Authorized and outstanding G.O. bonded debt | - |
| Outstanding debt not evidenced by bonds | 12,526,344 |
| Less: Statutory deductions for electric bonds | - |
| Total net debt applicable to limit | <u>12,526,344</u> |
| Legal debt margin available to the City under North Carolina General Statute 159-55(C). | <u>\$ 116,631,821</u> |

Note:

Under state finance law, the City of Lexington's outstanding general obligation debt should not exceed 8 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

City of Lexington, North Carolina
Electric Fund
General Obligation Bond Coverage
Last Ten Fiscal Years

Table 22

| Fiscal Year | Electric Charges and Other (1) | Less: Operating Expenses (2) | Net Revenues Available for Debt Service | Debt Service | | Total | Coverage |
|----------------|--------------------------------------|------------------------------------|---|--------------|----------|---------|----------|
| | | | | Principal | Interest | | |
| 2011 | 47,611,857 | 44,404,653 | 3,207,204 | 162,883 | 45,611 | 208,494 | 15.38 |
| 2012 | 47,200,667 | 45,513,993 | 1,686,674 | 162,761 | 26,447 | 189,208 | 8.91 |
| 2013 | 49,743,634 | 46,952,265 | 2,791,369 | 160,130 | 22,703 | 182,833 | 15.27 |
| 2014 | 54,265,084 | 50,703,364 | 3,561,720 | 157,438 | 19,020 | 176,458 | 20.18 |
| 2015 | 53,506,539 | 49,954,095 | 3,552,444 | 154,684 | 15,399 | 170,083 | 20.89 |
| 2016 | 51,201,680 | 48,345,778 | 2,855,902 | 151,867 | 11,841 | 163,708 | 17.45 |
| 2017 | 50,663,412 | 46,582,104 | 4,081,308 | 148,985 | 8,348 | 157,333 | 25.94 |
| 2018 | 51,485,884 | 44,915,671 | 6,570,213 | 146,036 | 4,922 | 150,958 | 43.52 |
| 2019 | 50,994,657 | 45,522,474 | 5,472,183 | 67,945 | 1,563 | 69,508 | 78.73 |
| 2020 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) Electric charges and other includes nonoperating revenues and expenses excluding bond interest.

(2) Operating expenses exclude depreciation.

City of Lexington, North Carolina
Water and Wastewater Fund
General Obligation Bond Coverage
Last Ten Fiscal Years

Table 23

| Fiscal Year | Water & Wastewater Charges and Other (1) | Less: Operating Expenses (2) | Net Revenues Available for Debt Service | Debt Service | | | Coverage |
|-------------|--|------------------------------|---|--------------|----------|---------|----------|
| | | | | Principal | Interest | Total | |
| 2011 | 7,999,525 | 6,313,138 | 1,686,387 | 435,947 | 123,613 | 559,560 | 3.01 |
| 2012 | 8,363,739 | 6,286,461 | 2,077,278 | 436,440 | 71,790 | 508,230 | 4.09 |
| 2013 | 8,379,715 | 6,153,572 | 2,226,143 | 429,701 | 61,751 | 491,452 | 4.53 |
| 2014 | 8,646,996 | 6,854,402 | 1,792,594 | 422,104 | 51,869 | 473,973 | 3.78 |
| 2015 | 8,625,989 | 6,286,883 | 2,339,106 | 414,656 | 42,160 | 456,816 | 5.12 |
| 2016 | 8,592,721 | 6,655,917 | 1,936,804 | 407,358 | 32,623 | 439,981 | 4.40 |
| 2017 | 8,999,903 | 7,741,428 | 1,258,475 | 393,015 | 23,254 | 416,269 | 3.02 |
| 2018 | 9,518,006 | 7,915,682 | 1,602,324 | 385,964 | 14,214 | 400,178 | 4.00 |
| 2019 | 10,873,753 | 8,177,707 | 2,696,046 | 232,055 | 5,537 | 237,592 | 11.35 |
| 2020 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) Water and Wastewater charges and other includes nonoperating revenues and expenses excluding bond interest.

(2) Operating expenses exclude depreciation.

City of Lexington, North Carolina
Natural Gas Fund
Pledged-Revenue Coverage
Last Ten Fiscal Years

Table 24

| Fiscal Year | Natural Gas Charges and Other (1) | Less: Operating Expenses (2) | Net Revenues Available for Debt Service | Debt Service | | | Coverage |
|-------------|-----------------------------------|------------------------------|---|--------------|----------|-----------|----------|
| | | | | Principal | Interest | Total | |
| 2011 | 13,705,613 | 11,387,874 | 2,317,739 | 691,883 | 142,749 | 834,632 | 2.78 |
| 2012 | 10,308,314 | 8,464,574 | 1,843,740 | 233,282 | 118,685 | 351,967 | 5.24 |
| 2013 | 11,549,040 | 8,778,133 | 2,770,907 | 243,210 | 107,716 | 350,926 | 7.90 |
| 2014 | 14,028,934 | 10,353,879 | 3,675,055 | 253,563 | 97,472 | 351,035 | 10.47 |
| 2015 | 12,677,217 | 9,421,798 | 3,255,419 | 197,229 | 86,791 | 284,020 | 11.46 |
| 2016 | 9,934,888 | 7,384,848 | 2,550,040 | 272,750 | 75,656 | 348,406 | 7.32 |
| 2017(3) | 9,869,960 | 7,391,754 | 2,478,206 | 1,634,284 | 33,505 | 1,667,789 | 1.49 |
| 2018 | NA | NA | NA | NA | NA | NA | NA |
| 2019 | NA | NA | NA | NA | NA | NA | NA |
| 2020 | NA | NA | NA | NA | NA | NA | NA |

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) Natural Gas charges and other includes nonoperating revenues and expenses excluding bond interest.

(2) Operating expenses exclude depreciation.

(3) On October 1, 2016 the City redeemed all outstanding principal installments. The total principal redeemed was \$1,564,302, which included a scheduled principal maturity of \$70,715.

City of Lexington, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 25

| Fiscal Year | Population (1) | Personal Income (in thousands) | Per Capita Personal Income (2) | Unemployment Rate (3) |
|----------------|----------------|--------------------------------------|--------------------------------------|--------------------------|
| 2011 | 18,931 | \$ 600,984 | \$ 31,746 | 10.7% |
| 2012 | 18,816 | 616,431 | 32,761 | 9.7% |
| 2013 | 18,628 | 607,180 | 32,595 | 8.6% |
| 2014 | 18,655 | 643,299 | 34,484 | 6.7% |
| 2015 | 18,730 | 668,324 | 35,682 | 5.6% |
| 2016 | 18,528 | 675,179 | 36,441 | 4.9% |
| 2017 | 18,532 | 701,751 | 37,867 | 4.4% |
| 2018 | 18,179 | 710,563 | 39,087 | 3.8% |
| 2019 | 18,149 | NA | NA | 3.6% |
| 2020 | 18,172 | NA | NA | 5.2% |

Sources:

- (1) NC Office of State Budget and Management
- (2) Bureau of Economic Analysis, a division of the US Department of Commerce
- (3) NC Department of Commerce Labor & Economic Analysis Division (LEAD)

Notes:

- Per Capita Personal Income is information for Davidson County.
- Personal Income for Lexington is the combination of city population multiplied times the per capita income.
- Unemployment rate data reflects fiscal year averages for Davidson County.

**City of Lexington, North Carolina
Principal Employers
Current Year and Nine Years Ago**

Table 26

| Employer | 2020 | | | 2011 | | |
|--|-----------|------|---------------------------------------|-----------|------|---------------------------------------|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Davidson County Schools | 1000+ | 1 | 1.31%+ | 1000+ | 1 | 1.42%+ |
| County of Davidson | 1000+ | 2 | 1.31%+ | 500-999 | 2 | 0.71%-1.42% |
| Atrium Corporation | 500-999 | 3 | 0.65%-1.31% | 500-999 | 3 | 0.71%-1.42% |
| Old Dominion Freight Line | 500-999 | 4 | 0.65%-1.31% | NA | NA | NA |
| Wal-Mart Associates Inc. | 500-999 | 5 | 0.65%-1.31% | 500-999 | 4 | 0.71%-1.42% |
| Food Lion | 500-999 | 6 | 0.65%-1.31% | 250-499 | 10 | 0.35%-0.71% |
| Wake Forest University Baptist Medical | 500-999 | 7 | 0.65%-1.31% | 500-999 | 5 | 0.71%-1.42% |
| Bradley Personnel Inc. | 500-999 | 8 | 0.65%-1.31% | 250-499 | 9 | 0.35%-0.71% |
| Davidson County Community College | 500-999 | 9 | 0.65%-1.31% | 500-999 | 6 | 0.71%-1.42% |
| Novant Health Thomasville Medical | 500-999 | 10 | 0.65%-1.31% | 500-999 | 8 | 0.71%-1.42% |
| Asco Power Technologies LP | 500-999 | 11 | 0.65%-1.31% | 250-499 | 17 | 0.35%-0.71% |
| Jeld-Wen | 500-999 | 12 | 0.65%-1.31% | 250-499 | 13 | 0.35%-0.71% |
| Lexington City Schools | 250-499 | 13 | 0.33%-0.65% | 500-999 | 7 | 0.71%-1.42% |
| Pergo LLC | 250-499 | 14 | 0.33%-0.65% | NA | NA | NA |
| Thomasville City Schools | 250-499 | 15 | 0.33%-0.65% | 250-499 | 11 | 0.35%-0.71% |
| Ennis Flint, Inc. | 250-499 | 16 | 0.33%-0.65% | NA | NA | NA |
| United Church Homes and Services | 250-499 | 17 | 0.33%-0.65% | 100-249 | 25 | 0.14%-0.35% |
| City of Lexington | 250-499 | 18 | 0.33%-0.65% | 250-499 | 14 | 0.35%-0.71% |
| Lowes Home Centers Inc. | 250-499 | 19 | 0.33%-0.65% | 250-499 | 19 | 0.35%-0.71% |
| City of Thomasville | 250-499 | 20 | 0.33%-0.65% | 250-499 | 18 | 0.35%-0.71% |
| Aristofraft/Decora/Schrock | 250-499 | 21 | 0.33%-0.65% | NA | NA | NA |
| Egger Wood Products LLC | 250-499 | 22 | 0.33%-0.65% | NA | NA | NA |
| Whitewood Industries Inc. | 100-249 | 23 | 0.13%-0.33% | NA | NA | NA |
| Shelba D. Johnson Trucking, Inc. | 100-249 | 24 | 0.13%-0.33% | NA | NA | NA |
| Matcor Metal Fabrication | 100-249 | 25 | 0.13%-0.33% | 250-499 | 20 | 0.35%-0.71% |

Source:

NC Department of Commerce Labor & Economic Analysis Division

City of Lexington, North Carolina
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Table 27

| Function | Fiscal Year | | | | | | | | | |
|------------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General government | 24 | 24 | 24 | 26 | 25 | 24 | 25 | 27 | 28 | 27 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers (1) | 68 | 69 | 65 | 65 | 64 | 61 | 62 | 62 | 57 | 62 |
| Civilians | 11 | 10 | 10 | 9 | 9 | 10 | 10 | 10 | 10 | 10 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 48 | 47 | 47 | 50 | 50 | 50 | 51 | 51 | 51 | 51 |
| Civilians | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Business & community development | 7 | 7 | 9 | 9 | 9 | 9 | 8 | 9 | 9 | 9 |
| Highways and streets | | | | | | | | | | |
| Engineering (2) | 4 | 4 | 4 | 4 | 2 | - | - | - | - | - |
| Public services administration (3) | - | - | - | - | - | 4 | 4 | 4 | 4 | 4 |
| Street | 15 | 15 | 15 | 15 | 15 | 13 | 13 | 13 | 13 | 13 |
| Sanitation | 18 | 18 | 18 | 18 | 17 | 14 | 14 | 14 | 14 | 14 |
| Culture and recreation | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Electric (4) | 24 | 23 | 23 | 21 | 23 | 23 | 24 | 25 | - | - |
| Water & Wastewater | 44 | 44 | 43 | 43 | 43 | 44 | 44 | 44 | 45 | 45 |
| Natural Gas | 22 | 21 | 21 | 21 | 20 | 20 | 20 | 20 | 20 | 20 |
| Golf | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 7 | 8 |
| Fleet Management | 7 | 7 | 7 | 7 | 7 | 5 | 6 | 6 | 6 | 7 |
| Group Insurance | - | - | - | - | - | 1 | 1 | 1 | 1 | 1 |
| Risk Management | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Utility Administration | 24 | 24 | 24 | 24 | 24 | 25 | 25 | 25 | 32 | 34 |
| Total | <u>341</u> | <u>339</u> | <u>336</u> | <u>338</u> | <u>334</u> | <u>329</u> | <u>334</u> | <u>338</u> | <u>318</u> | <u>326</u> |

Source:

City of Lexington Budget Office

Note:

(1) One COPS Officer funded in 2011 to 2013 by U.S. Department of Justice grant. One Traffic Officer funded in 2010 to 2013 by Governor's Highway Safety Program grant.

(2) Due to City reorganization in fiscal year 2015-16, the Engineering Department is no longer a functioning City department.

(3) Due to City reorganization in fiscal year 2015-16, the Public Services Administration Department was added as a functioning City department.

(4) Due to City reorganization in fiscal year 2018-19, Electric operations now contracted with Electricities.

**City of Lexington, North Carolina
Operating Indicators by Function
Last Ten Fiscal Years**

Table 28

| Function | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------------|--------|--------|--------|-----------|-----------|------------|--------|--------|----------|--------|
| <i>Governmental Activities</i> | | | | | | | | | | |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Physical arrests | 3,465 | 3,552 | 3,242 | 2,532 | 3,132 | 3,058 | 2,709 | 2,653 | 2,359 | 2,284 |
| Parking tickets | 1,568 | 1,152 | 1,320 | 1,656 | 1,644 | 1,188 | 1,324 | 1,658 | 1,040 | 147 |
| Calls for service | 57,377 | 55,545 | 53,312 | 47,125 | 46,531 | 48,421 | 49,649 | 48,116 | 47,483 | 56,420 |
| Citations | 4,485 | 4,131 | 2,866 | 1,604 | 1,101 | 1,435 | 2,365 | 1,889 | 1,676 | 2,246 |
| Fire | | | | | | | | | | |
| Number of calls answered | 1,148 | 1,048 | 1,013 | 1,181 | 1,181 | 1,237 | 1,066 | 1,164 | 1,288 | 1,165 |
| Inspections | 629 | 1,232 | 739 | 831 | 789 | 909 | 798 | 773 | 658 | 481 |
| Business & community development | | | | | | | | | | |
| Number of minimum housing inspections | 2,650 | 2,513 | 2,600 | 2,494 | 1,977 | 2,901 | 1,444 | 1,080 | 1269 (4) | 1,290 |
| Number of building inspections | 1,613 | 1,663 | 1,318 | 1,582 | 2,456 | 2,507 | 2,554 | 2,702 | 3,373 | 3,501 |
| Number of nuisance complaints | 2,789 | 2,534 | 2,405 | 2,405 | 2,048 | 2,143 | 2,252 | 2,306 | 2,902 | 2,318 |
| Highways and streets | | | | | | | | | | |
| Street resurfacing (miles) | 0.11 | 7.38 | 5.76 | 4.12 | 3.67 | 0.00 | 2.85 | 2.29 | 0.00 | 2.32 |
| Feet of sidewalk replaced/repared | 814 | 1,142 | 990 | 384 | 527 | 1,532 | 759 | 1,611 | 1,074 | 1,761 |
| Sanitation | | | | | | | | | | |
| Refuse collected (tons/year) | 7,520 | 7,125 | 6,590 | 7,036 | 6,884 | 7,386 | 7,240 | 7,152 | 8,240 | 8,237 |
| Recyclables collected (tons/year) | 540 | 505 | 580 | 568 | 634 | 755 | 918 | 957 | 268 | 797 |
| Yard waste collected (tons/year) | 4,510 | 4,350 | 4,550 | 7,151 (1) | 3,965 | 3,731 | 3,561 | 3,448 | 1,540 | 1,576 |
| Culture and recreation | | | | | | | | | | |
| Athletic program enrollment | 809 | 844 | 905 | 1,185 | 1,072 | 967 | 904 | 757 | 364 | 198 |
| Park reservations | 317 | 397 | 357 | 342 | 394 | 415 | 410 | 432 | 323 | 154 |
| Pool admissions | 3,531 | 2,366 | 4,609 | 3,295 | 9,322 (2) | 17,879 (3) | 12,635 | 10,767 | 10,703 | 6,273 |
| Recreational program enrollment | 349 | 1,076 | 1,135 | 523 | 948 | 969 | 1,738 | 1,009 | 1,220 | 922 |

Continued on next page.

**City of Lexington, North Carolina
Operating Indicators by Function
Last Ten Fiscal Years**

Table 28
continued

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <i>Business-type activities</i> | | | | | | | | | | |
| Electric | | | | | | | | | | |
| kWh sold | 416,417,763 | 387,548,920 | 393,249,951 | 396,264,183 | 392,223,306 | 379,226,953 | 388,150,026 | 394,618,235 | 399,568,199 | 385,955,612 |
| Number of customers | 18,362 | 18,352 | 18,331 | 18,445 | 18,515 | 18,593 | 18,589 | 18,704 | 18,940 | 19,133 |
| Water | | | | | | | | | | |
| ccf sold | 1,180,032 | 1,171,646 | 1,110,310 | 1,173,260 | 1,203,730 | 1,159,934 | 1,188,506 | 1,156,744 | 1,224,066 | 1,093,691 |
| Number of customers | 8,269 | 8,219 | 8,257 | 8,252 | 8,272 | 8,304 | 8,377 | 8,381 | 8,409 | 8,450 |
| Wastewater | | | | | | | | | | |
| ccf sold | 846,465 | 830,295 | 822,187 | 824,727 | 810,697 | 798,931 | 819,071 | 814,118 | 821,675 | 826,148 |
| Number of customers | 7,940 | 7,922 | 7,954 | 7,988 | 8,022 | 8,082 | 8,262 | 8,377 | 8,441 | 8,629 |
| Natural gas | | | | | | | | | | |
| dt sold | 2,023,133 | 1,812,816 | 2,034,937 | 2,125,609 | 2,232,249 | 2,068,274 | 2,024,617 | 2,137,320 | 2,141,471 | 1,720,736 |
| Number of customers | 8,948 | 8,940 | 9,054 | 9,093 | 9,224 | 9,276 | 9,355 | 9,467 | 9,502 | 9,573 |
| Golf course | | | | | | | | | | |
| Rounds sold | 27,094 | 33,637 | 30,808 | 28,574 | 28,429 | 26,928 | 25,576 | 24,494 | 25,364 | 23,160 |
| Number of passholders | 87 | 103 | 110 | 100 | 94 | 73 | 76 | 67 | 65 | 51 |

Source:
Various city departments

Notes:
Indicators are not available for the general government function.
(1) Increase due to winter storm damage that occurred in March 2014.
(2) Increase due to the opening of the new Lexington Aquatic Park in June 2015
(3) First full season Lexington Aquatic Park open.
(4) Policy change effective July 1, 2018; minimum housing inspections replaced by residential reconnect inspections.

**City of Lexington, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Table 29

| Function | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <i>Governmental Activities</i> | | | | | | | | | | |
| General Government | | | | | | | | | | |
| Motor pool vehicles | 2 | 83 | 85 | 86 | 80 | 85 | 90 | 90 | 96 | 48 |
| Motor pool equipment | 41 | 47 | 48 | 49 | 51 | 47 | 47 | 49 | 49 | 22 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police vehicles | 74 | 75 | 72 | 71 | 70 | 72 | 77 | 78 | 81 | 90 |
| Fire | | | | | | | | | | |
| Fire stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fire trucks | 7 | 8 | 9 | 8 | 8 | 9 | 9 | 9 | 9 | 9 |
| Highways and streets | | | | | | | | | | |
| Streets (miles) | 125.4 | 125.5 | 125.3 | 125.3 | 125.3 | 125.3 | 125.4 | 125.4 | 125.2 | 125.2 |
| Sanitation | | | | | | | | | | |
| Collection trucks and equipment | 28 | 23 | 25 | 25 | 22 | 22 | 24 | 26 | 25 | 31 |
| Culture and recreation | | | | | | | | | | |
| Parks | 18 | 19 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 21 |
| Swimming pools | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 2 | 2 |
| Tennis courts | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Basketball courts | 12 | 12 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Athletic fields | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Walking, jogging and hiking trails (miles) | 2.13 | 2.46 | 2.46 | 2.46 | 2.46 | 2.46 | 2.46 | 2.46 | 2.46 | 2.46 |
| <i>Business-type activities</i> | | | | | | | | | | |
| Electric | | | | | | | | | | |
| Distribution overhead lines (miles) | 494 | 616 | 616 | 616 | 620 | 716 | 716 | 716 | 863 | 931 |
| Distribution underground lines (miles) | - | - | - | - | - | - | - | - | 352 | 374 |
| Number of distribution stations | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Number of delivery stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water and Wastewater | | | | | | | | | | |
| Water lines (miles) | 187.0 | 192.0 | 192.0 | 192.0 | 192.0 | 192.0 | 192.9 | 192.9 | 192.9 | 192.9 |
| Wastewater lines (miles) | 212.0 | 212.0 | 214.0 | 216.0 | 216.0 | 247.0 | 248.6 | 248.6 | 248.6 | 248.6 |
| Maximum daily treatment capacity water (millions of gallons) | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 | 9.3 | 9.3 | 9.3 |
| Maximum daily treatment capacity sewer (millions of gallons) | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Natural Gas | | | | | | | | | | |
| Distribution lines (miles) | 645 | 664 | 674 | 673 | 704 | 715 | 731 | 731 | 752 | 761 |

Source:
Various city departments and city capital asset records.

Note:
No capital asset indicators are available for economic and physical development and golf.

COMPLIANCE SECTION



MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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*

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Lexington, North Carolina

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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the City of Lexington's basic financial statements, and have issued our report thereon dated October 16, 2020. Our report includes a reference to other auditors who audited the financial statements of the City of Lexington ABC Board and Front Street-Lexington, LLC, as described in our report on the City of Lexington's financial statements. The financial statements of the City of Lexington ABC Board, Front Street-Lexington, LLC, and the Lexington Tourism Authority were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Lexington ABC Board, Front Street-Lexington, LLC, or the Lexington Tourism Authority.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lexington's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington'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 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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lexington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 16, 2020

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; as Required by OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Lexington, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Lexington, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Lexington's major state programs for the year ended June 30, 2020. The City of Lexington's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the state statutes, regulations, and the terms and conditions of its state awards applicable to each of its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lexington's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Lexington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the City of Lexington 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 state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 16, 2020

**City of Lexington, North Carolina
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020**

Exhibit I-1

Part 1. Findings and Questioned Costs

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant Deficiency(s) identified?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

State Awards

Internal control over major State programs:

Material weakness(es) identified?

Yes No

Significant Deficiency(s) identified?

Yes None reported

Type of auditor's report issued on compliance for major State programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

Yes No

Identification of major State programs:

Program Name

Powell Bill

Section II. Financial Statement Findings

None reported

Section III. State Award Findings and Questioned Costs

None reported

Part 2. Summary Schedule of Prior Year Audit Findings

None reported

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Exhibit I-2

| Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grantor's Number | Federal (Direct & Pass-through) Expenditures | State Expenditures | Pass-through to Subrecipients | Local Expenditures |
|---|------------------------------------|-------------------------|---|-------------------------------|--|-------------------------------|
| Federal Grants | | | | | | |
| Cash Programs | | | | | | |
| <i>U.S. Department of Housing and Urban Development</i> | | | | | | |
| Passed-through N.C. Department of Commerce | | | | | | |
| CDBG - State's Program and Non-Entitlement Grants in Hawaii | | | | | | |
| Community Development Block Program/Economic Development | 14.228 | 16-E-2932 | \$ 200,561 | \$ - | \$ - | \$ 200,561 |
| <i>U.S. Department of Justice</i> | | | | | | |
| Direct Programs | | | | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2018BUBX18092430 | 6,641 | - | - | 6,641 |
| Federal Equitable Sharing Program | 16.922 | NC0290100 | 63,443 | - | - | - |
| Passed-through N.C. Department of Public Safety | | | | | | |
| Violence Against Women Formula Grants Program | 16.588 | 2018-WF-AX-0026 | 12,678 | - | - | - |
| Violence Against Women Formula Grants Program | 16.588 | 2019-WF-AX-0021 | 61,902 | - | - | 30,885 |
| <i>U.S. Department of Treasury</i> | | | | | | |
| Direct Programs | | | | | | |
| Federal Equitable Sharing Program | 21.016 | NC0290100 | 21,012 | - | - | - |
| Passed-through N.C. Office of State Budget and Management | | | | | | |
| Passed-through Davidson County | | | | | | |
| COVID 19 - Coronavirus Relief Fund | 21.019 | 02-29-02 | 90,388 | - | - | - |
| <i>U.S. Department of Homeland Security</i> | | | | | | |
| Passed-through N.C. Department of Public Safety | | | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Diasters) | 97.036 | FEMA-4393-DR-NC | 7,088 | - | - | - |
| Disaster Grants - Public Assistance (Presidentially Declared Diasters) | 97.036 | FEMA-4412-DR-NC | 7,784 | 60 | - | - |
| Total assistance - federal programs | | | <u>471,497</u> | <u>60</u> | <u>-</u> | <u>238,087</u> |

Continued on next page.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Exhibit I-2
continued

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Grantor's Number</u> | <u>Federal (Direct & Pass-through) Expenditures</u> | <u>State Expenditures</u> | <u>Pass-through to Subrecipients</u> | <u>Local Expenditures</u> |
|---|------------------------------------|-------------------------|---|-------------------------------|--|-------------------------------|
| State Grants | | | | | | |
| Cash Programs | | | | | | |
| <i>N.C. Department of Transportation</i> | | | | | | |
| Direct Program | | | | | | |
| Powell Bill, DOT-4 | | 32570 | \$ - | \$ 699,447 | \$ - | \$ - |
| <i>N.C. Department of Revenue</i> | | | | | | |
| Direct Program | | | | | | |
| Unauthorized Substance Tax | | | - | 45,634 | - | - |
| Total assistance - state programs | | | - | 745,081 | - | - |
| Total assistance | | | \$ 471,497 | \$ 745,141 | \$ - | \$ 238,087 |

Notes to the Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation
The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Lexington under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Lexington, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Lexington.
2. Summary of Significant Accounting Policies
Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. Indirect Cost Rate
City of Lexington has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
4. Coronavirus Relief Funds
Lexington received \$90,388 of funding from the Coronavirus Relief Fund (21.019) from Davidson County. Lexington has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.

