

ANNUAL COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR ENDED

June 30, 2021

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City of Lexington

Fiscal Year Ended June 30, 2021



**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
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021**

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INTRODUCTORY SECTION





FINANCE DEPARTMENT
INTEGRITY FIRST

October 18, 2021

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 Annual Comprehensive Financial Report (ACFR) 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, 2021. 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, 2021.

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 federal 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*. 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, 2021. 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 population of 19,632 (US Census Bureau, 2020). 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. New growth from Charlotte north along the I-85 corridor is beginning to reach Lexington as well.

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 demonstrated 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 caused by job growth. Recent trends in the national and state housing market are strongly reflected in the Lexington market. 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. Dilapidated houses continue to be 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 began experiencing significant new development and redevelopment in 2015 with over 700 new business certificates of occupancy issued. In 2018, there was \$21.4 million in commercial and residential development. In 2019 there was \$56.7 million. However, in 2020 investment dropped to \$24.7 million as a result of temporary halts due to COVID-19 closing impacts and associated increases in the cost of construction materials. A return to the previous growth trend is expected over the next year attributed to a variety of ongoing initiatives such as: industrial recruitment; partnering in industrial development; investing in redevelopment of the Depot District; tourism; progressive leadership; marketing 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 will aid Lexington in economic recovery post COVID-19.

COVID-19 and its recent increase due to the Delta variant continues to skew unemployment rates to the degree that it is difficult to correctly assess local growth based on those rates. Expanded unemployment benefits have only recently ended, and more accurate rates are not yet available. 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 and the

subsidized workforce, development growth is positive and will foster a shorter recovery period from the COVID-19-induced recession. Nationally, the jobless rate was down in August 2021 in nearly all metropolitan areas. Lexington is part of the Winston-Salem metropolitan area where unemployment fell from 9.1 in July 2020 to 4.5 in July 2021, and then to 4.3% in August 2021. (www.bls.gov) It is likely that the jobless rate will continue to improve as a result of changes to ceasing additional unemployment benefits.

Confidence in growth in Lexington is supported by a recent upswing in the local commercial and industrial economy, including the beginning of operations at the Egger Wood Products 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. Egger has demonstrated a consistent job multiplier of 3 in all of their previous 20 worldwide locations.

Egger's 770 new jobs are a driving force in the local housing shortage and the resulting upswing in dense urban residential construction. An influx of new residents will, in turn, bolster the community's ability to attract commercial and industrial development, grow the tax base, and therefore increase investment in quality of life initiatives. 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. 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. 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 along the I-85 corridor.

Halyard North Carolina (formerly Kimberly-Clark Health Care), a global healthcare products company, continues to be the City's largest taxpayer, with 6.49% of the City's assessed valuation. Moran Foods, Wal-Mart, Masterbrand Cabinets, and Vitacost.com round out the top five at 1.44%, 1.27%, 1.03%, and 0.84%, respectively, of the assessed valuation. (Please refer to Table 13 for the Schedule of Principal Property Taxpayers in the Statistical Section for a complete list.)

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 final lot in the Lexington Business Center is in the process of being sold for a new industrial development.

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 Electricities of North Carolina, Inc. has certified it for site-readiness to aid in recruitment efforts.

Outside of the LBC and the newly formed Lexington Industrial Park, 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 Depot District and 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, several local wineries and venues, events at the nearby Denton Farm Park, the Bass Masters Tournament at High Rock Lake, and many more. COVID-19 and the recent upsurge in cases due to the Delta variant have directly impacted tourism to the area. Although 2020 results have yet to be released, the cancellation of events, decrease in serving capacity for restaurants and limited business openings, economic numbers since March 2020 are anticipated to be considerably less than 2019. Predictors indicate that travel will increase as vaccinations increase.

Unfortunately, due to COVID-19, the 37th annual Barbecue Festival was cancelled for October 2020 and has been delayed until October 2022. 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 \$45.7 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 2022.

Long-Term Financial Planning and Major Initiatives

Each year during the City Council summit, priorities and initiatives are discussed that will form guiding principles and provide the framework for setting budget priorities. Key initiatives included in the current work-plan revolve around a renewed approach to aggressively marketing for strategic economic development; a continuance of quality of life initiatives; investment in staffing and technology to accommodate growth; investment in the organization to support diversity, equity, and inclusion; and prudent financial investments in transportation and utility infrastructure. These investments are delicately balanced to limit budget and economic impacts on citizens and customers.

A complete and accurate Census count was critical to ensuring the City received its fair share of revenue, as well as attracting new commercial and industrial investment. 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. Although it is widely believed that most communities were severely underreported due to COVID19, local efforts resulted in a reported increase of 701 citizens, a 3.7% growth rate since 2010. This growth rate will secure positive increases in revenue over the next 10 years.

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. Stormwater management will be a 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. The City's minimum pay will become fifteen dollars per hour on October 11, 2021 in order to increase retention and applicant interest.

City Manager Terra Greene remains 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. The City of Lexington has placed due energy and resources into hiring a professional Diversity, Equity and Inclusion Specialist to support efforts in 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. Area in southwest Lexington and just outside of Lexington along the I-85 corridor is perfectly situated and targeted for industrial development. Current efforts are underway to explore ways to optimize land and utility resources to develop an industrial corridor comprised of the I-85 Corporate Center, large acre vacant parcels assembled by various developers, the Lexington Industrial Park, the Lexington Business Center. The City will work synergistically with Davidson County, The Davidson County Economic Development Commission, the North Carolina Department of Commerce, developers, as well as private partners in on-going efforts to attract and recruit large and diverse industrial users to this area.

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 with intentions of developing it 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. In 2019, the City celebrated the opening of a Skate/BMX Park professionally designed by Team Pain and acclaimed to be the best in several states. A new playground featuring wheelchair accessible amenities such as an inclusive whirl and artificial turf safety surfacing opened at Finch Park in May 2021. In partnership with Tourism-Recreation Investment Partnership for Davidson County, a 4.5 mile Mountain Bike Trail, The Ridge Cycle Hub, was constructed and opened for public use in May 2021, which has proven to be a substantial draw for recreation-based tourism.

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 City's three major 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 68% 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

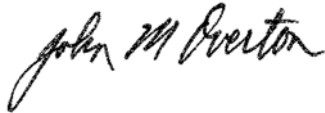
Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Lexington for its annual comprehensive annual financial report (ACFR) for the fiscal year ended June 30, 2020. This was the twenty-ninth 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 annual

comprehensive 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 annual comprehensive 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**

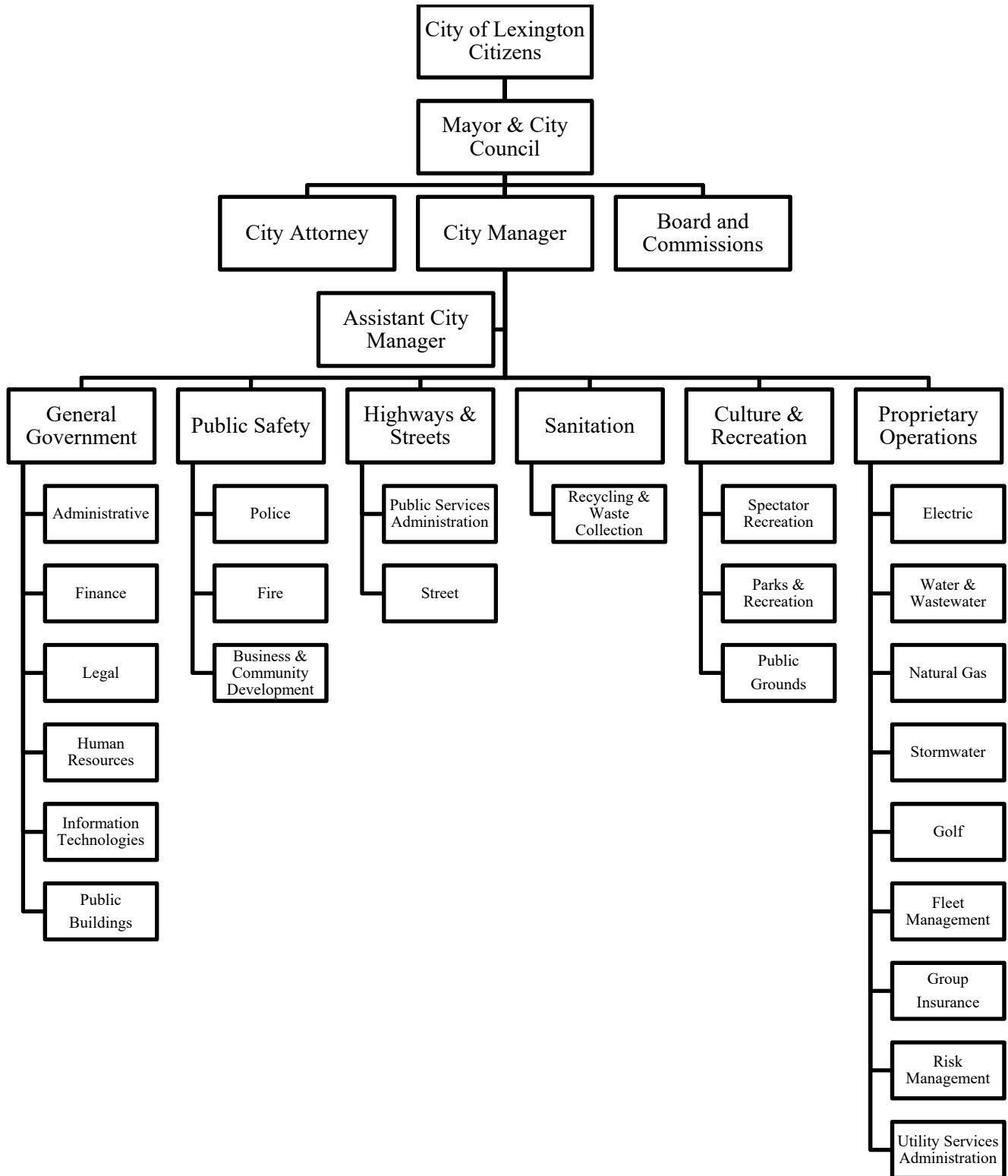
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 37 percent, 51 percent, and 92 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 50 percent, 21 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 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 from 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, 2021, 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 18, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 89 through 90, the Firefighters' and Rescue Squad Workers' Pension Funds' Schedule of the Proportionate Share of Net Pension Liability on page 91, 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 92 through 93, and the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 94 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 section 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 18, 2021 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 18, 2021

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, 2021. 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 \$189,382,934 (*net position*).
- The government's total net position increased by \$11,006,005, primarily due to increases in property tax revenues, increases in unrestricted intergovernmental revenues such as sales taxes, budgetary savings in personnel and other operating expenses, 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 \$15,774,267, which is an increase of \$2,913,810 in comparison with the prior year. Approximately 37.1% of this total amount, or \$5,844,745, is non spendable or restricted. The increase is primarily driven by significant planned decreases in capital spending associated with the continued implementation of a vehicle and equipment replacement plan, and delays in awarding a street paving contract. Increased property tax, sales tax revenues, and the availability of Coronavirus Relief Funds to assist with payroll expenses of Fire Department personnel, whose services were presumed to be substantially dedicated to mitigating or responding to the COVID-19 public health emergency, positively impacted fund balances.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,891,327, or 28.0% 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 \$13,237,531, which increased by \$711,187 (5.7%) during the current fiscal year. The City issued installment purchase debt in the amount of \$432,487 for a police computer aided dispatch and records management software system, \$494,000 for a fire pumper truck, \$351,000 for recycling and waste collection vehicles, \$1,025,000 for civic center improvements and Finch Park playground equipment, and \$430,000 for a wastewater jet vac truck. Other factors in the overall change include 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 29 consecutive years, the City of Lexington has received a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) presented by the Government Finance Officers Association of the United States and Canada.

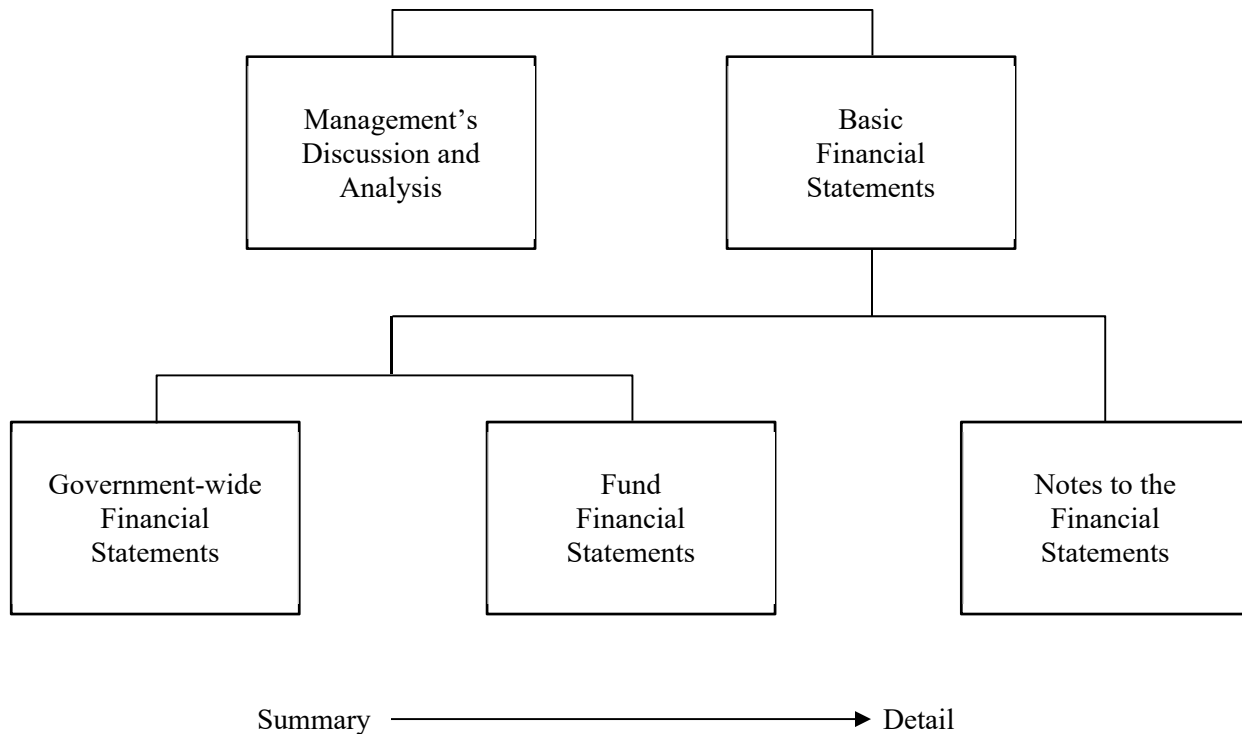
OVERVIEW OF THE FINANCIAL STATEMENTS

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 89 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Lexington's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 28,282,385	\$ 25,227,559	\$ 67,875,727	\$ 56,508,981	\$ 96,158,112	\$ 81,736,540
Capital assets	39,980,494	40,276,833	100,507,475	100,672,299	140,487,969	140,949,132
Total assets	<u>68,262,879</u>	<u>65,504,392</u>	<u>168,383,202</u>	<u>157,181,280</u>	<u>236,646,081</u>	<u>222,685,672</u>
Deferred outflows of resources	<u>6,343,239</u>	<u>3,820,239</u>	<u>2,361,649</u>	<u>1,573,836</u>	<u>8,704,888</u>	<u>5,394,075</u>
Current liabilities	1,987,655	1,442,238	6,569,936	6,308,874	8,557,591	7,751,112
Long-term liabilities outstanding	<u>30,163,506</u>	<u>24,765,452</u>	<u>14,928,760</u>	<u>14,315,230</u>	<u>45,092,266</u>	<u>39,080,682</u>
Total liabilities	<u>32,151,161</u>	<u>26,207,690</u>	<u>21,498,696</u>	<u>20,624,104</u>	<u>53,649,857</u>	<u>46,831,794</u>
Deferred inflows of resources	<u>1,696,704</u>	<u>2,079,494</u>	<u>621,474</u>	<u>791,530</u>	<u>2,318,178</u>	<u>2,871,024</u>
Net position						
Net investment in capital assets	33,673,104	35,056,704	93,874,486	93,366,084	127,547,590	128,422,788
Restricted	5,675,140	3,780,396	-	-	5,675,140	3,780,396
Unrestricted	<u>1,410,009</u>	<u>2,200,347</u>	<u>54,750,195</u>	<u>43,973,398</u>	<u>56,160,204</u>	<u>46,173,745</u>
Total net position	<u>\$ 40,758,253</u>	<u>\$ 41,037,447</u>	<u>\$ 148,624,681</u>	<u>\$ 137,339,482</u>	<u>\$ 189,382,934</u>	<u>\$ 178,376,929</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 \$189,382,934 as of June 30, 2021. The City's net position increased by \$11,006,005 for the fiscal year ended June 30, 2021. However, the largest portion (67.35%) 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, \$5,675,140, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$56,160,204 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 97.62%. The statewide average in fiscal year 2019-20 was 98.96%.
- Increased sales tax revenues of approximately \$663,000, due to continued economic growth in the City. Although the City experienced a slowdown in sales tax growth for March through April of 2020 due to the COVID-19 pandemic, sales tax began growing again beginning in May 2020 and showed continued growth during the 2020-21 fiscal year.
- The City was able to utilize \$414,417 in Coronavirus Relief Funds to assist with payroll expenses of Fire Department personnel, whose services were presumed to be substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- Significant planned decreases in capital spending associated with the continued implementation of a vehicle and equipment replacement plan resulted in an overall decrease capital spending of approximately \$1,185,000 in governmental activities.
- Vacancies and delays in hiring resulting in approximately \$1,482,000 in unspent budgetary appropriations for personnel cost in governmental activities, including \$429,000 in unspent budgetary appropriations for health insurance cost.
- Working capital refund of \$9,287,751 from North Carolina Municipal Power Agency 1 in the City's Electric utility.
- Decreased revenues for electricity sales of approximately \$133,000, or 0.3%, primarily due to a 3.68% increase in overall number of customers, a 0.8% decrease in overall consumption decrease, and average rate decreases of 3.3% for residential rates and 2.4% for commercial rates in January 2021.
- Decreased cost of electricity purchased for resale of approximately \$806,000, or 2.5%, primarily due to a 0.8% 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, 2019-20, and 2020-21. 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.
- Decreased revenues for water and wastewater charges, primarily due to 9.9% decrease in customer water consumption and a 4.0% decrease in wastewater consumption.
- Continued heavy investment in plant and infrastructure maintenance for the water and wastewater systems.
- Increased revenues for natural gas sales of approximately \$1,343,000, or 13.8%, due to a 22.6% increase in consumption primarily associated with a colder winter than the previous winter.
- Decreased cost of gas purchased for resale of approximately \$216,000, or 5.3%, due primarily to lower commodity prices.
- Decrease in investment earnings of approximately \$876,000, 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	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 2,267,165	\$ 2,368,442	\$ 70,812,446	\$ 69,354,433	\$ 73,079,611	\$ 71,722,875
Operating grants and contributions	1,522,514	1,246,636	9,287,751	7,508,462	10,810,265	8,755,098
Capital grants and contributions	-	-	78,525	-	78,525	-
General revenues						
Property taxes	10,698,617	10,501,093	-	-	10,698,617	10,501,093
Other taxes	783,490	675,730	-	-	783,490	675,730
Other general revenues	8,212,577	7,937,363	59,329	581,368	8,271,906	8,518,731
Total revenues	<u>23,484,363</u>	<u>22,729,264</u>	<u>80,238,051</u>	<u>77,444,263</u>	<u>103,722,414</u>	<u>100,173,527</u>
Expenses						
General government	4,726,370	4,644,311	-	-	4,726,370	4,644,311
Public safety	13,136,736	13,182,740	-	-	13,136,736	13,182,740
Highways and streets	2,173,088	3,210,269	-	-	2,173,088	3,210,269
Sanitation	2,326,376	2,673,118	-	-	2,326,376	2,673,118
Culture and recreation	1,918,639	2,073,165	-	-	1,918,639	2,073,165
Economic and physical development	838,166	1,346,325	-	-	838,166	1,346,325
Interest on long-term debt	176,099	192,520	-	-	176,099	192,520
Electric	-	-	43,907,795	44,648,529	43,907,795	44,648,529
Water and Wastewater	-	-	12,593,358	11,377,345	12,593,358	11,377,345
Natural gas	-	-	9,580,143	9,494,256	9,580,143	9,494,256
Stormwater	-	-	315,219	50,162	315,219	50,162
Golf	-	-	1,024,420	1,033,354	1,024,420	1,033,354
Total expenses	<u>25,295,474</u>	<u>27,322,448</u>	<u>67,420,935</u>	<u>66,603,646</u>	<u>92,716,409</u>	<u>93,926,094</u>
Increase (decrease) in net position before transfers	(1,811,111)	(4,593,184)	12,817,116	10,840,617	11,006,005	6,247,433
Transfers	<u>1,531,917</u>	<u>2,340,261</u>	<u>(1,531,917)</u>	<u>(2,340,261)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(279,194)	(2,252,923)	11,285,199	8,500,356	11,006,005	6,247,433
Net position, beginning	<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>
Net position, ending	<u>\$ 40,758,253</u>	<u>\$ 41,037,447</u>	<u>\$ 148,624,681</u>	<u>\$ 137,339,482</u>	<u>\$ 189,382,934</u>	<u>\$ 178,376,929</u>

Governmental activities - Governmental activities decreased the City's net position by \$279,194. Key elements of this decrease are as follows:

- Operating grants and contributions increased by approximately \$276,000. This included an increase of \$324,000 in Coronavirus Relief Funds from the previous year.
- Property taxes increased by approximately \$256,000, reflecting an increase of approximately \$24,130,000 in assessed property values.
- Other taxes increased by approximately \$107,000, reflecting an increase of \$114,000 in municipal vehicle tax. 2020-21 represents the first full year after implementation of a municipal vehicle tax that provides annual revenues of approximately \$446,000 to help support public transportation and street maintenance activities.

- As retail sales continued to improve after an initial drop at the beginning of the COVID-19 pandemic, unrestricted intergovernmental revenues including local option sales taxes increased by approximately \$603,000 for the year.
- Decrease in investment earnings of approximately \$354,000, representing a 96% decrease, due to a sharp drop in the interest rate environment as a result of the COVID-19 pandemic.
- Approximately \$91,000 in personnel cost for stormwater activities previously reported as a governmental activity are now reported as a business-type activity.
- Pension and OPEB expense increased by approximately \$263,000.
- Depreciation expense decreased by approximately \$1,610,000. In the previous year depreciation expense had increased by approximately \$1,763,000 as the result of the City's re-evaluation of estimated residual values being used in calculating depreciation expense for vehicles and equipment.
- Paving expenses for streets decreased by approximately \$456,000.
- Capital contributions to Front Street-Lexington, a component unit, decreased by \$204,000.
- Economic development incentives decreased by approximately \$98,000.
- Transfers from the City's utilities for payments in lieu of taxes totaling approximately \$664,000 in the previous year were eliminated.
- Transfers to the City's Stormwater Fund, a business-type activity, were increased by approximately \$185,000 due to a delay in the implementation of stormwater rates.
- 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 \$11,285,199. Key elements of the business-type increase are as follows:

- Working capital refund of \$9,287,751 from North Carolina Municipal Power Agency 1 in the City's Electric utility.
- Planned significant increase of approximately \$872,000 over the last two years to approximately \$1,223,000 in plant and infrastructure maintenance activities for the water and wastewater system, along with significant decreases in billed consumption during the COVID-19 pandemic, contributed to a \$1,785,476 decrease in net position for the City's water and wastewater utility.
- Continuing benefits from decreased rates paid for purchased electric power and cost containment measures contributed to operating margins in the other two major utility funds of Electric and Natural Gas, resulting in an aggregate positive change of \$3,538,845 in net position related to these two utilities..

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 \$9,641,807, while total fund balance reached \$14,584,712. 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 41.99% of General Fund expenditures, while total fund balance represents 63.51% of the same amount. Of the fund balance available, \$312,271 is restricted in what it can be used for and \$82,306 has been committed for specific purposes. The City Council has appropriated \$2,355,903 of the fund balance available for use in the year ended June 30, 2021.

At June 30, 2021, the governmental funds of the City of Lexington reported a combined fund balance of \$15,774,267, with a net increase in fund balance of \$2,913,810. Included in this change in fund balance is an

increase of \$2,895,096 in the General Fund. Much of the increase in the General Fund is due to significant planned decreases of approximately \$1,185,000 in capital expenditures associated with the continued implementation of a vehicle and equipment replacement plan and delays in awarding a street paving contract, budgeted at \$500,000. Increases in property taxes, other taxes, and unrestricted intergovernmental revenues resulted from a continued improving economy after an initial drop in retail sales at the beginning of the COVID-19 pandemic. In addition, the City was able to utilize \$414,417 in Coronavirus Relief Funds to assist with payroll expenses of Fire Department personnel, whose services were presumed to be substantially dedicated to mitigating or responding to the COVID-19 public health emergency. Vacancies, delays in hiring, and savings in health insurance costs also resulted in budgetary savings.

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 \$2,833,582, representing a 10.3 percent increase from the original budget. These included the following significant amendments: 1) \$1,600,000 for the acquisition of an aerial fire truck that is expected to be delivered and financed in a subsequent fiscal year, 2) 432,487 for the acquisition of a police computer aided dispatch and records management software system, 3) \$355,000 for a public safety facilities repairs, and 4) \$310,000 for a midyear adjustment for a \$275,000 transfer to the Stormwater Fund and additional required distributions of occupancy tax to the Lexington Tourism Authority. Amendments made during the year were funded with additional appropriations of fund balance totaling \$766,095, additional budgeted revenues totaling \$35,000, and an increase in planned debt issuance of \$2,032,487 for aerial fire truck and police computer aided dispatch and records management software system.

Revenues were \$1,676,921 higher than the final budgeted amounts. Ad valorem tax revenues exceeded those amounts estimated with the budget by \$507,803, primarily because taxable property values exceeded values estimated with the budget, accounting for approximately \$248,000 of this positive budgetary variance. In addition, the collection rate and collections on past due taxes exceeded the original estimates used in the budget. Unrestricted intergovernmental revenues exceeded budgeted amounts by \$887,271. Included in this category is the local option sales tax with revenues exceeding budgeted amounts by \$931,712. The budget for local option sales tax anticipated a substantial reduction in this revenue source as a result of the COVID-19 pandemic. Retail sales ended up being much stronger than anticipated. Restricted intergovernmental revenues were \$374,682 more than budgeted amounts, primarily due to the recognition of \$414,417 in Coronavirus Relief Fund revenue. Permits and fees were \$78,036 higher than budgeted amounts as economic activity continued despite the COVID-19 pandemic. Sales and services lower than budgeted amounts primarily due to a \$59,093 reduction in School Resource Officer charges as a result of the pandemic. Investment earnings were \$106,611 less than budgeted amounts as a result of the sustained sharp decline in rates due to the pandemic.

Expenditures were \$6,571,251, or 21.7%, lower than the final budgeted amounts. Personnel costs were \$1,482,602 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 \$429,496. Another significant part of this variance is represented by outstanding encumbrances at June 30, 2021, which totaled \$2,045,237 for the General Fund. These purchase and contractual commitments, although originally authorized under budgetary appropriations for the year ended June 30, 2021, will be reflected as expenditures in the subsequent fiscal year. These purchase commitments include \$1,514,431 related to the acquisition of an aerial fire truck and equipment. Debt service was \$910,031 lower than budget amounts, primarily because \$774,544 in repayments on internal borrowings were budgeted as debt service. Approximately \$500,000 in funds budgeted for highways and streets remained unspent due to delays in awarding a paving contract. 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 \$51,409,020, including \$36,355,046 in Electric, \$7,801,675 in Water and

Wastewater, and \$7,252,299 in Natural Gas. Unrestricted net position of the City’s nonmajor enterprise funds (Stormwater and Golf) totaled \$217,990 at the end of the fiscal year. Total unrestricted net position for all enterprise funds amounted to \$51,627,010.

The change in net position for the City’s major enterprise funds totaled \$11,041,120, including \$11,882,840 in Electric, (\$1,785,476) in Water and Wastewater, and \$943,756 in Natural Gas. The change in net position for the City’s nonmajor enterprise funds (Stormwater and Golf) totaled \$526,699. 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	\$ 1,556,961	\$ (972,555)	\$ 80,655	\$ 665,061	\$ 125,859	\$ 790,920
Unrestricted	<u>10,325,879</u>	<u>(812,921)</u>	<u>863,101</u>	<u>10,376,059</u>	<u>400,840</u>	<u>10,776,899</u>
Total Net Position	<u>\$ 11,882,840</u>	<u>\$ (1,785,476)</u>	<u>\$ 943,756</u>	<u>\$ 11,041,120</u>	<u>\$ 526,699</u>	<u>\$ 11,567,819</u>

Electric unrestricted net position increased by \$10,325,878. Increases are primarily due to a working capital refund of \$9,287,751 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%, 5.0%, and 2.9% in rates charged to the City’s residential and commercial customers in 2015-16, 2016-17, 2018-19, 2019-20, and 2020-21, respectively, and to positively impact the financial position and liquidity of the Electric utility. The Electric utility sold approximately 3,139,000 kWh less than in the previous year, representing a 0.8% 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 \$812,921. Decreases are primarily due to planned 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 did not change. The Water and Wastewater utility reported charges for approximately 108,000 fewer CCF’s of water than in the previous year (a 9.9% decrease) and 22,000 fewer CCF’s of wastewater than in the previous year (a 4.0% decrease). Natural Gas unrestricted net position increased by \$863,101. The Natural Gas utility sold approximately \$388,000 DT’s more than in the previous year, representing a 22.6% increase. The increase is primarily associated with colder winter temperatures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2020, the City of Lexington had \$140,487,969 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:

- Improvements to recreational facilities totaling \$966,290. This includes the following items that were partially or fully financed – 1) \$242,613 for Finch Park playground equipment, and 2) \$723,677 for improvements to the Edward C Smith Civic Center.
- Investments in governmental equipment & vehicles, reflecting the continuing implementation of vehicle & equipment replacement plans.
 - Investments in the General Fund and other governmental funds totaling \$1,097,449. This includes the following items that were partially or fully financed – 1) \$213,433 for a police computer aided dispatch and records management software system, 2) \$560,607 for a fire pumper truck, and 3) \$350,545 for recycling and waste collection vehicles.
 - Investments in the Fleet Management Fund, a governmental activity, totaling \$236,321.
- Infrastructure improvements in the Electric Fund at a cost of \$1,080,406.

- Investments in business-type vehicles & equipment by the three major enterprise funds (Electric, Water & Wastewater, and Natural Gas), reflecting the continuing implementation of vehicle and equipment replacement plans.
 - Investments in the Electric Fund totaling \$832,488
 - Investments in the Water & Wastewater Fund totaling \$776,614. This includes the following item that was financed – \$427,000 for a wastewater jet vac truck.
 - Investments in the Natural Gas Fund totaling \$269,646.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,538,814	\$ 2,538,814	\$ 2,293,083	\$ 2,293,083	\$ 4,831,897	\$ 4,831,897
Buildings	8,243,572	8,521,551	7,540,560	7,690,473	15,784,132	16,212,024
Other improvements	3,096,282	3,402,545	1,069,360	1,598,081	4,165,642	5,000,626
Equipment & vehicles	4,316,185	4,283,423	4,049,304	2,999,707	8,365,489	7,283,130
Intangibles	430,112	125,496	52,066	70,690	482,178	196,186
Infrastructure	14,134,058	15,149,823	-	-	14,134,058	15,149,823
Plant & distribution systems	-	-	84,932,401	85,716,853	84,932,401	85,716,853
Construction in progress	7,221,471	6,255,181	570,701	303,412	7,792,172	6,558,593
Total	<u>\$ 39,980,494</u>	<u>\$ 40,276,833</u>	<u>\$ 100,507,475</u>	<u>\$ 100,672,299</u>	<u>\$ 140,487,969</u>	<u>\$ 140,949,132</u>

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, 2021, the City had installment purchase debt outstanding of \$13,237,531. 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	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchases	\$ 6,604,542	\$ 5,220,129	\$ 6,632,989	\$ 7,306,215	\$ 13,237,531	\$ 12,526,344
Total	<u>\$ 6,604,542</u>	<u>\$ 5,220,129</u>	<u>\$ 6,632,989</u>	<u>\$ 7,306,215</u>	<u>\$ 13,237,531</u>	<u>\$ 12,526,344</u>

The City of Lexington's total debt increased by \$711,187 (5.7%), primarily due to the issuance of new debt totaling \$2,732,487. The City issued installment purchase debt for the following – 1) \$432,487 for a police computer aided dispatch and records management software system (includes a maintenance component), 2) \$494,000 for a fire pumper truck, 3) \$351,000 for recycling and waste collection vehicles, 4) \$1,025,000 for improvements to the Edward C Smith Civic Center and Finch Park playground equipment, and 5) \$430,000 for a wastewater jet vac truck. Principal retirements during the year totaled \$2,021,300.

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 \$117,851,089. The City has no bonds authorized but unissued at June 30, 2021.

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. However, the anticipated negative impact on the City's General Fund local option sales tax revenue only lasted a few months. After decreases of 3.54% in March 2020 and 1.74% in April 2020 in comparison to the same months in the preceding year, this revenue increased by 2.13% in May 2020 and 11.62% in June 2020 in comparison to the same months in the previous year. Substantial increases in local option sales tax revenues continued throughout the year ended June 30, 2021. Overall, the City's local option sales tax revenue for the fiscal year increased by 14.00% from the preceding fiscal year.
- Unemployment. The local unemployment rate of 5.7% was slightly higher than the state rate of 4.9% at the end of the fiscal year. This is a slightly higher unemployment rate than the previous year when the local unemployment rate was 5.6%, reflecting the continuing impact that the COVID-19 pandemic has had on the economy. The state unemployment rate from the previous year was 8.9%.
- Principal property tax payers. Halyard North Carolina is the largest taxpayer in the City, with 6.49% of total assessed valuation.
- Principal utility customers. For the year ended June 30, 2021, the City of Lexington was the largest electric customer providing 2.74% of total electric revenue, Electric Glass Fiber America was the largest water customer providing 4.76% of total water revenue, Davidson County schools was the largest wastewater customer providing 1.42% of total wastewater revenue, and Electric Glass Fiber America was the largest natural gas customer providing 4.17% of total natural gas revenue.
- Inspections for construction activity in the City totaled 2,930 with a value of \$27.2 million compared to prior year inspections totaling 2,854 with a value of \$45.5 million.
- Economic development incentive agreements. During the year, the City entered into an economic development incentive agreement with Halyard North Carolina. Under the terms of this agreement, Halyard North Carolina agreed to make new expanded investment in its manufacturing plant of \$6,000,000 and create 40 new full-time employment positions. Other economic development incentive agreements that remain in effect as of June 30, 2021 include:
 - 1) United Furniture Industries – Under the terms of this April 2010 agreement (amended in September 2014), United Furniture Industries agreed to locate in Lexington, 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.
 - 2) Save-A-Lot – Under the terms of this October 2010 agreement, Save-A-Lot agreed to build 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.
- Economic development grants. The City has been successful in assisting local industry obtain economic development grants in the form of building reuse grants. Building reuse grants that remain open as of June 30, 2021 include:
 - 1) Piedmont Candy Company – Under the terms of this *CDBG Building Reuse* grant, announced in July 2015, Piedmont Candy committed to invest \$1.5 million to renovate a vacant industrial building and to create 38 full time jobs.
 - 2) Goose and the Monkey Brewhouse, LLC – Under the terms of this *CDBG Building Reuse* grant, announced in June 2017, Goose and the Monkey committed to invest \$480 thousand to renovate a vacant industrial building and to create 12 full time jobs.
 - 3) Cider Bros, LLC – Under the terms of this *CDBG Building Reuse* grant, announced in March 2018, Cider Bros committed to invest \$1 million to renovate a vacant industrial building and to create 25 full time jobs.

- 4) Tapped Tees, LLC – Under the terms of this *CDBG Building Reuse* grant, announced in September 2019, Tapped Tees committed to invest \$600 thousand to renovate a vacant industrial building and to create 15 full time jobs.
- 5) Halyard North Carolina – Under the terms of this *Rural Building Reuse and Infrastructure* grant, announced in August 2019, Halyard committed to renovate or expand an industrial building and to create 22 full time jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities –The COVID-19 pandemic continues to impact the economy and while there are still uncertainties related to the pandemic, the City’s revenue streams did not take the hit that was expected in 2020-21. In budgeting for 2021-22, the City of Lexington took what it believed to be a realistic, but conservative approach based on real needs and realistic expectations for revenues. Budgeted revenue is expected to be 8.4% higher than for 2020-21. Unrestricted intergovernmental revenues are expected to increase budgeted revenue by \$956,000 (13.2%) and includes substantial increases in budgeted sales tax which was budgeted for a sharp decline in 2020-21 due to the COVID-19 pandemic. This increase in budgeted unrestricted intergovernmental revenue represents a \$68,000 (0.8%) increase from 2020-21 actual and reflects continuing decreases in utilities sales taxes. The property tax rate for 2021-22 remains unchanged at \$0.65 per \$100 of assessed valuation. Increases in anticipated taxable property values are expected to increase budgeted revenue by \$883,000 (8.6%) and reflect a property revaluation in addition to increased property values due to real economic growth. The City will use its revenues to finance programs currently in place and to make key investments towards City Council's goals, including 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 3.6% to \$29,258,993. The largest increments of change include an increase in personnel of \$1,735,770 and a reduction in capital outlay of \$1,955,156. Strategic investments are being made in the human infrastructure necessary ensure success in the future. These include the addition of a Diversity, Equity, and Inclusion (DEI) position, a part time facilities project coordinator position, a grants manager position, a planning director position, a planning services coordinator position, and a civil engineer position. Also included are provisions for 4% merit pay increases, pay study reclassification impacts for sworn police officers, and provisions to increase the City’s minimum pay to \$15 per hour. The City is continuing its implementation of vehicle & equipment replacement plans. The previous year’s capital outlay budget included funding for a fire pumper that was delivered in 2020-21 and \$1,600,000 for a fire aerial truck that was ordered in 2020-21 but won’t be delivered until at least 2021-22. Other strategic investments are being made for the future, including \$80,000 for preliminary planning and design for a Public Safety center, \$125,000 for preliminary planning and design for a Public Services Center, \$75,000 for a feasibility study for a Recreation Center, and \$203,000 in increased investments in technology.

Business-type Activities – Rates for electricity will not change. Budgeted expenditures in the Electric Fund are expected to decrease approximately 13.8% to \$48,817,795. In 2020-21, a one-time refund from North Carolina Municipal Power Agency 1 represented \$9,287,751 for the Electric Fund and was used to transfer \$5,327,957 to the Electric Projects Fund for a new power system delivery point and \$4,004,515 to the Electric Capital Reserve Fund required for other future capital needs. Purchased electricity is expected to decrease by approximately 3.9% based on expected power purchased and expected cost of power purchased. The City is continuing its implementation of vehicle & equipment replacement plans.

Water and wastewater rates in the City will increase by 10%. Budgeted expenditures in the Water and Wastewater Fund are expected to decrease approximately 8.1% to \$13,130,269. Personnel expenditures in the Water and Wastewater Fund are expected to increase approximately 8% from the 2020-21 final budget. During 2020-21, approximately \$174,000 in personnel budget was redirected to take care of critical maintenance needs. The 2021-22 personnel budget includes a provision for merit increases. \$950,000 in spending on critical infrastructure maintenance needs is being funded by a transfer from the Water and Wastewater Capital Reserve Fund. The City

is continuing its implementation of vehicle & equipment replacement plans. As part of this plan capital outlay is expected to decrease by approximately \$556,000 after a substantial increase in the previous year.

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 \$3.50 per dekatherm for 2021-22, up from \$3.00 per dekatherm in 2020-21. Budgeted expenditures in the Natural Gas Fund are expected to increase approximately 9.7% to \$12,901,450. Personnel expenditures in the Natural Gas Fund are expected to increase approximately 1%. Personnel expenditures include a provision for merit increases. Purchased natural gas is expected to increase by approximately 15% 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. Again during the year ended June 30, 2021, the fund was partially supported by transfers from the General Fund as stormwater fees were being developed and implemented during that year. For 2021-22, stormwater fees are expected to generate approximately \$993,000 to support anticipated expenditure requirements. No transfers are anticipated to be made from the General Fund.

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, 2020 through June 30, 2021. 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.



BASIC FINANCIAL STATEMENTS

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City of Lexington, North Carolina
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	Total
ASSETS				
Cash and cash equivalents	\$ 27,291,703	\$ 50,859,111	\$ 78,150,814	\$ 993,911
Receivables (net)				
Taxes	255,369	-	255,369	-
Accounts - billed	227,596	4,374,239	4,601,835	-
Accounts - unbilled	97,425	4,327,046	4,424,471	-
Due from other governments	2,374,677	516,214	2,890,891	-
Due from component units	138,695	-	138,695	-
Due from primary government	-	-	-	49,810
Loans receivable	-	-	-	18,600
Internal balances	(3,445,979)	3,445,979	-	-
Inventories	157,231	3,127,256	3,284,487	3,181,315
Deposits and prepaid items	169,605	17,000	186,605	13,731
Restricted cash and cash equivalents	713,598	905,298	1,618,896	-
Equity interest in component unit	302,465	-	302,465	-
Equity interest in joint venture	-	303,584	303,584	-
Capital assets				
Land and other non-depreciable assets	9,760,285	2,863,784	12,624,069	253,386
Other capital assets, net of accumulated depreciation	30,220,209	97,643,691	127,863,900	634,590
Total capital assets	<u>39,980,494</u>	<u>100,507,475</u>	<u>140,487,969</u>	<u>887,976</u>
Total assets	<u>68,262,879</u>	<u>168,383,202</u>	<u>236,646,081</u>	<u>5,145,343</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>6,343,239</u>	<u>2,361,649</u>	<u>8,704,888</u>	<u>52,538</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Net Position
June 30, 2021

Exhibit 1
continued

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	Total
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,830,570	\$ 5,664,638	\$ 7,495,208	\$ 361,599
Due to component units	49,810	-	49,810	-
Due to primary government	-	-	-	138,695
Payable from restricted assets	107,275	905,298	1,012,573	-
Long-term liabilities				
Due in one year	1,744,735	1,443,956	3,188,691	40,358
Due in more than one year	28,418,771	13,484,804	41,903,575	2,296,379
Total liabilities	<u>32,151,161</u>	<u>21,498,696</u>	<u>53,649,857</u>	<u>2,837,031</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,696,704</u>	<u>621,474</u>	<u>2,318,178</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	33,673,104	93,874,486	127,547,590	697,474
Restricted for				
Stabilization by state statute	4,775,708	-	4,775,708	49,810
Council chamber improvements	3,100	-	3,100	-
Law enforcement	115,673	-	115,673	-
Highways and streets	309,171	-	309,171	-
Capital projects	471,488	-	471,488	-
Tourism promotion	-	-	-	495,950
Uptown revitalization	-	-	-	119,179
Economic development, nonexpendable	-	-	-	241,603
Working capital	-	-	-	186,501
Unrestricted	<u>1,410,009</u>	<u>54,750,195</u>	<u>56,160,204</u>	<u>570,333</u>
Total net position	<u>\$ 40,758,253</u>	<u>\$ 148,624,681</u>	<u>\$ 189,382,934</u>	<u>\$ 2,360,850</u>

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, 2021

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	\$ 4,726,370	\$ 7,970	\$ -	\$ -	\$ (4,718,400)	\$ -	\$ (4,718,400)	
Public safety	13,136,736	376,824	586,998	-	(12,172,914)	-	(12,172,914)	
Highways and streets	2,173,088	2,265	518,820	-	(1,652,003)	-	(1,652,003)	
Sanitation	2,326,376	1,574,896	13,601	-	(737,879)	-	(737,879)	
Culture and recreation	1,918,639	122,094	102,970	-	(1,693,575)	-	(1,693,575)	
Economic and physical development	838,166	183,116	300,125	-	(354,925)	-	(354,925)	
Interest on long-term debt	176,099	-	-	-	(176,099)	-	(176,099)	
Total governmental activities	<u>25,295,474</u>	<u>2,267,165</u>	<u>1,522,514</u>	<u>-</u>	<u>(21,505,795)</u>	<u>-</u>	<u>(21,505,795)</u>	
Business-type activities								
Electric	43,907,795	47,515,840	9,287,751	78,525	-	12,974,321	12,974,321	
Water and Wastewater	12,593,358	10,695,408	-	-	-	(1,897,950)	(1,897,950)	
Natural Gas	9,580,143	11,471,601	-	-	-	1,891,458	1,891,458	
Stormwater	315,219	415,909	-	-	-	100,690	100,690	
Golf	1,024,420	713,688	-	-	-	(310,732)	(310,732)	
Total business-type activities	<u>67,420,935</u>	<u>70,812,446</u>	<u>9,287,751</u>	<u>78,525</u>	<u>-</u>	<u>12,757,787</u>	<u>12,757,787</u>	
Total primary government	<u>\$ 92,716,409</u>	<u>\$ 73,079,611</u>	<u>\$ 10,810,265</u>	<u>\$ 78,525</u>	<u>(21,505,795)</u>	<u>12,757,787</u>	<u>(8,748,008)</u>	
Discretely presented component units	<u>\$ 6,599,627</u>	<u>\$ 6,314,875</u>	<u>\$ 504,754</u>	<u>\$ 430,000</u>				<u>650,002</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2021

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
General revenues							
Taxes							
Property taxes				\$ 10,698,617	\$ -	\$ 10,698,617	\$ -
Other taxes				783,490	-	783,490	-
Grants and contributions not restricted to specific programs				8,135,331	-	8,135,331	-
Investment earnings, unrestricted				13,523	59,329	72,852	620
Gain on extinguishment of debt				-	-	-	16,282
Miscellaneous, unrestricted				63,723	-	63,723	74
Total general revenues not including transfers				19,694,684	59,329	19,754,013	16,976
Transfers				1,531,917	(1,531,917)	-	-
Total general revenues and transfers				21,226,601	(1,472,588)	19,754,013	16,976
Change in net position				(279,194)	11,285,199	11,006,005	666,978
Net position - beginning				41,037,447	137,339,482	178,376,929	1,693,872
Net position - ending				\$ 40,758,253	\$ 148,624,681	\$ 189,382,934	\$ 2,360,850

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

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3

	Major Fund		Total Non- Major Funds		Total Governmental Funds
	General Fund				
Assets					
Cash and cash equivalents	\$ 12,684,973		\$ 1,114,787		\$ 13,799,760
Receivables (net)					
Property taxes	253,757		1,612		255,369
Accounts - billed	227,596		-		227,596
Accounts - unbilled	97,425		-		97,425
Due from other governments	2,302,548		28,421		2,330,969
Due from other funds	4,354		-		4,354
Due from component unit	138,695		-		138,695
Prepaid items	169,605		-		169,605
Restricted cash and cash equivalents					
Customer deposits	82,275		-		82,275
Streets	309,171		-		309,171
Economic development deposit	25,000		-		25,000
Unexpended debt proceeds	-		297,152		297,152
Total assets	\$ 16,295,399		\$ 1,441,972		\$ 17,737,371
Liabilities					
Accounts payable and accrued liabilities	\$ 776,884		\$ 246,451		\$ 1,023,335
Due to other funds	442,826		4,354		447,180
Due to component units	49,810		-		49,810
Liabilities payable from restricted assets					
Deposits	107,275		-		107,275
Advance from other funds	37,580		-		37,580
Total liabilities	1,414,375		250,805		1,665,180
Deferred inflows of resources	296,312		1,612		297,924

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3
continued

	Major Fund		Total Non-		Total
	General		Major Funds		Governmental
	Fund				Funds
Fund balances					
Nonspendable					
Prepaid items	\$ 169,605	\$	-	\$	169,605
Restricted					
Stabilization by state statute	4,773,300		2,408		4,775,708
Council chamber improvements	3,100		-		3,100
Law enforcement	-		115,673		115,673
Streets	309,171		-		309,171
Capital projects					
Recreation improvements	-		297,152		297,152
Business park development	-		174,336		174,336
Committed					
Recreation improvements	-		102,306		102,306
Other	82,306		497,680		579,986
Assigned					
Subsequent year's expenditures	2,355,903		-		2,355,903
Unassigned	6,891,327		-		6,891,327
Total fund balances	14,584,712		1,189,555		15,774,267
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,295,399	\$	1,441,972	\$	17,737,371

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

Exhibit 3
continued

		Total Governmental Funds
<i>Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:</i>		
Fund balances as reported on the Balance Sheet of Governmental Funds	\$	15,774,267
Equity interest in component unit is not a current financial resource and therefore not reported in the funds.		302,465
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 109,081,446	
Accumulated depreciation	(69,100,952)	
Less internal service funds' net capital assets included in net position adjustment below	(866,209)	39,114,285
Deferred outflows of resources related to pensions and OPEB are not reported in the funds		
Deferred outflows of resources for governmental activities related to pensions	3,935,544	
Deferred outflows of resources for governmental activities related to OPEB	2,407,695	
Deferred outflows of resources included in internal service funds' net position adjustment below	(193,325)	6,149,914
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(35,067)	
Bonds and installment financing	(6,604,542)	
Compensated absences	(1,312,513)	
Compensated absences included in internal service funds' net position adjustment below	54,349	(7,897,773)
Net pension liability - LGERS		
Net pension liability for governmental activities	(5,650,458)	
Net pension liability included in internal service funds' net position adjustment below	259,854	(5,390,604)
Total pension liability - LEO		(3,240,246)
Total OPEB liability		
Total OPEB liability for governmental activities	(13,355,747)	
Total OPEB liability included in internal service funds' net position adjustment below	281,779	(13,073,968)
Earned revenues considered deferred inflow of resources in the funds		297,924
Deferred inflows of resources related to pensions and OPEB are not reported in the funds		
Deferred inflows of resources for governmental activities related to pensions	(161,096)	
Deferred inflows of resources for governmental activities related to OPEB	(1,535,608)	
Deferred inflows of resources included in internal service funds' net position adjustment below	37,373	(1,659,331)
Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk Management) to individual funds.		
Net position of governmental-type internal service funds	13,346,893	
Portion of net position allocated to business type activities	(2,965,573)	10,381,320
Net position of governmental activities	\$	40,758,253

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, 2021

Exhibit 4

	Major Fund		Total
	General	Total Non-	Governmental
	Fund	Major Funds	Funds
Revenues			
Ad valorem taxes	\$ 10,760,803	\$ 96,707	\$ 10,857,510
Other taxes and licenses	783,490	-	783,490
Unrestricted intergovernmental	8,135,331	-	8,135,331
Restricted intergovernmental	1,096,144	405,154	1,501,298
Permits and fees	264,636	-	264,636
Sales and services	1,903,449	96,334	1,999,783
Investment earnings	6,489	210	6,699
Miscellaneous	42,434	400	42,834
Total revenues	22,992,776	598,805	23,591,581
Expenditures			
Current			
General government	4,203,187	-	4,203,187
Public safety	12,439,760	129,484	12,569,244
Highways and streets	1,027,964	-	1,027,964
Sanitation	2,137,074	-	2,137,074
Culture and recreation	1,573,135	966,290	2,539,425
Economic and physical development	484,700	509,317	994,017
Debt service			
Principal	918,074	-	918,074
Interest and other charges	179,724	-	179,724
Total expenditures	22,963,618	1,605,091	24,568,709
Revenues over (under) expenditures	29,158	(1,006,286)	(977,128)
Other financing sources (uses)			
Installment purchase debt issued	1,277,487	1,025,000	2,302,487
Transfers from other funds	2,256,917	-	2,256,917
Transfers to other funds	(725,000)	-	(725,000)
Sales of capital assets	56,534	-	56,534
Total other financing sources (uses)	2,865,938	1,025,000	3,890,938
Net change in fund balances	2,895,096	18,714	2,913,810
Fund balances - beginning	11,689,616	1,170,841	12,860,457
Fund balances - ending	\$ 14,584,712	\$ 1,189,555	\$ 15,774,267

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, 2021

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	\$	2,913,810
Changes in equity interest in component unit are included on the Statement of Activities		47,478
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	\$ 2,442,393	
Depreciation expense for governmental assets	<u>(2,691,372)</u>	(248,979)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,058,046
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		179,313
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		820,668
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	(56,534)	
Gain (loss) on disposal of capital assets	56,534	
Change in unavailable revenues	<u>(165,492)</u>	(165,492)
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.		
New long-term debt issued	(2,302,487)	
Principal payments on long-term debt	918,074	
Decrease (increase) in accrued interest payable	<u>3,625</u>	(1,380,788)
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	(34,671)	
Pension expense	(2,138,622)	
OPEB plan expense	<u>(977,133)</u>	(3,150,426)
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	(492,510)	
Portion of revenue allocated to business-type activities	<u>139,686</u>	<u>(352,824)</u>
Total change in net position of governmental activities	\$	<u><u>(279,194)</u></u>

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

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

Exhibit 5

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2021**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 10,253,000	\$ 10,253,000	\$ 10,760,803	\$ 507,803
Other taxes and licenses	710,400	745,400	783,490	38,090
Unrestricted intergovernmental	7,248,060	7,248,060	8,135,331	887,271
Restricted intergovernmental	721,462	721,462	1,096,144	374,682
Permits and fees	186,600	186,600	264,636	78,036
Sales and services	2,000,233	2,000,233	1,903,449	(96,784)
Investment earnings	113,100	113,100	6,489	(106,611)
Miscellaneous	48,000	48,000	42,434	(5,566)
Total revenues	<u>21,280,855</u>	<u>21,315,855</u>	<u>22,992,776</u>	<u>1,676,921</u>
Expenditures				
Current				
General government	4,809,755	4,840,993	4,203,187	637,806
Public safety	13,018,025	15,496,365	12,439,760	3,056,605
Highways and streets	2,011,436	2,016,436	1,027,964	988,472
Sanitation	2,378,339	2,376,539	2,137,074	239,465
Culture and recreation	2,057,554	2,080,284	1,573,135	507,149
Economic and physical development	703,623	703,623	484,700	218,923
Debt service				
Principal	1,785,011	1,805,011	918,074	886,937
Interest and other charges	212,544	202,818	179,724	23,094
Total expenditures	<u>26,976,287</u>	<u>29,522,069</u>	<u>22,963,618</u>	<u>6,558,451</u>
Revenues over (under) expenditures	<u>(5,695,432)</u>	<u>(8,206,214)</u>	<u>29,158</u>	<u>8,235,372</u>

Continued on next page.

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

**Exhibit 5
continued**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2021**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Installment purchase debt issued	1,013,379	3,045,866	1,277,487	(1,768,379)
Transfers from other funds	2,925,087	2,925,087	2,256,917	(668,170)
Transfers to other funds	(526,802)	(814,602)	(801,802)	12,800
Sales of capital assets	5,000	5,000	56,534	51,534
Total other financing sources (uses)	3,416,664	5,161,351	2,789,136	(2,372,215)
 Revenues and other financing sources over (under) expenditures and other financing uses	(2,278,768)	(3,044,863)	2,818,294	5,863,157
 Fund balance appropriated	2,278,768	3,044,863	-	(3,044,863)
 Net change in fund balances	\$ -	\$ -	2,818,294	\$ 2,818,294
 Fund balance - beginning			11,689,616	
Fund balance - ending			\$ 14,507,910	
 A legally budgeted Governmental Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Transfer from the General Fund			76,802	
Fund Balance - beginning			-	
Fund balance - ending (Exhibit 4)			\$ 14,584,712	

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, 2021

Exhibit 6

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Assets						
Current assets						
Cash and cash equivalents	\$ 19,667,201	\$ 4,473,246	\$ 4,270,683	\$ 570,266	\$ 28,981,396	\$ 7,301,751
Receivables (net)						
Accounts - billed	2,996,930	722,290	485,675	52,931	4,257,826	116,413
Accounts - unbilled	3,226,492	606,233	427,304	67,017	4,327,046	-
Due from other governments	267,633	135,327	62,577	15,241	480,778	79,144
Due from other funds	-	367,665	103,314	-	470,979	-
Restricted cash and cash equivalents						
Customer deposits	707,158	61,575	136,065	500	905,298	-
Inventories	1,657,389	426,715	1,043,152	-	3,127,256	157,231
Prepaid items	-	-	-	-	-	17,000
Total current assets	<u>28,522,803</u>	<u>6,793,051</u>	<u>6,528,770</u>	<u>705,955</u>	<u>42,550,579</u>	<u>7,671,539</u>
Noncurrent assets						
Advances to other funds	-	-	54,152	-	54,152	-
Designated cash and cash equivalents						
Capital reserve	12,458,492	3,786,314	1,757,701	-	18,002,507	680,649
Rate stabilization	1,042,151	-	827,206	-	1,869,357	-
Group insurance reserve	-	-	-	-	-	7,515,394
Equity interest in joint venture	-	303,584	-	-	303,584	-
Capital assets						
Land and other non-depreciable assets	936,735	936,503	318,095	40,728	2,232,061	646,723
Other capital assets, net of accumulated depreciation	<u>35,948,337</u>	<u>34,359,251</u>	<u>23,353,385</u>	<u>943,521</u>	<u>94,604,494</u>	<u>3,890,406</u>
Total capital assets	<u>36,885,072</u>	<u>35,295,754</u>	<u>23,671,480</u>	<u>984,249</u>	<u>96,836,555</u>	<u>4,537,129</u>
Total noncurrent assets	<u>50,385,715</u>	<u>39,385,652</u>	<u>26,310,539</u>	<u>984,249</u>	<u>117,066,155</u>	<u>12,733,172</u>
Total assets	<u>78,908,518</u>	<u>46,178,703</u>	<u>32,839,309</u>	<u>1,690,204</u>	<u>159,616,734</u>	<u>20,404,711</u>
Deferred outflows of resources	<u>177,565</u>	<u>979,109</u>	<u>425,117</u>	<u>158,608</u>	<u>1,740,399</u>	<u>814,575</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2021

Exhibit 6
continued

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	\$ 4,040,577	\$ 572,371	\$ 625,481	\$ 45,659	\$ 5,284,088	\$ 529,259
Due to other funds	-	-	-	28,153	28,153	-
Unpaid claims costs	-	-	-	-	-	623,459
Compensated absences	-	134,000	66,000	27,000	227,000	131,000
Installment purchases payable	649,743	130,923	130,690	-	911,356	207,600
Liabilities payable from restricted assets						
Customer deposits	707,158	61,575	136,065	500	905,298	-
Total current liabilities	<u>5,397,478</u>	<u>898,869</u>	<u>958,236</u>	<u>101,312</u>	<u>7,355,895</u>	<u>1,491,318</u>
Noncurrent liabilities						
Compensated absences	-	178,316	50,916	24,315	253,547	103,326
Net pension liability	-	1,239,490	491,787	200,824	1,932,101	1,003,378
Total OPEB liability	984,979	1,660,032	861,885	268,799	3,775,695	1,465,706
Installment purchases payable	3,131,062	410,310	424,261	-	3,965,633	1,548,400
Advances from other funds	-	-	-	16,572	16,572	-
Total noncurrent liabilities	<u>4,116,041</u>	<u>3,488,148</u>	<u>1,828,849</u>	<u>510,510</u>	<u>9,943,548</u>	<u>4,120,810</u>
Total liabilities	<u>9,513,519</u>	<u>4,387,017</u>	<u>2,787,085</u>	<u>611,822</u>	<u>17,299,443</u>	<u>5,612,128</u>
Deferred inflows of resources	<u>113,251</u>	<u>214,599</u>	<u>108,513</u>	<u>34,751</u>	<u>471,114</u>	<u>187,733</u>
Net position						
Net investment in capital assets	33,104,267	34,754,521	23,116,529	984,249	91,959,566	2,781,129
Unrestricted	<u>36,355,046</u>	<u>7,801,675</u>	<u>7,252,299</u>	<u>217,990</u>	<u>51,627,010</u>	<u>12,638,296</u>
Total net position	<u>\$ 69,459,313</u>	<u>\$ 42,556,196</u>	<u>\$ 30,368,828</u>	<u>\$ 1,202,239</u>	143,586,576	<u>\$ 15,419,425</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,072,532	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>2,965,573</u>	
Net position of business-type activities					<u>\$ 148,624,681</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, 2021

Exhibit 7

	Business-type Activities - Enterprise Funds					
	Major Funds			Total Non- Major Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas			
Operating revenues						
Charges for sales and services	\$ 46,725,659	\$ 9,862,688	\$ 11,079,183	\$ 1,117,837	\$ 68,785,367	\$ 12,248,524
Restricted intergovernmental	78,525	-	-	-	78,525	-
Other operating	330,110	637,548	61,281	11,760	1,040,699	438,622
Total operating revenues	<u>47,134,294</u>	<u>10,500,236</u>	<u>11,140,464</u>	<u>1,129,597</u>	<u>69,904,591</u>	<u>12,687,146</u>
Operating expenses						
Cost of sales and services	8,338,701	704,178	3,110,463	1,142,842	13,296,184	1,666,014
Purchases for resale	32,058,077	-	3,897,531	-	35,955,608	-
Water treatment	-	2,205,866	-	-	2,205,866	-
Waste collection and treatment	-	4,303,828	-	-	4,303,828	-
Water and wastewater construction	-	2,048,329	-	-	2,048,329	-
Administration	2,460,287	1,664,484	1,848,935	12,804	5,986,510	4,520,984
Premiums	-	-	-	-	-	1,197,962
Claims	-	-	-	-	-	5,138,879
Depreciation	1,281,967	1,425,580	640,805	170,691	3,519,043	810,812
Overhead capitalized	(859,581)	(24,632)	(342,910)	-	(1,227,123)	-
Total operating expenses	<u>43,279,451</u>	<u>12,327,633</u>	<u>9,154,824</u>	<u>1,326,337</u>	<u>66,088,245</u>	<u>13,334,651</u>
Operating income (loss)	3,854,843	(1,827,397)	1,985,640	(196,740)	3,816,346	(647,505)
Nonoperating revenues (expenses)						
Federal Build America Bond interest credit	-	4,621	13,093	-	17,714	-
Investment earnings	16,256	15,888	26,194	225	58,563	7,894
Working capital refund	9,287,751	-	-	-	9,287,751	-
Gain (loss) on sale of property	24,745	39,239	13,776	-	77,760	48,086
Interest and other charges	(100,755)	(17,827)	(38,030)	(1,786)	(158,398)	(43,919)
Total nonoperating revenues (expenses)	<u>9,227,997</u>	<u>41,921</u>	<u>15,033</u>	<u>(1,561)</u>	<u>9,283,390</u>	<u>12,061</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, 2021

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	\$ 13,082,840	\$ (1,785,476)	\$ 2,000,673	\$ (198,301)	\$ 13,099,736	\$ (635,444)
Transfers from other funds	-	-	-	725,000	725,000	-
Transfers to other funds	(1,200,000)	-	(1,056,917)	-	(2,256,917)	-
Change in net position	11,882,840	(1,785,476)	943,756	526,699	11,567,819	(635,444)
Net position - beginning	<u>57,576,473</u>	<u>44,341,672</u>	<u>29,425,072</u>	<u>675,540</u>		<u>16,054,869</u>
Net position - ending	<u>\$ 69,459,313</u>	<u>\$ 42,556,196</u>	<u>\$ 30,368,828</u>	<u>\$ 1,202,239</u>		<u>\$ 15,419,425</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(142,934)	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>(139,686)</u>	
Change in net position - business-type activities					<u>\$ 11,285,199</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, 2021

Exhibit 8

	Business-type Activities - Enterprise Funds					
	Major Funds			Total Non- Major Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas			
Cash flows from operating activities						
Cash received from customers	\$ 46,607,901	\$ 9,973,722	\$ 10,937,456	\$ 997,889	\$ 68,516,968	\$ -
Cash received (paid) for interfund services provided (used)	(2,460,287)	(1,664,484)	(1,848,935)	(12,804)	(5,986,510)	12,139,437
Cash paid for goods and services	(40,117,455)	(6,127,957)	(5,252,463)	(397,086)	(51,894,961)	(10,119,185)
Cash paid to employees	(75,851)	(3,421,117)	(1,384,908)	(734,418)	(5,616,294)	(1,933,311)
Other operating income	330,110	637,548	61,281	11,760	1,040,699	438,622
Net cash provided (used) by operating activities	<u>4,284,418</u>	<u>(602,288)</u>	<u>2,512,431</u>	<u>(134,659)</u>	<u>6,059,902</u>	<u>525,563</u>
Cash flows from noncapital financing activities						
Operating grants	78,525	-	-	-	78,525	-
Working capital refund	9,287,751	-	-	-	9,287,751	-
Advances from (to) other funds	-	361,242	441,455	(28,153)	774,544	-
Transfers from other funds	-	-	-	725,000	725,000	-
Transfers to other funds	(1,200,000)	-	(1,056,917)	-	(2,256,917)	-
Net cash provided (used) by noncapital financing activities	<u>8,166,276</u>	<u>361,242</u>	<u>(615,462)</u>	<u>696,847</u>	<u>8,608,903</u>	<u>-</u>
Cash flows from capital and related financing activities						
Installment purchase debt issued	-	430,000	-	-	430,000	-
Acquisition and construction of capital assets	(1,374,296)	(729,408)	(284,692)	(296,550)	(2,684,946)	(278,350)
Federal Build America Bond interest credit	-	4,621	13,093	-	17,714	-
Principal paid on installment purchase debt	(640,975)	(128,985)	(125,666)	-	(895,626)	(207,600)
Interest and other charges paid on debt	(103,485)	(18,024)	(39,555)	(1,786)	(162,850)	(45,403)
Proceeds from the sale of assets	60,669	39,239	45,584	-	145,492	53,102
Net cash provided (used) by capital and related financing activities	<u>(2,058,087)</u>	<u>(402,557)</u>	<u>(391,236)</u>	<u>(298,336)</u>	<u>(3,150,216)</u>	<u>(478,251)</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2021

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	\$ 19,070	\$ 16,964	\$ 26,847	\$ 262	\$ 63,143	\$ 9,644
Net cash provided by investing activities	<u>19,070</u>	<u>16,964</u>	<u>26,847</u>	<u>262</u>	<u>63,143</u>	<u>9,644</u>
Net increase (decrease) in cash and cash equivalents	10,411,677	(626,639)	1,532,580	264,114	11,581,732	56,956
Cash and cash equivalents - beginning	<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>
Cash and cash equivalents - ending	<u>\$ 33,875,002</u>	<u>\$ 8,321,135</u>	<u>\$ 6,991,655</u>	<u>\$ 570,766</u>	<u>\$ 49,758,558</u>	<u>\$ 15,497,794</u>
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating income (loss)	<u>\$ 3,854,843</u>	<u>\$ (1,827,397)</u>	<u>\$ 1,985,640</u>	<u>\$ (196,740)</u>	<u>\$ 3,816,346</u>	<u>\$ (647,505)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Restricted intergovernmental revenues	(78,525)	-	-	-	(78,525)	-
Depreciation	1,281,967	1,425,580	640,805	170,691	3,519,043	810,812
Overhead capitalized	(859,581)	(24,632)	(342,910)	-	(1,227,123)	-
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	(117,758)	111,034	(141,727)	(119,948)	(268,399)	(109,087)
(Increase) decrease in intergovernmental receivable	(128,620)	(3,952)	12,322	(3,932)	(124,182)	5,614
(Increase) decrease in inventory	15,158	48,877	(70,761)	-	(6,726)	(18,505)
(Increase) decrease in equity interest in joint venture	-	34,225	-	-	34,225	-
(Increase) decrease in deferred outflows of resources - pensions	-	(145,328)	(42,982)	(20,916)	(209,226)	(127,760)

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2021

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	\$ (86,047)	\$ (166,636)	\$ (86,189)	\$ (22,777)	\$ (361,649)	\$ (139,911)
Increase (decrease) in accounts payable and accrued liabilities	376,730	(634,938)	330,224	18,182	90,198	98,190
(Increase) decrease in amounts accrued related to interest on capital debt	2,730	197	1,525	-	4,452	1,484
Increase (decrease) in customer deposits	67,696	10,810	7,820	(500)	85,826	-
Increase (decrease) in unpaid claims cost	-	-	-	-	-	254,988
Increase (decrease) in compensated absences	-	46,938	17,068	13,667	77,673	32,047
Increase (decrease) in net pension liability	-	339,349	109,921	50,550	499,820	291,740
Increase (decrease) in total OPEB liability	(1,128)	231,027	116,400	(7,897)	338,402	126,144
Increase (decrease) in deferred inflows of resources - pensions	-	(11,811)	(5,663)	(2,089)	(19,563)	(8,889)
Increase (decrease) in deferred inflows of resources - OPEB	(43,047)	(35,631)	(19,062)	(12,950)	(110,690)	(43,799)
Total adjustments	<u>429,575</u>	<u>1,225,109</u>	<u>526,791</u>	<u>62,081</u>	<u>2,243,556</u>	<u>1,173,068</u>
Net cash provided (used) by operating activities	<u>\$ 4,284,418</u>	<u>\$ (602,288)</u>	<u>\$ 2,512,431</u>	<u>\$ (134,659)</u>	<u>\$ 6,059,902</u>	<u>\$ 525,563</u>

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

**City of Lexington, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021**

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. 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, 2021 differs from amounts reported by the Front Street-Lexington as of December 31, 2020 as follows:

Equity interest in component unit, December 31, 2020	\$ 251,465
Capital contributions subsequent to December 31, 2020	<u>51,000</u>
Equity interest in component unit, June 30, 2021	<u><u>\$ 302,465</u></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 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 City has no fiduciary funds to report. 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. Additionally, the City has legally adopted a Governmental Capital Reserve Fund. Under GASB 54 Guidance the Governmental Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Governmental Capital Reserve Fund has been included in the supplemental information.

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 Projects Fund, 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 Projects Fund, 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, Governmental Capital Reserve subfund, 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 Governmental Capital Reserve subfund is consolidated with the General Fund for reporting purposes. 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, which consists of a SEC-registered mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a-7) and maintains an AAAM rating from Standard & Poor's and AAA-mf by Moody's Investor Service. It is reported at fair value.

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

Unexpended debt proceeds for a general capital project is classified as restricted cash because its use is restricted to the purpose for which the debt was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. An economic development deposit held under contract by the City is also classified as restricted cash. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.

City of Lexington Restricted Cash

Governmental Activities

General Fund	
Customer deposits	\$ 82,275
Streets	309,171
Economic development deposit	25,000
General Capital Projects Fund	
Unexpended debt proceeds	<u>297,152</u>
Total Governmental Activities	<u>\$ 713,598</u>

Business-type Activities

Electric Fund	
Customer deposits	\$ 707,158
Water and Wastewater Fund	
Customer deposits	61,575
Natural Gas Fund	
Customer deposits	136,065
Golf Fund	
Customer deposits	<u>500</u>
Total Business-type Activities	<u>\$ 905,298</u>

Total Restricted Cash	<u>\$ 1,618,896</u>
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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, 2020. 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	3 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 several items that meet this criterion – unavailable property taxes receivable, unavailable miscellaneous revenue receivable, and 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 the year-end balance of prepaid items, 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 Streets – portion of fund balance that is restricted by revenue source for street expenditures. This amount represents the balance of unexpended Powell bill 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 and unexpended debt proceeds for recreation improvements.

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 \$102,306 for the Recreation Center Development Project

Committed for Other – portion of fund balance that is committed for other purposes, including \$5,504 for City Council improvements to their neighborhoods (neighborhood revitalization program), \$76,802 for ADA (Americans with Disabilities Act) Transition Plan funding and \$497,680 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, 2021, the City's deposits had a carrying amount of \$11,348,200 and a bank balance of \$12,815,722. Of the City's actual bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the City's petty cash fund totaled \$7,150.

2. Investments

At June 30, 2021, the City had the following investments and maturities:

Investment Type	Valuation	Fair Value	Less Than		
	Measurement Method		6 Months	6-12 Months	1-3 Years
NC Capital Management Trust - Government Portfolio	Fair Value-Level 1	\$ 68,414,360	\$68,414,360	\$ -	\$ -
Total		<u>\$ 68,414,360</u>	<u>\$ 68,414,360</u>	<u>\$ -</u>	<u>\$ -</u>

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from Standard & Poor's and an AAA-mf by Moody's Investor Service.

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 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). The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investor Service as of June 30, 2021. 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.

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%

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>\$ 791,000</u>	<u>\$ 200</u>	<u>\$ 791,200</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	\$ 1,469,329	\$ -	\$ 1,469,329
Utilities sales tax	436,864	-	436,864
Piped natural gas sales tax	56,453	-	56,453
Telecommunications tax	33,560	-	33,560
Local video programming revenue	32,650	-	32,650
Solid waste disposal tax	3,372	-	3,372
Sales and use tax refund	164,991	437,689	602,680
Federal and state grant funding	5,589	78,525	84,114
Unremitted property tax collections	171,869	-	171,869
	<u>\$ 2,374,677</u>	<u>\$ 516,214</u>	<u>\$ 2,890,891</u>

4. Capital Assets

a. Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021, 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	6,255,181	966,290	-	7,221,471
Total capital assets not being depreciated	<u>8,778,995</u>	<u>966,290</u>	<u>-</u>	<u>9,745,285</u>
Capital assets being depreciated:				
Buildings	17,773,660	-	-	17,773,660
Other improvements	7,014,641	15,394	-	7,030,035
Equipment & vehicles	14,687,565	1,186,078	(1,488,614)	14,385,029
Infrastructure	54,234,255	-	-	54,234,255
Intangibles	2,439,312	363,260	-	2,802,572
Total capital assets being depreciated	<u>96,149,433</u>	<u>1,564,732</u>	<u>(1,488,614)</u>	<u>96,225,551</u>
Less accumulated depreciation for:				
Buildings	9,261,109	277,979	-	9,539,088
Other improvements	3,623,400	321,657	-	3,945,057
Equipment & vehicles	11,282,407	1,105,956	(1,488,614)	10,899,749
Infrastructure	39,084,432	1,015,765	-	40,100,197
Intangibles	2,313,816	58,644	-	2,372,460
Total accumulated depreciation	<u>65,565,164</u>	<u>2,780,001</u>	<u>(1,488,614)</u>	<u>66,856,551</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	3,161,064	193,977	(472,321)	2,882,720
Intangibles	9,845	-	-	9,845
Total capital assets being depreciated	<u>3,373,954</u>	<u>193,977</u>	<u>(472,321)</u>	<u>3,095,610</u>
Less accumulated depreciation for:				
Buildings	81,000	-	-	81,000
Other improvements	101,741	-	-	101,741
Equipment & vehicles	2,282,799	236,321	(467,305)	2,051,815
Intangibles	9,845	-	-	9,845
Subtotal	<u>2,475,385</u>	<u>236,321</u>	<u>(467,305)</u>	<u>2,244,401</u>
Total accumulated depreciation	<u>68,040,549</u>	<u>3,016,322</u>	<u>(1,955,919)</u>	<u>69,100,952</u>
Total capital assets being depreciated, net	<u>31,482,838</u>			<u>30,220,209</u>
Governmental activity capital assets, net	<u>\$ 40,276,833</u>			<u>\$ 39,980,494</u>

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

Governmental Activities

Depreciation Expense

General government	\$ 291,110
Public safety	464,815
Highways and streets	1,093,420
Sanitation	482,684
Cultural and recreation	339,500
Economic and physical development	19,843
Capital assets held by internal service funds	<u>236,321</u>
<i>Total depreciation expense</i>	<u>2,927,693</u>

Increases in Accumulated Depreciation Related to Capital Asset Transfers

Equipment & vehicles	<u>88,629</u>
<i>Total accumulated depreciation transferred</i>	<u>88,629</u>

Total Accumulated Depreciation Increases \$ 3,016,322

There was a transfer of assets from highways and streets, a governmental activity, to the Stormwater Fund. The Stormwater Fund paid \$0 for the asset, which had an original acquisition cost of \$162,996 and accumulated depreciation of \$162,996.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to cultural and recreation, a governmental activity. The General Fund paid \$5,016 for the asset, which had an original acquisition cost of \$93,645 and accumulated depreciation of \$88,629

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to the Stormwater Fund. The Stormwater Fund paid \$0 for the asset, which had an original acquisition cost of \$28,176 and accumulated depreciation of \$28,176.

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 637,286	\$ -	\$ -	\$ 637,286
Construction in progress	<u>-</u>	<u>299,449</u>	<u>-</u>	<u>299,449</u>
Total capital assets not being depreciated	<u>637,286</u>	<u>299,449</u>	<u>-</u>	<u>936,735</u>
Capital assets being depreciated:				
Buildings	3,098,544	-	-	3,098,544
Other improvements		21,534		21,534
Plant and distribution systems	62,899,577	1,080,406	(57,048)	63,922,935
Equipment & vehicles	<u>2,633,973</u>	<u>832,488</u>	<u>(306,453)</u>	<u>3,160,008</u>
Total capital assets being depreciated	<u>68,632,094</u>	<u>1,934,428</u>	<u>(363,501)</u>	<u>70,203,021</u>
Less accumulated depreciation for:				
Buildings	111,172	55,757	-	166,929
Other improvements		565		565
Plant and distribution systems	31,528,945	822,484	(51,343)	32,300,086
Equipment & vehicles	<u>1,660,177</u>	<u>403,161</u>	<u>(276,234)</u>	<u>1,787,104</u>
Total accumulated depreciation	<u>33,300,294</u>	<u>1,281,967</u>	<u>(327,577)</u>	<u>34,254,684</u>
Total capital assets being depreciated, net	<u>35,331,800</u>			<u>35,948,337</u>
Electric Fund capital assets, net	<u>\$ 35,969,086</u>			<u>\$ 36,885,072</u>
Water and Wastewater Fund				
Capital assets not being depreciated:				
Land	\$ 866,590	\$ -	\$ -	\$ 866,590
Construction in progress	<u>117,119</u>	<u>-</u>	<u>(47,206)</u>	<u>69,913</u>
Total capital assets not being depreciated	<u>983,709</u>	<u>-</u>	<u>(47,206)</u>	<u>936,503</u>
Capital assets being depreciated:				
Buildings	866,043	-	-	866,043
Other improvements	21,000	-	-	21,000
Plant and distribution systems	72,661,343	24,632	-	72,685,975
Equipment & vehicles	<u>3,674,660</u>	<u>811,485</u>	<u>(268,295)</u>	<u>4,217,850</u>
Total capital assets being depreciated	<u>77,223,046</u>	<u>836,117</u>	<u>(268,295)</u>	<u>77,790,868</u>
Less accumulated depreciation for:				
Buildings	312,581	11,071	-	323,652
Other improvements	16,695	2,205	-	18,900
Plant and distribution systems	39,087,683	1,053,356	-	40,141,039
Equipment & vehicles	<u>2,822,502</u>	<u>393,819</u>	<u>(268,295)</u>	<u>2,948,026</u>
Total accumulated depreciation	<u>42,239,461</u>	<u>1,460,451</u>	<u>(268,295)</u>	<u>43,431,617</u>
Total capital assets being depreciated, net	<u>34,983,585</u>			<u>34,359,251</u>
Water and Wastewater Fund capital assets, net	<u>\$ 35,967,294</u>			<u>\$ 35,295,754</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Natural Gas Fund				
Capital assets not being depreciated:				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	-	15,046	-	15,046
Total capital assets not being depreciated	<u>303,049</u>	<u>15,046</u>	<u>-</u>	<u>318,095</u>
Capital assets being depreciated:				
Buildings	1,969,152	-	-	1,969,152
Plant and distribution systems	33,317,314	342,910	(15,488)	33,644,736
Equipment & vehicles	<u>1,796,181</u>	<u>333,595</u>	<u>(82,061)</u>	<u>2,047,715</u>
Total capital assets being depreciated	<u>37,082,647</u>	<u>676,505</u>	<u>(97,549)</u>	<u>37,661,603</u>
Less accumulated depreciation for:				
Buildings	256,329	33,940	-	290,269
Plant and distribution systems	12,544,753	349,306	(13,939)	12,880,120
Equipment & vehicles	<u>868,123</u>	<u>321,508</u>	<u>(51,802)</u>	<u>1,137,829</u>
Total accumulated depreciation	<u>13,669,205</u>	<u>704,754</u>	<u>(65,741)</u>	<u>14,308,218</u>
Total capital assets being depreciated, net	<u>23,413,442</u>			<u>23,353,385</u>
Natural Gas Fund capital assets, net	<u>\$ 23,716,491</u>			<u>\$ 23,671,480</u>
Stormwater Fund				
Capital assets being depreciated:				
Equipment & vehicles	\$ -	\$ 433,222	\$ -	\$ 433,222
Total capital assets being depreciated	<u>-</u>	<u>433,222</u>	<u>-</u>	<u>433,222</u>
Less accumulated depreciation for:				
Equipment & vehicles	<u>-</u>	<u>214,224</u>	<u>-</u>	<u>214,224</u>
Total accumulated depreciation	<u>-</u>	<u>214,224</u>	<u>-</u>	<u>214,224</u>
Total capital assets being depreciated, net	<u>-</u>			<u>218,998</u>
Stormwater Fund capital assets, net	<u>\$ -</u>			<u>\$ 218,998</u>

	Beginning Balances	Increases	Decreases	Ending Balances
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	388,290	54,500	-	442,790
Total capital assets being depreciated	<u>2,578,509</u>	<u>54,500</u>	<u>-</u>	<u>2,633,009</u>
Less accumulated depreciation for:				
Buildings	43,335	810	-	44,145
Other improvements	1,438,730	95,591	-	1,534,321
Equipment & vehicles	278,782	51,238	-	330,020
Total accumulated depreciation	<u>1,760,847</u>	<u>147,639</u>	<u>-</u>	<u>1,908,486</u>
Total capital assets being depreciated, net	<u>817,662</u>			<u>724,523</u>
Golf Fund capital assets, net	<u>\$ 858,390</u>			<u>\$ 765,251</u>
Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 445,430	\$ -	\$ -	\$ 445,430
Construction in progress	186,293	-	-	186,293
Total capital assets not being depreciated	<u>631,723</u>	<u>-</u>	<u>-</u>	<u>631,723</u>
Capital assets being depreciated:				
Buildings	3,220,114	-	-	3,220,114
Other improvements	3,163,255	-	-	3,163,255
Equipment & vehicles	607,445	84,373	(11,208)	680,610
Intangibles	1,551,812	-	-	1,551,812
Total capital assets being depreciated	<u>8,542,626</u>	<u>84,373</u>	<u>(11,208)</u>	<u>8,615,791</u>
Less accumulated depreciation for:				
Buildings	801,463	48,335	-	849,798
Other improvements	2,259,468	451,894	-	2,711,362
Equipment & vehicles	471,258	55,638	(11,208)	515,688
Intangibles	1,481,122	18,624	-	1,499,746
Total accumulated depreciation	<u>5,013,311</u>	<u>574,491</u>	<u>(11,208)</u>	<u>5,576,594</u>
Total capital assets being depreciated, net	<u>3,529,315</u>			<u>3,039,197</u>
Internal Service Funds capital assets, net	<u>\$ 4,161,038</u>			<u>\$ 3,670,920</u>
Business-type activities capital assets, net	<u>\$ 100,672,299</u>			<u>\$ 100,507,475</u>

There was a transfer of assets to the Water and Wastewater Fund from the Electric Fund. The Water and Wastewater Fund paid \$219 for the assets, which had an original acquisition cost of \$7,294 and accumulated depreciation of \$7,075.

There was an exchange of assets between the Water and Wastewater Fund and the Natural Gas Fund. The Water and Wastewater Fund paid \$1,310 and transferred an asset which had an original acquisition cost of \$38,899 and accumulated depreciation of \$38,899 in exchange for an asset which had an original acquisition cost of \$29,106 and accumulated depreciation of \$27,796.

There was a transfer of assets to the Natural Gas Fund from the Electric Fund. The Natural Gas Fund paid \$0 for the assets, which had an original acquisition cost of \$25,050 and accumulated depreciation of \$25,050.

There was a transfer of assets to the Stormwater Fund from highways and streets, a governmental activity. The Stormwater Fund paid \$0 for the asset, which had an original acquisition cost of \$162,996 and accumulated depreciation of \$162,996.

There was a transfer of assets to the Stormwater Fund from the Fleet Management Fund, an internal service fund reported as a governmental activity. The Stormwater Fund paid \$0 for the asset, which had an original acquisition cost of \$28,176 and accumulated depreciation of \$28,176.

b. Construction Commitments

The government has active construction projects as of June 30, 2021. 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	\$ 2,924,457	\$ 370,043
Economic Development Improvements	<u>9,362,930</u>	<u>747,302</u>
Total General Capital Projects Fund	<u>\$ 12,287,387</u>	<u>\$ 1,117,345</u>
Enterprise Funds:		
Electric Fund		
System improvements	<u>\$ 299,449</u>	<u>\$ 5,107,033</u>
Total Electric Fund	<u>\$ 299,449</u>	<u>\$ 5,107,033</u>
Water and Wastewater Fund		
System improvements	<u>\$ 200,000</u>	<u>\$ -</u>
Total Water and Wastewater Fund	<u>\$ 200,000</u>	<u>\$ -</u>
Natural Gas Fund		
System improvements	<u>\$ 15,046</u>	<u>\$ 1,984,954</u>
Total Natural Gas Fund	<u>\$ 15,046</u>	<u>\$ 1,984,954</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, 2021 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities					
General	\$ 276,788	\$ 366,809	\$ 35,067	\$ 133,287	\$ 811,951
Other Governmental	246,451	-	-	-	246,451
Governmental Internal Service	120,970	18,222	-	632,976	772,168
Total - governmental activities	<u>\$ 644,209</u>	<u>\$ 385,031</u>	<u>\$ 35,067</u>	<u>\$ 766,263</u>	<u>\$ 1,830,570</u>
Business-type Activities					
Electric	\$ 4,015,838	\$ -	\$ 21,464	\$ 3,275	\$ 4,040,577
Water and Wastewater	486,564	81,532	2,851	1,424	572,371
Natural Gas	584,476	32,879	7,110	1,016	625,481
Stormwater	6,527	6,437	-	-	12,964
Golf	13,692	19,003	-	-	32,695
Business-type Internal Service	310,958	55,590	14,002	-	380,550
Total - business-type activities	<u>\$ 5,418,055</u>	<u>\$ 195,441</u>	<u>\$ 45,427</u>	<u>\$ 5,715</u>	<u>\$ 5,664,638</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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, 2021, was 10.90% of compensation for law enforcement officers and 10.15% 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 \$1,634,210 for the year ended June 30, 2021.

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, 2021, the City reported a liability of \$8,326,083 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 (measurement date), the City's proportion was 0.233%, which was an increase of 0.008% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$2,813,875. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,051,438	\$ -
Changes of assumptions	619,624	-
Net difference between projected and actual earnings on pension plan investments	1,171,673	-
Changes in proportion and differences between City contributions and proportionate share of contributions	89,840	159,421
City contributions subsequent to the measurement date	<u>1,634,210</u>	<u>-</u>
Total	<u>\$ 4,566,785</u>	<u>\$ 159,421</u>

\$1,634,210 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, 2022. 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:

2022	\$ 770,425
2023	1,051,791
2024	604,183
2025	346,755
2026	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 valuation with the exception of the discount rate 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, 2020 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	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy of 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%. Return projections do not include any excess return expectations over benchmark averages. 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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 16,892,714	\$ 8,326,083	\$ 1,206,609

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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. A separate report was not issued for the plan.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>55</u>
Total	<u><u>65</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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

Mortality Assumption: All mortality rates use Pub-2010 weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

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 \$178,757 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, 2021, the City reported a total pension liability of \$3,240,246. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$327,033.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 105,530	\$ -
Changes of assumptions and other inputs	633,284	52,906
Benefit payments and administrative expenses subsequent to the measurement date	<u>97,502</u>	<u>-</u>
Total	<u>\$ 836,316</u>	<u>\$ 52,906</u>

The City paid \$97,502 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	151,466
2023		154,371
2024		136,330
2025		138,971
2026		104,770
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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 3,513,707	\$ 3,240,246	\$ 2,992,123

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

	2021
Beginning balance	\$ 2,482,721
Service Cost	98,137
Interest on the total pension liability	78,288
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	84,143
Changes of assumptions or other inputs	659,467
Benefit payments	(162,510)
Other changes	-
Ending balance of the total pension liability	<u>\$ 3,240,246</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, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability for LEOSSA was measured as of December 31, 2020, with an actuarial valuation date of December 31, 2019. 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	\$ 8,326,083	\$ -	\$ 8,326,083
Proportion of the Net Pension Liability	0.23300%	n/a	
Total Pension Liability	\$ -	\$ 3,240,246	\$ 3,240,246
Pension Expense	\$ 2,813,875	\$ 327,033	\$ 3,140,908

At June 30, 2021, 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	\$ 1,051,438	\$ 105,530	\$ 1,156,968
Changes of assumptions	619,624	633,284	1,252,908
Net difference between projected and actual earnings on plan investments	1,171,673	-	1,171,673
Changes in proportion and differences between City contributions and proportionate share of contributions	89,840	-	89,840
City contributions (LGERS)/Benefit payments and administrative costs (LEOSSA) paid subsequent to the measurement date	1,634,210	97,502	1,731,712
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes of assumptions	-	52,906	52,906
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	159,421	-	159,421

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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 \$150,241 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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. The State's contributions recognized for accounting purposes for the fiscal year ending June 30, 2020, were \$18,652,000. The City of Lexington's proportionate share of the State's contribution is \$24,116.

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, 2021, 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 \$46,784. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2020 and at June 30, 2019 was 0%.

For the year ended June 30, 2021, the City recognized pension expense of \$18,728 and revenue of \$18,728 for support provided by the State. At June 30, 2021, 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, 2019 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 Annual Comprehensive Financial Report (ACFR) 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 Employees	Firefighters	Law Enforcement Officers	Total
Retirees and dependents receiving benefits	45	21	26	92
Active plan members	196	46	62	304
Total	<u>241</u>	<u>67</u>	<u>88</u>	<u>396</u>

Total OPEB Liability

The City's total OPEB liability of \$18,315,369 was measured as of June 30, 2020 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	3.50%
Measurement Date	2.21%
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, 2020	<u>\$ 16,097,031</u>
Changes for the year:	
Service cost at the end of the year	632,742
Interest on TOL and cash flows	569,194
Change in benefit terms	-
Differences between expected and actual experience	26,468
Changes of assumptions or other inputs	1,932,198
Benefit payments	(942,264)
Other changes	-
Net changes	<u>2,218,338</u>
Total OPEB Liability as of June 30, 2021	<u>\$ 18,315,369</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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 Board.

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 (1.21 percent) or 1 percentage-point higher (3.21 percent) than the current discount rate:

	Discount Rate		
	<u>1% Decrease</u>	<u>(2.21%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 20,008,567	\$ 18,315,369	\$ 16,794,248

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>to 4.50%</u>	<u>1% Increase</u>
Total OPEB liability	\$ 16,274,301	\$ 18,315,369	\$ 20,747,996

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,114,640. At June 30, 2021, 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	\$ 225,487	\$ 1,233,750
Changes of assumptions and other inputs	1,926,622	872,101
Benefit payments and administrative expenses subsequent to the measurement date	<u>1,149,678</u>	<u>-</u>
Total	<u>\$ 3,301,787</u>	<u>\$ 2,105,851</u>

\$1,149,678 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, 2022. 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:	
2022	\$ (87,296)
2023	(87,296)
2024	(87,296)
2025	(42,911)
2026	44,260
Thereafter	306,797

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 74 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, 2021, the City made contributions to the State for death benefits of \$11,931. The City's required contributions for employee not engaged in law enforcement and for law enforcement represented 0.06% and 0.14% of covered payroll, respectively. The City considers these contributions to be immaterial.

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	\$ 1,382,455	\$ 1,233,750
(Pensions, OPEB) - changes of assumptions	3,179,530	925,007
(Pensions) - net difference between projected and actual investment earnings	1,171,673	-
(Pensions) - change in proportion and difference between employer contributions and proportionate share of contributions	89,840	159,421
Contributions to pension plan subsequent to the measurement date (LRS)	1,634,210	-
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSA)	97,502	-
Benefit payments for the OPEB plan paid subsequent to measurement date	1,149,678	-
Unavailable revenue		
Property taxes receivable		
Taxes receivable, net (General Fund)	-	253,757
Taxes receivable, net (Special Revenue Fund)	-	1,612
Miscellaneous receivables (General Fund)	-	42,555
Total	<u>\$ 8,704,888</u>	<u>\$ 2,616,102</u>

4. Risk Management

The City's insurance deductible for property is \$50,000 per occurrence and equipment deductible is \$10,000. The property insurance limit is \$94,490,220 and equipment limit is \$10,989,461. 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 \$11,000,000 per occurrence; \$12,000,000 aggregate. The employee benefit liability limits are \$11,000,000 per occurrence; \$12,000,000 aggregate. The auto liability has a combined single limit of \$11,000,000. The auto physical damage coverage is a catastrophic only limit of \$1,000,000 and a \$50,000 per occurrence deductible. 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 do 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 made 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	\$ 116,400
Incurred claims	615,679
Claim payments	<u>(551,620)</u>
Unpaid claims, 6/30	<u>\$ 180,459</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	\$ 252,071
Incurred claims	4,523,200
Claim payments	<u>(4,332,271)</u>
Unpaid claims, 6/30	<u>\$ 443,000</u>

6. Claims, Judgments and Contingent Liabilities

At June 30, 2021, 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. \$ 1,371,055

\$4,223,000 direct placement installment purchase contract with First Horizon 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. 2,580,797

<p>\$2,359,548 direct placement refinancing installment purchase contract with First Horizon 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>	468,828
<p>\$7,527,000 direct placement installment purchase contract with BB&T (now Trusit) 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>	5,018,000
<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>	310,658
<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>	950,000
<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>	80,000
<p>\$430,000 direct placement installment purchase contract with First National Bank dated July 31, 2020 for a Wastewater Jet Vac Truck due in semi-annual payments of \$44,348 including interest beginning on December 1, 2020 through June 1, 2025; interest at 1.185%; secured by a deed of trust on the vehicle; 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>	345,368

\$351,000 direct placement installment purchase contract with First National Bank dated September 14, 2020 for (1) Recycling & Waste Collection Automated Side Loader Truck and (1) Recycling & Waste Collection Compact Rear Loader Truck due in semi-annual payments of \$44,799 including interest beginning on December 1, 2020 through June 1, 2024; interest at 1.053%; secured by a deed of trust on the vehicles; 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. 263,838

\$432,487 direct placement lease purchase agreement with Motorola dated December 18, 2020 for Motorola Flex System (Police Computer Aided Dispatch (CAD) and Records Management Software (RMS) due in annual payments of \$114,935.15 including interest beginning on December 18, 2022 through December 18, 2025; interest at 2.49%; 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. 432,487

\$1,025,000 direct placement installment purchase contract with Truist Bank dated March 11, 2021 for 2020 Recreation Facilities Improvement Project (Civic Center, Finch Park Playground Equipment) due in semi-annual payments of \$102,500 plus interest beginning on June 1, 2021 through December 1, 2025; interest at 1.02%; secured by a deed of trust on the Civic Center; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession and sell the property. 922,500

\$494,000 direct placement installment purchase contract with Truist Bank dated March 18, 2021 for (1) Fire Pumper Truck due in semi-annual payments of \$100,033 including interest beginning on September 1, 2021 through September 1, 2023; interest at 0.850%; secured by a deed of trust on the vehicle; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the Fire Pumper Truck. 494,000

\$ 13,237,531

Annual debt service payments of installment purchase contracts as of June 30, 2021, including \$1,382,241 of interest, net of 35% federal credit, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 1,188,735	\$ 149,888	\$ 1,118,956	\$ 177,299
2023	1,201,504	134,345	976,762	146,670
2024	1,013,403	107,304	790,521	119,936
2025	838,183	82,102	802,423	94,140
2026	578,486	60,049	518,931	71,167
2027-2031	1,594,231	137,725	2,425,396	159,610
2032-2035	<u>190,000</u>	<u>9,263</u>	-	-
Total Principal & Interest	<u>\$ 6,604,542</u>	680,676	<u>\$ 6,632,989</u>	768,822
35% Federal Credit		<u>(30,426)</u>		<u>(36,831)</u>
Interest, Net of Credit		<u>\$ 650,250</u>		<u>\$ 731,991</u>

At June 30, 2021, the City of Lexington had a legal debt margin of \$117,851,089.

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. No payment was made to the company during the 2020-21 fiscal year due to the failure of the company to submit timely documentation. As of June 30, 2021, the City's remaining commitment under this contract totals \$145,833.
- 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. No payment was made to the company during the 2020-21 fiscal year due to the failure of the company to submit timely documentation. As of June 30, 2021, the City's remaining commitment under this contract totals \$33,717.

- 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 2020-21 fiscal year, the company was paid \$72,000 under this agreement. As of June 30, 2021, the City has no remaining commitment under this contract.

- Halyard North Carolina – The City has an economic development incentive agreement with Halyard North Carolina under which Halyard agreed to invest \$6,000,000 in new expanded investment in its manufacturing plant and create and maintain 40 new full-time employment positions. Under the terms of the economic development incentive agreement the City has agreed to make annual grants of \$23,400 each year for a five year period beginning on January 1, 2022, subject to the company's submission of timely documentation evidencing fulfillment of its obligations under the contract. As of June 30, 2021, the City's remaining commitment under this contract totals \$117,000.

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, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Governmental activities:</u>					
Direct placement installment purchases	\$ 5,220,129	\$ 2,302,487	\$ 918,074	\$ 6,604,542	\$ 1,188,735
Compensated absences	1,274,429	785,579	747,495	1,312,513	556,000
Net pension liability (LGERS)	4,200,314	1,450,144	-	5,650,458	-
Total pension liability (LEO)	2,482,721	757,525	-	3,240,246	-
Total OPEB liability	11,587,859	1,767,888	-	13,355,747	-
Governmental activity long-term liabilities	<u>\$ 24,765,452</u>	<u>\$ 7,063,623</u>	<u>\$ 1,665,569</u>	<u>\$ 30,163,506</u>	<u>\$ 1,744,735</u>
<u>Electric Fund</u>					
Direct placement installment purchases	\$ 4,421,780	\$ -	\$ 640,975	\$ 3,780,805	\$ 649,743
Total OPEB liability	986,107	-	1,128	984,979	-
Electric Fund long-term liabilities	<u>5,407,887</u>	<u>-</u>	<u>642,103</u>	<u>4,765,784</u>	<u>649,743</u>
<u>Water and Wastewater Fund</u>					
Direct placement installment purchases	240,218	430,000	128,985	541,233	130,923
Compensated absences	265,378	195,927	148,989	312,316	134,000
Net pension liability (LGERS)	900,141	339,349	-	1,239,490	-
Total OPEB liability	1,429,005	231,027	-	1,660,032	-
Water and Wastewater Fund long-term liabilities	<u>2,834,742</u>	<u>1,196,303</u>	<u>277,974</u>	<u>3,753,071</u>	<u>264,923</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Natural Gas Fund</u>					
Direct placement installment purchases	680,617	-	125,666	554,951	130,690
Compensated absences	99,848	83,689	66,621	116,916	66,000
Net pension liability (LGERS)	381,866	109,921	-	491,787	-
Total OPEB liability	<u>745,485</u>	<u>116,400</u>	<u>-</u>	<u>861,885</u>	<u>-</u>
Natural Gas Fund long-term liabilities	<u>1,907,816</u>	<u>310,010</u>	<u>192,287</u>	<u>2,025,539</u>	<u>196,690</u>
<u>Stormwater Fund</u>					
Compensated absences	-	25,293	9,597	15,696	10,000
Stormwater Fund long-term liabilities	-	<u>25,293</u>	<u>9,597</u>	<u>15,696</u>	<u>10,000</u>
<u>Golf Fund</u>					
Compensated absences	37,648	34,194	36,223	35,619	17,000
Net pension liability (LGERS)	150,274	50,550	-	200,824	-
Total OPEB liability	<u>276,696</u>	<u>-</u>	<u>7,897</u>	<u>268,799</u>	<u>-</u>
Golf Fund long-term liabilities	<u>464,618</u>	<u>84,744</u>	<u>44,120</u>	<u>505,242</u>	<u>17,000</u>
<u>Utility Administration Fund</u>					
Direct placement installment purchases	1,963,600	-	207,600	1,756,000	207,600
Compensated absences	151,343	136,852	108,218	179,977	98,000
Net pension liability (LGERS)	513,345	230,179	-	743,524	-
Total OPEB liability	<u>1,071,879</u>	<u>112,048</u>	<u>-</u>	<u>1,183,927</u>	<u>-</u>
Utility Administration Fund long-term liabilities	<u>3,700,167</u>	<u>479,079</u>	<u>315,818</u>	<u>3,863,428</u>	<u>305,600</u>
Business activity long-term liabilities	<u>\$ 14,315,230</u>	<u>\$ 2,095,429</u>	<u>\$ 1,481,899</u>	<u>\$ 14,928,760</u>	<u>\$ 1,443,956</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, 2021 consist of the following:

Receivable Fund	Payable Fund	Current	Noncurrent	Total
General Fund	Grant Projects Fund	\$ 4,354	\$ -	\$ 4,354
Water & Wastewater Fund	General Fund	367,665	-	367,665
Natural Gas Fund	General Fund	75,161	37,580	112,741
Natural Gas Fund	Golf Fund	<u>28,153</u>	<u>16,572</u>	<u>44,725</u>
Total		<u>\$ 475,333</u>	<u>\$ 54,152</u>	<u>\$ 529,485</u>

Interfund balances owed to the General Fund represent temporary advances to the Grant Projects 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, 2021 was \$112,741.

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, 2021 was \$11,580.

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, 2021 was \$33,145.

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, 2021 was \$367,665.

2. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2021 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Electric Fund	\$ 1,200,000
General Fund	Natural Gas Fund	1,056,917
Governmental Capital Reserve Fund	General Fund	76,802
Electric Projects Fund	Electric Fund	5,327,957
Electric Capital Reserve Fund	Electric Fund	4,004,515
Water and Wastewater Fund	Water and Wastewater Capital Reserve Fund	739,385
Water and Wastewater Capital Reserve Fund	Water and Wastewater Fund	380,685
Natural Gas Capital Reserve Fund	Natural Gas Fund	24,189
Stormwater Fund	General Fund	275,000
Golf Fund	General Fund	450,000
Fleet Management Fund	Fleet Management Capital Reserve Fund	169,685
Fleet Management Capital Reserve Fund	Fleet Management Fund	133,270
Total		<u>\$ 13,838,405</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 and Natural Gas Funds made transfers in the amounts of \$1,200,000 and \$1,056,917 as profit distributions to support General Fund services.

The Electric Projects Fund received transfers in the total amount of \$5,327,957 from the Electric Fund for three projects, which includes the Electric Delivery Station No. 3 and two charging stations.

The Electric Capital Reserve Fund received a transfer in the amount of \$4,004,515 from the Electric Fund for future capital needs.

The Water and Wastewater Fund received a transfer in the amount of \$739,385 from the Water and Wastewater Capital Reserve Fund for capital funding.

The Water and Wastewater Capital Reserve Fund received a transfer in the amount of \$380,685 from the Water and Wastewater Fund for system development fees collected.

The Natural Gas Capital Reserve Fund received a transfer in the amount of \$24,189 from the Natural Gas Fund for future capital needs.

The Stormwater Fund received a transfer from the General Fund in the amount of \$275,000 for operational and capital funding.

The Golf Fund received a transfer from the General Fund in the amount of \$450,000 for operational and capital funding.

The Fleet Management Fund received a transfer from the Capital Reserve Fund in the amount of \$169,685 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 \$133,270 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 \$24,116 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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets	\$ 39,980,494	\$ 100,507,475
Less: long-term debt on capital assets	(6,604,542)	(6,632,989)
Unexpended debt proceeds	<u>297,152</u>	<u>-</u>
Net investment in capital assets	<u>\$ 33,673,104</u>	<u>\$ 93,874,486</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	\$ 14,584,712
Less:	
Prepaid Items	(169,605)
Stabilization by State Statute	<u>(4,773,300)</u>
Fund balance available for appropriation	9,641,807
Less: Restrictions, commitments, and assignments of fund balance available for appropriation	
Restricted for general government	(3,100)
Restricted for streets	(309,171)
Committed for general government	(82,306)
Appropriated fund balance in 2021-22 budget	<u>(2,355,903)</u>
Unassigned fund balance	<u>\$ 6,891,327</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	\$ 2,045,237	\$ -

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, 2021 were \$32,058,077. 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, 2021, 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 \$30,244 for the fiscal year ended June 30, 2021.

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, 2021 was \$303,584, 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, 2021. Lake Thom-A-Lex did not issue separate financial statements. The following condensed financial information as of and for the year ended June 30, 2021 has been provided by the City of Thomasville.

Assets

Cash	\$ 314,083
Accounts receivable	12,022
Land	223,395
Buildings	15,000
Other improvements	1,190,537
Equipment	<u>87,018</u>
	1,842,055
Less: accumulated depreciation	<u>(1,234,887)</u>
Total assets	<u>\$ 607,168</u>

Net Position

\$ 607,168

Revenues

Permits, rentals, concessions, etc.	\$ 12,884
Contributions	
City of Thomasville	30,244
City of Lexington	30,244
Davidson County	<u>51,022</u>
Total revenues	124,394

Expenditures

Salaries and employee benefits	107,082
Operating expenditures	<u>43,823</u>
Total expenditures	<u>150,905</u>

Revenues over (under) expenditures (26,511)

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

Revenues over (under) expenditures	\$	(26,511)
Reconciling items:		
Depreciation expense		<u>(41,939)</u>
Change in net position		(68,450)
Net position		
Beginning of year, July 1		<u>675,618</u>
End of year, June 30	\$	<u><u>607,168</u></u>

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

Loans Receivable

Uptown Lexington created an Emergency Business Assistance Loan program during the COVID-19 pandemic in order to assist local businesses with emergency cash needs. Under the terms of this program businesses could request up to \$5,000 in loan funding at 0% interest with monthly repayments required beginning in January 2021. As of June 30, 2021 eleven loans had been made to local businesses totaling \$27,850. The outstanding unpaid loan receivable balances at June 30, 2021 totaled \$18,600.

The loan receivable activity for Uptown Lexington for the year ended June 30, 2021 is as follows:

	Beginning			Ending	Current
	Balance	Increases	Decreases	Balance	Portion of
					Balance
Emergency business assistance loans receivable	<u>\$ 27,850</u>	<u>\$ -</u>	<u>\$ (9,250)</u>	<u>\$ 18,600</u>	<u>\$ 16,405</u>

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.

During the year ended June 30, 2021, received legal notification that its June 22, 2020 Paycheck Protection Program loan principle amount of \$16,200, along with interest of \$81.92, was wholly forgiven. The forgiveness has been reflected as a gain on extinguishment of debt.

On March 09, 2021 Uptown Lexington entered into a direct placement Paycheck Protection Program loan with First National Bank of Pennsylvania in the amount of \$17,082 due in monthly payments of \$379.60 plus interest at 1.00% beginning on July 10, 2022 through March 10, 2026. 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, 2021 are as follows:

Year Ending June 30	Principal	Interest
2022	\$ -	\$ -
2023	4,555	363
2024	4,555	104
2025	4,556	59
2026	3,416	14
	<u>\$ 17,082</u>	<u>\$ 540</u>

The long-term debt activity for Uptown Lexington for the year ended June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct placement installment purchase	<u>\$ 16,200</u>	<u>\$ 17,082</u>	<u>\$ (16,200)</u>	<u>\$ 17,082</u>	<u>\$ -</u>

8. Discretely Presented Component Unit – Front Street-Lexington

Inventories

Inventories consist of land and land development.

In March 2020 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. Front Street-Lexington paid \$400,000 in cash and the sellers financed the remainder of the purchase through an interest-free installment financing agreement with a base obligation of \$2,076,588. In addition to the initial purchase of the land, real estate held for development includes development cost of the land.

The schedule below details the changes in Front Street-Lexington's inventories during the year ended December 31, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and land development	\$ -	\$ 2,531,324	\$ -	\$ 2,531,324

Long-Term Debt

In March 2020 Front Street-Lexington 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. The outstanding balance on the base obligation of this installment purchase contract as of December 31, 2020 was \$2,076,588.

Required debt service payments for the base obligation as of December 31, 2020 are as follows:

Year Ending December 31	Principal
2021	\$ -
2022	-
2023	-
2024	-
2025	400,000
2026-2030	1,676,588
	<u>\$ 2,076,588</u>

The long-term debt activity for Front Street-Lexington for the year ended December 31, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct placement installment purchase	\$ -	\$ 2,076,588	\$ -	\$ 2,076,588	\$ -

9. Significant Effects of Subsequent Events

The City of Lexington has been awarded \$6,033,899 in funding through Coronavirus State and Local Recovery Funds of the American Rescue Plan. The first disbursement of \$3,016,949 was received on July 13, 2021, with the balance expected to be received 12 months later.

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

On July 30, 2021 Uptown Lexington received legal notification that its March 9, 2021 Paycheck Protection Program loan principle amount of \$17,082, along with interest of \$64, was wholly forgiven. The forgiveness will be reflected as a gain on extinguishment of debt during Uptown Lexington's fiscal year that ends on June 30, 2022.



**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 Eight Fiscal Years *

Exhibit A-1

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
City of Lexington's proportion of the net pension liability (asset) (%)	0.23300%	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) (\$)	\$ 8,326,083	\$ 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	\$ 15,663,573	\$ 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	53.16%	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**	88.61%	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 Eight Fiscal Years**

Exhibit A-2

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,634,210	\$ 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>1,634,210</u>	<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>	<u>\$ -</u>
City of Lexington's covered payroll	\$ 15,878,560	\$ 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	10.29%	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 Seven Fiscal Years *

Exhibit A-3

Firefighters' and Rescue Squad Workers' Pension

	<u>2021</u>	<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%	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>46,784</u>	<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>\$ 46,784</u>	<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	\$ 2,416,855	\$ 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	1.94%	2.08%	2.91%	2.69%	2.11%	2.15%	1.65%
Plan fiduciary net position as a percentage of the total pension liability	92.58%	92.43%	89.69%	89.35%	84.94%	91.40%	93.42%

*The amounts presented are for the prior fiscal 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
Last Five Fiscal Years

Exhibit A-4

Law Enforcement Officers' Special Separation Allowance

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 2,482,721	\$ 2,389,543	\$ 2,395,833	\$ 2,257,382	\$ 2,329,866
Service Cost	98,137	90,434	99,412	83,433	86,066
Interest on the total pension liability	78,288	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	84,143	7,862	61,214	396	-
Changes of assumptions or other inputs	659,467	70,836	(91,106)	130,799	(51,650)
Benefit payments	(162,510)	(160,021)	(149,162)	(160,220)	(186,743)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u>\$ 3,240,246</u>	<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
Last Five Fiscal Years

Exhibit A-5

Law Enforcement Officers' Special Separation Allowance

	2021	2020	2019	2018	2017
Total pension liability	\$ 3,240,246	\$ 2,482,721	\$ 2,389,543	\$ 2,395,833	\$ 2,257,382
Covered-employee payroll*	2,877,368	2,955,278	2,967,900	2,796,508	2,783,911
Total pension liability as a percentage of covered-employee payroll	112.61%	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.

*Valuation Payroll

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

Exhibit A-6

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost at end of year	\$ 632,742	\$ 694,638	\$ 717,336	\$ 831,349
Interest	569,194	650,123	604,292	526,656
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	26,468	(1,674,374)	16,703	408,009
Changes of assumptions or other inputs	1,932,198	337,469	(515,457)	(1,189,400)
Benefit payments	(942,264)	(1,235,210)	(937,766)	(1,259,077)
Other	-	-	-	-
Net change in Total OPEB Liability	<u>2,218,338</u>	<u>(1,227,354)</u>	<u>(114,892)</u>	<u>(682,463)</u>
Total OPEB Liability - beginning	<u>16,097,031</u>	<u>17,324,385</u>	<u>17,439,277</u>	<u>18,121,740</u>
Total OPEB Liability - ending	<u>\$ 18,315,369</u>	<u>\$ 16,097,031</u>	<u>\$ 17,324,385</u>	<u>\$ 17,439,277</u>
Covered-employee payroll	\$ 13,589,003	\$ 13,589,003	\$ 14,058,965	\$ 14,058,965
Total OPEB liability as a percentage of covered-employee payroll	134.78%	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 dicount rates used in each period.

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
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 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 also maintains a Governmental Capital Reserve Fund that is consolidated into the General Fund for financial reporting purposes.



**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, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Taxes	\$	\$ 10,656,801	\$
Interest		92,636	
Penalties		11,366	
Total	10,253,000	10,760,803	507,803
Other taxes and licenses			
Occupancy tax		337,180	
Municipal vehicle tax		446,310	
Total	745,400	783,490	38,090
Unrestricted intergovernmental			
Federal Build America Bond interest credit		14,634	
Utilities sales tax		1,871,738	
Piped natural gas sales tax		168,528	
Telecommunications tax		130,333	
Video franchise tax		114,034	
Payments in lieu of taxes		1,656	
Beer and wine tax		75,896	
Local option sales tax		5,400,812	
ABC revenues		357,700	
Total	7,248,060	8,135,331	887,271
Restricted intergovernmental			
ABC recreation		76,650	
ABC law enforcement		30,683	
Solid waste disposal tax		13,601	
Powell Bill allocation		518,726	
On-behalf of payments - fire		24,116	
Public safety		17,951	
Coronavirus Relief Fund		414,417	
Total	721,462	1,096,144	374,682
Permits and fees			
Inspection fees and permits		264,636	
Total	186,600	264,636	78,036

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, 2021**

	Budget	Actual	Variance Positive (Negative)
Sales and services			
Property rental	\$	\$ 5,812	\$
Court cost and parking fees		2,417	
Public safety charges		63,844	
Cemetery fees		75,700	
Mowing and debris removal fees		49,300	
Street fees		225	
Recreation fees		36,252	
Waste collection fees		1,572,133	
Other charges		97,766	
Total	2,000,233	1,903,449	(96,784)
Investment earnings	113,100	6,489	(106,611)
Miscellaneous			
Sale of materials		5,723	
Donations		26,300	
Other		10,411	
Total	48,000	42,434	(5,566)
Total revenues	21,315,855	22,992,776	1,676,921
Expenditures			
General government			
Governing board			
Salaries and employee benefits		95,310	
Operating expenses		32,411	
Cost redistribution		(105,752)	
Total governing board	28,633	21,969	6,664
City administration			
Salaries and employee benefits		577,102	
Operating expenses		37,459	
Cost redistribution		(387,433)	
City administration	327,632	227,128	100,504

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, 2021**

	Budget	Actual	Variance Positive (Negative)
Administrative - other			
Retiree benefits	\$	\$ 423,228	\$
Operating expenses		665,995	
Administrative charges risk management fund		724,807	
Administrative charges utility administration fund		507,645	
Grants to other agencies		116,133	
Payment to Davidson County School System(s) - ad valorem tax penalties		11,366	
Payment to Lexington Tourism Authority		327,073	
Cost redistribution		(238,544)	
Total administrative - other	2,656,456	2,537,703	118,753
Finance			
Salaries and employee benefits		738,754	
Operating expenses		32,009	
Cost redistribution		(403,436)	
Total finance	452,353	367,327	85,026
Legal			
Operating expenses		31,259	
Cost redistribution		(16,858)	
Total legal	31,642	14,401	17,241
Human resources			
Salaries and employee benefits		354,115	
Operating expenses		65,786	
Cost redistribution		(164,552)	
Total human resources	319,107	255,349	63,758
Information technologies			
Salaries and employee benefits		470,563	
Operating expenses		464,301	
Capital outlay		15,400	
Cost redistribution		(403,701)	
Total information technologies	699,508	546,563	152,945

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, 2021**

	Budget	Actual	Variance Positive (Negative)
Public buildings			
Salaries and employee benefits	\$	\$ 227,386	\$
Operating expenses		109,020	
Cost redistribution		(103,659)	
Total public buildings	325,662	232,747	92,915
Total general government	4,840,993	4,203,187	637,806
Public safety			
Police			
Salaries and employee benefits		5,240,838	
Operating expenses		909,236	
Capital outlay		228,827	
Cost redistribution		(67,307)	
Total police	7,396,992	6,311,594	1,085,398
Fire			
Salaries and employee benefits		3,788,283	
Operating expenses		747,067	
Capital outlay		655,996	
Total fire	7,089,070	5,191,346	1,897,724
Business and community development			
Salaries and employee benefits		792,222	
Operating expenses		144,598	
Total business and community development	1,010,303	936,820	73,483
Total public safety	15,496,365	12,439,760	3,056,605
Highways and streets			
Public services administration			
Salaries and employee benefits		320,322	
Operating expenses		21,268	
Cost redistribution		(235,347)	
Total public services administration	182,150	106,243	75,907

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, 2021**

	Budget	Actual	Variance Positive (Negative)
Street			
Salaries and employee benefits	\$	\$ 627,536	\$
Operating expenses		451,494	
Capital outlay		15,424	
Cost redistribution		(172,733)	
Total street	1,834,286	921,721	912,565
Total highways and streets	2,016,436	1,027,964	988,472
Sanitation			
Recycling and waste collection services			
Salaries and employee benefits		717,169	
Operating expenses		682,090	
Tipping fees - landfill		387,270	
Capital outlay		350,545	
Total sanitation	2,376,539	2,137,074	239,465
Culture and recreation			
Spectator recreation			
Operating expenses		104,151	
Grants to other agencies		60,000	
Total spectator recreation	180,070	164,151	15,919
Parks and recreation			
Salaries and employee benefits		422,694	
Operating expenses		201,459	
Capital outlay		57,835	
Total parks and recreation	974,377	681,988	292,389
Public grounds			
Salaries and employee benefits		549,422	
Operating expenses		184,827	
Capital outlay		12,496	
Cost redistribution		(19,749)	
Total public grounds	925,837	726,996	198,841
Total culture and recreation	2,080,284	1,573,135	507,149

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**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, 2021**

	Budget	Actual	Variance Positive (Negative)
Economic and physical development			
Salaries and employee benefits	\$	\$ 82,520	\$
Operating expenses		192,042	
Grants to other agencies		75,711	
Capital outlay		134,427	
Total economic and physical development	703,623	484,700	218,923
Debt service			
Principal retirement	1,805,011	918,074	886,937
Interest and other charges	202,818	179,724	23,094
Total debt service	2,007,829	1,097,798	910,031
Total expenditures	29,522,069	22,963,618	6,558,451
Revenue over (under) expenditures	(8,206,214)	29,158	8,235,372
Other financing sources (uses)			
Installment purchase debt issued	3,045,866	1,277,487	(1,768,379)
Transfers from other funds			
Electric Fund	1,200,000	1,200,000	-
Electric Fund (payment in lieu of taxes)	230,868	-	(230,868)
Water and Wastewater Fund (payment in lieu of taxes)	358,519	-	(358,519)
Natural Gas Fund	1,056,917	1,056,917	-
Natural Gas Fund (payment in lieu of taxes)	78,783	-	(78,783)
Transfers to other funds			
Governmental Capital Reserve Fund	(76,802)	(76,802)	-
Grant Projects Fund	(12,800)	-	12,800
Stormwater Fund	(275,000)	(275,000)	-
Golf Fund	(450,000)	(450,000)	-
Sale of capital assets	5,000	56,534	51,534
Total other financing sources (uses)	5,161,351	2,789,136	(2,372,215)
Revenues and other financing sources over (under) expenditures and other financing uses	(3,044,863)	2,818,294	5,863,157
Fund balance appropriated	3,044,863	-	(3,044,863)
Net change in fund balance	\$ -	2,818,294	\$ 2,818,294
Fund balance - beginning		11,689,616	
Fund balance - ending		\$ 14,507,910	

**City of Lexington, North Carolina
Governmental Capital Reserve Fund**

Exhibit B-2

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Revenues			
None	\$ -	\$ -	\$ -
Revenues over expenditures	-	-	-
Other financing sources			
Transfers from other funds			
General Fund	76,802	76,802	-
Total other financing sources	76,802	76,802	-
Revenues and other financing sources over expenditures	76,802	76,802	-
Addition to reserve for governmental capital requirements	(76,802)	-	76,802
Net change in fund balance	\$ -	76,802	\$ 76,802
Fund balance - beginning		-	
Fund balance - ending		\$ 76,802	

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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 – 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:

- *2020 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.
- *2020 Community Waste Reduction Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Environmental Quality Grant designed to improve the management of solid waste in North Carolina and specifically encourage waste reduction.
- *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 Rural Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.
- *Halyard Health 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:

- *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.
- *2020 Recreation Facilities Improvement Project* – authorizes improvements being made to City Recreation facilities, primarily consisting of Civic Center improvements and Finch Park Playground improvements.
- *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, 2021

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	\$ -	\$ 116,892	\$ -	\$ -	\$ -	\$ 997,895	\$ 1,114,787
Receivables (net)							
Taxes	-	-	-	1,612	-	-	1,612
Due from other governments	4,398	721	-	1,687	-	21,615	28,421
Restricted cash and cash equivalents							
Unexpended debt proceeds	-	-	-	-	-	297,152	297,152
Total assets	<u>\$ 4,398</u>	<u>\$ 117,613</u>	<u>\$ -</u>	<u>\$ 3,299</u>	<u>\$ -</u>	<u>\$ 1,316,662</u>	<u>\$ 1,441,972</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 44	\$ 1,219	\$ -	\$ -	\$ -	\$ 245,188	\$ 246,451
Due to other funds	4,354	-	-	-	-	-	4,354
Total liabilities	<u>4,398</u>	<u>1,219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,188</u>	<u>250,805</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,612</u>	<u>-</u>	<u>-</u>	<u>1,612</u>

Continued on next page.

City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

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	\$ -	\$ 721	\$ -	\$ 1,687	\$ -	\$ -	\$ 2,408
Law enforcement	-	115,673	-	-	-	-	115,673
Capital projects							
Recreation improvements	-	-	-	-	-	297,152	297,152
Business park development	-	-	-	-	-	174,336	174,336
Committed							
Recreation improvements	-	-	-	-	-	102,306	102,306
Depot District improvements	-	-	-	-	-	497,680	497,680
Total fund balances	<u>-</u>	<u>116,394</u>	<u>-</u>	<u>1,687</u>	<u>-</u>	<u>1,071,474</u>	<u>1,189,555</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 4,398</u>	 <u>\$ 117,613</u>	 <u>\$ -</u>	 <u>\$ 3,299</u>	 <u>\$ -</u>	 <u>\$ 1,316,662</u>	 <u>\$ 1,441,972</u>

City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2021

Exhibit C-2

	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	\$ -	\$ -	\$ -	\$ 96,707	\$ -	\$ -	\$ 96,707
Restricted intergovernmental	355,911	33,338	15,905	-	-	-	405,154
Sales and services	-	-	-	-	-	96,334	96,334
Investment earnings	-	65	-	-	-	145	210
Miscellaneous	-	400	-	-	-	-	400
Total revenues	<u>355,911</u>	<u>33,803</u>	<u>15,905</u>	<u>96,707</u>	<u>-</u>	<u>96,479</u>	<u>598,805</u>
Expenditures							
Public safety	55,911	57,668	15,905	-	-	-	129,484
Culture and recreation	-	-	-	-	-	966,290	966,290
Economic and physical development	300,000	-	-	96,524	-	112,793	509,317
Total expenditures	<u>355,911</u>	<u>57,668</u>	<u>15,905</u>	<u>96,524</u>	<u>-</u>	<u>1,079,083</u>	<u>1,605,091</u>
Revenues over (under) expenditures	<u>-</u>	<u>(23,865)</u>	<u>-</u>	<u>183</u>	<u>-</u>	<u>(982,604)</u>	<u>(1,006,286)</u>
Other financing sources (uses)							
Installment purchase obligations issued	-	-	-	-	-	1,025,000	1,025,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,025,000</u>	<u>1,025,000</u>
Net change in fund balances	-	(23,865)	-	183	-	42,396	18,714
Fund balances - beginning	-	140,259	-	1,504	-	1,029,078	1,170,841
Fund balances - ending	<u>\$ -</u>	<u>\$ 116,394</u>	<u>\$ -</u>	<u>\$ 1,687</u>	<u>\$ -</u>	<u>\$ 1,071,474</u>	<u>\$ 1,189,555</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, 2021

Exhibit C-3

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
2020 Victim Assistant Grant					
Restricted intergovernmental	\$ 94,371	\$ -	\$ 55,911	\$ 55,911	\$ (38,460)
Total	<u>94,371</u>	<u>-</u>	<u>55,911</u>	<u>55,911</u>	<u>(38,460)</u>
2020 Community Waste Reduction Grant					
Restricted intergovernmental	14,000	-	-	-	(14,000)
Total	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,000)</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 Resuse Grant					
Restricted intergovernmental	240,000	240,000	-	240,000	-
Total	<u>240,000</u>	<u>240,000</u>	<u>-</u>	<u>240,000</u>	<u>-</u>
Cider Bros Building Reuse Grant					
Restricted intergovernmental	500,000	-	300,000	300,000	(200,000)
Total	<u>500,000</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>(200,000)</u>
Halyard Health Building Reuse Grant					
Restricted intergovernmental	200,000	-	-	-	(200,000)
Total	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Total revenues	<u>1,798,371</u>	<u>566,839</u>	<u>355,911</u>	<u>922,750</u>	<u>(875,621)</u>
Expenditures					
Public Safety					
2020 Victim Assistant Grant	125,829	-	55,911	55,911	69,918
Total public safety	<u>125,829</u>	<u>-</u>	<u>55,911</u>	<u>55,911</u>	<u>69,918</u>
Sanitation					
2020 Community Waste Reduction Grant	16,800	-	-	-	16,800
Total public safety	<u>16,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,800</u>

Continued on next page.

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, 2021

Exhibit C-3
continued

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Economic and physical development					
Piedmont Candy Building Reuse Grant	750,000	326,839	-	326,839	423,161
Goose and the Monkey Building Resuse Grant	240,000	240,000	-	240,000	-
Cider Bros Building Reuse Grant	500,000	-	300,000	300,000	200,000
Halyard Health Building Reuse Grant	210,000	-	-	-	210,000
Total economic and physical development	<u>1,700,000</u>	<u>566,839</u>	<u>300,000</u>	<u>866,839</u>	<u>833,161</u>
 Total expenditures	<u>1,842,629</u>	<u>566,839</u>	<u>355,911</u>	<u>922,750</u>	<u>919,879</u>
 Revenues over (under) expenditures	<u>(44,258)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,258</u>
Other financing sources:					
2020 Victim Assistant Grant					
Transfers from other funds					
General Fund	31,458	-	-	-	(31,458)
Total	<u>31,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,458)</u>
2020 Community Waste Reduction Grant					
Transfers from other funds					
General Fund	2,800	-	-	-	(2,800)
Total	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,800)</u>
Halyard Health Building Reuse Grant					
Transfers from other funds					
General Fund	10,000	-	-	-	(10,000)
Total	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources	<u>44,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,258)</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
Controlled Substance Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the fiscal year ended June 30, 2021

Exhibit C-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$	\$ 33,338	\$
Investment earnings		65	
Miscellaneous		400	
Total revenues	-	33,803	33,803
Expenditures			
Public safety			
Operations		52,515	
Capital outlay		5,153	
Total expenditures	69,546	57,668	11,878
Revenues over (under) expenditures	(69,546)	(23,865)	45,681
Fund balance appropriated	69,546	-	(69,546)
Net change in fund balance	\$ -	(23,865)	\$ (23,865)
Fund balance - beginning		140,259	
Fund balance - ending		\$ 116,394	

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, 2021

Exhibit C-5

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Restricted intergovernmental					
2019 Victim Assistant Grant Project	\$ 92,654	\$ 57,372	\$ 15,905	\$ 73,277	\$ (19,377)
Total revenues	<u>92,654</u>	<u>57,372</u>	<u>15,905</u>	<u>73,277</u>	<u>(19,377)</u>
Expenditures					
Public safety					
2019 Victim Assistant Grant Project	123,539	57,372	15,905	73,277	50,262
Total expenditures	<u>123,539</u>	<u>57,372</u>	<u>15,905</u>	<u>73,277</u>	<u>50,262</u>
Revenues over (under) expenditures	<u>(30,885)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,885</u>
Other financing sources					
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>30,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,885)</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, 2021

Exhibit C-6

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Taxes	\$	\$ 95,723	\$
Interest		984	
Total revenues	98,500	96,707	(1,793)
Expenditures			
Economic and physical development			
Payment to Uptown Lexington, Inc.		96,524	
Total expenditures	98,500	96,524	1,976
Revenues over (under) expenditures	-	183	183
Net change in fund balance	\$ -	183	\$ 183
Fund balance - beginning		1,504	
Fund balance - ending		\$ 1,687	

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, 2021

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			-		
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, 2021

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	-	14,250	3,000	17,250	17,250
Miscellaneous					
Donations	125,000	125,000	-	125,000	-
Total	<u>375,000</u>	<u>389,250</u>	<u>3,000</u>	<u>392,250</u>	<u>17,250</u>
Skate/BMX Park Project					
Investment earnings	-	12,145	-	12,145	12,145
Total	<u>-</u>	<u>12,145</u>	<u>-</u>	<u>12,145</u>	<u>12,145</u>
2020 Recreation Facilities Improvement Project					
Investment earnings	-	-	20	20	20
Total	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>	<u>20</u>
Lexington Business Center Project					
Restricted intergovernmental	1,817,500	1,817,500	-	1,817,500	-
Investment earnings	150,896	169,818	125	169,943	19,047
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>4,425,867</u>	<u>125</u>	<u>4,425,992</u>	<u>19,047</u>
Lexington Furniture Industries, Inc. Plant #1 Project					
Restricted intergovernmental	180,000	180,000	-	180,000	-
Sales and services					
Property rental	1,315,362	1,127,695	93,334	1,221,029	(94,333)
Miscellaneous					
Reimbursement of costs	1,467,000	1,467,000	-	1,467,000	-
Sale of materials	72,793	72,793	-	72,793	-
Total	<u>3,035,155</u>	<u>2,847,488</u>	<u>93,334</u>	<u>2,940,822</u>	<u>(94,333)</u>
Total revenues	<u>7,817,100</u>	<u>7,674,750</u>	<u>96,479</u>	<u>7,771,229</u>	<u>(45,871)</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, 2021

Exhibit C-8
continued

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
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	1,308,167	-	1,308,167	61,333
2020 Recreation Facilities Improvement Project	1,025,000	-	966,290	966,290	58,710
Total culture and recreation	<u>3,294,500</u>	<u>1,958,167</u>	<u>966,290</u>	<u>2,924,457</u>	<u>370,043</u>
Economic and physical development					
Lexington Business Center Project	5,679,470	5,523,095	1,086	5,524,181	155,289
Lexington Furniture Industries, Inc. Plant #1 Project	4,430,762	3,727,042	111,707	3,838,749	592,013
Total economic and physical development	<u>10,110,232</u>	<u>9,250,137</u>	<u>112,793</u>	<u>9,362,930</u>	<u>747,302</u>
Total expenditures	<u>13,404,732</u>	<u>11,208,304</u>	<u>1,079,083</u>	<u>12,287,387</u>	<u>1,117,345</u>
Revenues over (under) expenditures	<u>(5,587,632)</u>	<u>(3,533,554)</u>	<u>(982,604)</u>	<u>(4,516,158)</u>	<u>1,071,474</u>
Other financing sources (uses)					
Recreation Center Acquisition and Development Project					
Transfers from other funds					
General Fund	525,000	525,000	-	525,000	-
Total	<u>525,000</u>	<u>525,000</u>	<u>-</u>	<u>525,000</u>	<u>-</u>
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	<u>1,369,500</u>	<u>1,369,500</u>	<u>-</u>	<u>1,369,500</u>	<u>-</u>
2020 Recreation Facilities Improvement Project					
Installment purchase obligations issued	1,025,000	-	1,025,000	1,025,000	-
Total	<u>1,025,000</u>	<u>-</u>	<u>1,025,000</u>	<u>1,025,000</u>	<u>-</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, 2021

Exhibit C-8
continued

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
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	<u>1,272,525</u>	<u>1,272,525</u>	<u>-</u>	<u>1,272,525</u>	<u>-</u>
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	245,607	245,607	-	245,607	-
Total	<u>1,395,607</u>	<u>1,395,607</u>	<u>-</u>	<u>1,395,607</u>	<u>-</u>
Total other financing sources (uses)	<u>5,587,632</u>	<u>4,562,632</u>	<u>1,025,000</u>	<u>5,587,632</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,029,078</u>	42,396	<u>\$ 1,071,474</u>	<u>\$ 1,071,474</u>
Fund balance - beginning			<u>1,029,078</u>		
Fund balance - ending			<u>\$ 1,071,474</u>		



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 Projects Fund, 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, 2021

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 27,588,530	\$
Commercial		15,026,281	
Industrial		2,421,028	
Area lights		901,781	
Street lighting		385,623	
Traffic lights		22,181	
Cable amplifiers		170,903	
Renewable Energy Portfolio Standards		289,150	
Other operating		330,110	
Total operating revenues	47,099,901	47,135,587	35,686
Nonoperating revenues			
Investment earnings		9,996	
Working capital refund		9,287,751	
Sale of property		60,669	
Total nonoperating revenues	9,425,551	9,358,416	(67,135)
Total revenues	56,525,452	56,494,003	(31,449)

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, 2021

Exhibit D-1
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Electric operations			
Salaries and employee benefits	\$	\$ 75,851	\$
Maintenance		2,559,432	
Cost of sales and services		5,818,482	
Purchases for resale		32,058,077	
Administrative charges general fund		720,663	
Administrative charges risk management fund		72,112	
Administrative charges utility administration fund		1,667,512	
Capital outlay		1,074,847	
Total electric operations	45,116,056	44,046,976	1,069,080
Debt service			
Principal retirement		640,975	
Interest and other charges		103,485	
Total debt service	744,460	744,460	-
Total expenditures	45,860,516	44,791,436	1,069,080
Revenues over expenditures	10,664,936	11,702,567	1,037,631
Other financing sources (uses)			
Transfers to other funds			
General Fund	(1,200,000)	(1,200,000)	-
General Fund (payment in lieu of taxes)	(230,868)	-	230,868
Electric Projects Fund	(5,327,957)	(5,327,957)	-
Electric Capital Reserve Fund	(4,004,515)	(4,004,515)	-
Total other financing sources (uses)	(10,763,340)	(10,532,472)	230,868
Revenues and other financing sources over (under) expenditures and other financing uses	(98,404)	1,170,095	1,268,499
Addition to reserve for working capital requirements	98,404	-	(98,404)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	1,170,095	\$ 1,170,095

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, 2021

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		\$ 1,170,095	
Reconciling items			
Principal retirement		640,975	
Capital outlay		1,074,847	
Depreciation		(1,281,967)	
Contracted labor and overhead charged to construction		535,861	
Materials charged to construction		323,720	
Gain (loss) on sale of property		(35,924)	
Increase (decrease) in inventory		(15,158)	
Provision for uncollectable accounts		(79,818)	
Change in accrued interest		2,730	
Increase (decrease) in deferred outflow of resources - OPEB		86,047	
(Increase) decrease in total OPEB liability		1,128	
(Increase) decrease in deferred inflows of resources - OPEB		43,047	
Items related to subfund - Electric Projects Fund			
Investment earnings		1,299	
Restricted intergovernmental		78,525	
Transfer from Electric Fund		5,327,957	
Items related to subfund - Electric Capital Reserve Fund			
Investment earnings		4,424	
Transfer from Electric Fund		4,004,515	
Items related to subfund - Electric Rate Stabilization Fund			
Investment earnings		537	
Total reconciling items		10,712,745	
Change in net position		\$ 11,882,840	

City of Lexington, North Carolina
Electric Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit D-2

From inception and for the fiscal year ended June 30, 2021

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Electric Delivery Station No.3 Project					
Investment earnings	\$ -	\$ -	\$ 1,299	\$ 1,299	\$ 1,299
Total	<u>-</u>	<u>-</u>	<u>1,299</u>	<u>1,299</u>	<u>1,299</u>
Lexington Level II Charging Project					
Restricted intergovernmental	25,000	-	25,000	25,000	-
Total	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
LexingtonStarbucks VW-DC Project					
Restricted intergovernmental	53,525	-	53,525	53,525	-
Total	<u>53,525</u>	<u>-</u>	<u>53,525</u>	<u>53,525</u>	<u>-</u>
Total revenues	<u>78,525</u>	<u>-</u>	<u>79,824</u>	<u>79,824</u>	<u>1,299</u>
Expenditures					
Electric Delivery Station No.3 Project	5,304,000	-	196,967	196,967	5,107,033
Lexington Level II Charging Project	33,763	-	33,763	33,763	-
LexingtonStarbucks VW-DC Project	68,719	-	68,719	68,719	-
Total expenditures	<u>5,406,482</u>	<u>-</u>	<u>299,449</u>	<u>299,449</u>	<u>5,107,033</u>
Revenues over (under) expenditures	<u>(5,327,957)</u>	<u>-</u>	<u>(219,625)</u>	<u>(219,625)</u>	<u>5,108,332</u>
Other financing sources (uses)					
Electric Delivery Station No.3 Project					
Transfers from other funds					
Operating fund	5,304,000	-	5,304,000	5,304,000	-
Total	<u>5,304,000</u>	<u>-</u>	<u>5,304,000</u>	<u>5,304,000</u>	<u>-</u>
Lexington Level II Charging Project					
Transfers from other funds					
Operating fund	8,763	-	8,763	8,763	-
Total	<u>8,763</u>	<u>-</u>	<u>8,763</u>	<u>8,763</u>	<u>-</u>
LexingtonStarbucks VW-DC Project					
Transfers from other funds					
Operating fund	15,194	-	15,194	15,194	-
Total other financing sources (uses)	<u>5,327,957</u>	<u>-</u>	<u>5,327,957</u>	<u>5,327,957</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,108,332</u>	<u>\$ 5,108,332</u>	<u>\$ 5,108,332</u>

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, 2021

Exhibit D-3

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 66,600	\$ 4,424	\$ (62,176)
Revenues over expenditures	66,600	4,424	(62,176)
Other financing sources			
Transfers from other funds			
Electric Fund	4,004,515	4,004,515	-
Total other financing sources	4,004,515	4,004,515	-
Revenues and other financing sources over (under) expenditures	4,071,115	4,008,939	(62,176)
Addition to reserve for electric capital requirements	(4,071,115)	-	4,071,115
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	\$ -	\$ 4,008,939	\$ 4,008,939

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, 2021

Exhibit D-4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ 6,900	\$ 537	\$ (6,363)
Revenues over expenditures	<u>6,900</u>	<u>537</u>	<u>(6,363)</u>
Revenues and other financing sources over (under) expenditures	6,900	537	(6,363)
Addition to reserve for electric rate stabilization requirements	<u>(6,900)</u>	<u>-</u>	<u>6,900</u>
Revenues and other financing sources over (under) expenditures and addition to net position	<u>\$ -</u>	<u>\$ 537</u>	<u>\$ 537</u>

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, 2021

Exhibit D-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services - Water			
Residential	\$	\$ 2,463,646	\$
Commercial		1,172,702	
Industrial		847,673	
Other water charges		28,278	
Charges for sales and services - Wastewater			
Residential		2,867,393	
Commercial		2,075,313	
Industrial		378,580	
Other wastewater charges		62,765	
Other operating		637,548	
Total operating revenues	11,226,600	10,533,898	(692,702)
Nonoperating revenues			
Federal Build America Bond interest credit		4,621	
Investment earnings		13,810	
Sale of property		39,239	
Total nonoperating revenues	48,398	57,670	9,272
Total revenues	11,274,998	10,591,568	(683,430)

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, 2021

Exhibit D-5
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Water and wastewater operations			
Water and wastewater administration			
Salaries and employee benefits	\$	\$ 390,678	\$
Cost of sales and services		278,055	
Administrative charges general fund		949,308	
Administrative charges risk management fund		135,576	
Administrative charges utility administration fund		579,600	
Total water and wastewater administration	2,659,813	2,333,217	326,596
Water plant			
Salaries and employee benefits		821,583	
Maintenance		341,141	
Cost of sales and services		937,986	
Total water plant	2,602,639	2,100,710	501,929
Wastewater plant			
Salaries and employee benefits		1,177,413	
Maintenance		570,492	
Cost of sales and services		2,476,987	
Capital outlay		89,099	
Total wastewater plant	4,790,158	4,313,991	476,167
Water resources maintenance & construction			
Salaries and employee benefits		1,041,017	
Maintenance		311,072	
Cost of sales and services		426,265	
Capital outlay		687,515	
Total water resources maintenance & construction	3,254,219	2,465,869	788,350
Total water and wastewater operations	13,306,829	11,213,787	2,093,042

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, 2021

Exhibit D-5
continued

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	\$	\$ 128,985	\$
Interest and other charges		18,024	
Total debt service	152,545	147,009	5,536
Total expenditures	13,459,374	11,360,796	2,098,578
Revenue over expenditures	(2,184,376)	(769,228)	1,415,148
Other financing sources (uses)			
Installment purchase obligations issued	430,000	430,000	-
Transfers from other funds			
Water and Wastewater Capital Reserve Fund	1,725,000	739,385	(985,615)
Transfers to other funds			
General Fund (payment in lieu of taxes)	(358,519)	-	358,519
Water and Wastewater Capital Reserve Fund	(468,938)	(380,685)	88,253
Total other financing sources (uses)	1,327,543	788,700	(538,843)
Revenues and other financing sources over (under) expenditures and other financing uses	(856,833)	19,472	876,305
Appropriated net position	856,833	-	(856,833)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	19,472	\$ 19,472

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, 2021

Exhibit D-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 and other financing uses		\$ 19,472	
Reconciling items			
Debt issued		(430,000)	
Principal retirement		128,985	
Capital outlay		776,614	
Depreciation		(1,425,580)	
Wages and overhead charged to construction		17,338	
Material charged to construction		7,294	
Increase (decrease) in inventory		(48,877)	
Provision for uncollectable accounts		(33,662)	
Change in accrued interest		197	
(Increase) decrease in compensated absences payable		(46,938)	
Increase (decrease) in deferred outflow of resources - pensions		145,328	
(Increase) decrease in net pension liability		(339,349)	
(Increase) decrease in deferred inflows of resources - pensions		11,811	
Increase (decrease) in deferred outflow of resources - OPEB		166,636	
(Increase) decrease in total OPEB liability		(231,027)	
(Increase) decrease in deferred inflows of resources - OPEB		35,631	
Change in equity interest in joint venture		(34,225)	
Items related to subfund - Water and Wastewater Projects Fund			
Expense not capitalized		(148,502)	
Items related to subfund - Water and Wastewater Capital Reserve Fund			
Investment earnings		2,078	
Transfer from Water and Wastewater Fund		380,685	
Transfer to Water and Wastewater Fund		(739,385)	
		<u> </u>	
Total reconciling items		<u>(1,804,948)</u>	
Change in net position		<u>\$ (1,785,476)</u>	

City of Lexington, North Carolina
Water and Wastewater Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)

Exhibit D-6

From inception and for the fiscal year ended June 30, 2021

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Brown Street Force Main Project	200,000	98,704	101,296	200,000	-
Total expenditures	<u>200,000</u>	<u>98,704</u>	<u>101,296</u>	<u>200,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(200,000)</u>	<u>(98,704)</u>	<u>(101,296)</u>	<u>(200,000)</u>	<u>-</u>
Other financing sources					
Brown Street Force Main Project					
Transfers from other funds					
Water and Wastewater Fund	200,000	200,000	-	200,000	-
Total	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total other financing sources	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 101,296</u>	<u>\$ (101,296)</u>	<u>\$ -</u>	<u>\$ -</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, 2021

Exhibit D-7

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 31,400	\$ 2,078	\$ (29,322)
Revenues over expenditures	31,400	2,078	(29,322)
Other financing sources			
Transfers from other funds			
Water and Wastewater Fund	468,938	380,685	(88,253)
Transfers to other funds			
Water and Wastewater Fund	(1,725,000)	(739,385)	985,615
Total other financing sources	(1,256,062)	(358,700)	897,362
Revenues and other financing sources over (under) expenditures	(1,224,662)	(356,622)	868,040
Appropriated net position	1,224,662	-	(1,224,662)
Revenues, other financing sources, and appropriated net position over (under) expenditures	\$ -	\$ (356,622)	\$ (356,622)

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, 2021

Exhibit D-8

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 4,847,210	\$
Commercial		3,263,457	
Industrial		2,976,291	
Other operating		61,281	
Total operating revenues	11,559,183	11,148,239	(410,944)
Nonoperating revenues			
Federal Build America Bond interest credit		13,093	
Investment earnings		24,872	
Sale of property		45,584	
Total nonoperating revenues	55,327	83,549	28,222
Total revenues	11,614,510	11,231,788	(382,722)

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, 2021

Exhibit D-8
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Natural gas operations			
Salaries and employee benefits	\$	\$ 1,389,955	\$
Maintenance		235,198	
Cost of sales and services		1,466,578	
Purchases for resale		3,897,531	
Administrative charges general fund		614,168	
Administrative charges risk management fund		69,270	
Administrative charges utility administration fund		1,165,497	
Capital outlay		269,646	
Total natural gas operations	10,201,540	9,107,843	1,093,697
Debt service			
Principal retirement		125,666	
Interest and other charges		39,555	
Total debt service	397,999	165,221	232,778
Total expenditures	10,599,539	9,273,064	1,326,475
Revenues over expenditures	1,014,971	1,958,724	943,753
Other financing sources (uses)			
Transfers to other funds			
General Fund	(1,056,917)	(1,056,917)	-
General Fund (payment in lieu of taxes)	(78,783)	-	78,783
Natural Gas Capital Reserve Fund	(24,189)	(24,189)	-
Total other financing uses	(1,159,889)	(1,081,106)	78,783
Revenues and other financing sources over (under) expenditures and other financing uses	(144,918)	877,618	1,022,536
Appropriated net position	144,918	-	(144,918)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	877,618	\$ 877,618

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, 2021

Exhibit D-8
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		\$ 877,618	
Reconciling items:			
Principal retirement		125,666	
Capital outlay		269,646	
Depreciation		(640,805)	
Wages and overhead charged to construction		227,600	
Materials charged to construction		115,310	
Gain (loss) on sale of property		(31,808)	
Increase (decrease) in inventory		70,761	
Provision for uncollectable accounts		(7,775)	
Change in accrued interest		1,525	
(Increase) decrease in compensated absences payable		(17,068)	
Increase (decrease) in deferred outflow of resources - pensions		42,982	
(Increase) decrease in net pension liability		(109,921)	
(Increase) decrease in deferred inflows of resources - pensions		5,663	
Increase (decrease) in deferred outflow of resources - OPEB		86,189	
(Increase) decrease in total OPEB liability		(116,400)	
(Increase) decrease in deferred inflows of resources - OPEB		19,062	
Items related to subfund - Natural Gas Capital Reserve Fund			
Investment earnings		895	
Transfer from Natural Gas Fund		24,189	
Items related to subfund - Natural Gas Stabilization Fund			
Investment earnings		427	
Total reconciling items		66,138	
Change in net position		\$ 943,756	

City of Lexington, North Carolina
Natural Gas Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2021

Exhibit D-9

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures					
Transco Interconnect and Distribution Pipeline Project	2,000,000	-	15,046	15,046	1,984,954
Total expenditures	2,000,000	-	15,046	15,046	1,984,954
Revenues over (under) expenditures	(2,000,000)	-	(15,046)	(15,046)	(1,984,954)
Other financing sources (uses)					
Transco Interconnect and Distribution Pipeline Project					
Installment purchase obligations issued	2,000,000	-	-	-	2,000,000
Total other financing sources	2,000,000	-	-	-	2,000,000
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ (15,046)	\$ (15,046)	\$ 15,046

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, 2021

Exhibit D-10

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 15,600	\$ 895	\$ (14,705)
Revenues over expenditures	15,600	895	(14,705)
Other financing sources			
Transfers from other funds			
Natural Gas Fund	24,189	24,189	-
Total other financing sources (uses)	24,189	24,189	-
Revenues and other financing sources over expenditures	39,789	25,084	(14,705)
Addition to reserve for natural gas capital requirements	(39,789)	-	39,789
Revenues over expenditures and addition to net position	\$ -	\$ 25,084	\$ 25,084

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, 2021

Exhibit D-11

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 6,100	\$ 427	\$ (5,673)
Revenues over expenditures	6,100	427	(5,673)
Addition to reserve for natural gas rate stabilization requirements	(6,100)	-	6,100
Revenues over expenditures and addition to net position	\$ -	\$ 427	\$ 427



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 was partially supported by transfers from the General Fund during the years ended June 30, 2020 and 2021. Stormwater fees were 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, 2021

Exhibit E-1

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 110,340	\$ 459,926	\$ 570,266
Receivables (net)			
Accounts - billed	52,931	-	52,931
Accounts - unbilled	67,017	-	67,017
Due from other governments	2,584	12,657	15,241
Restricted cash and cash equivalents			
Customer deposits	-	500	500
Total current assets	<u>232,872</u>	<u>473,083</u>	<u>705,955</u>
Noncurrent assets			
Capital assets			
Land and other non-depreciable assets	-	40,728	40,728
Other capital assets, net of accumulated depreciation	218,998	724,523	943,521
Total capital assets	<u>218,998</u>	<u>765,251</u>	<u>984,249</u>
Total noncurrent assets	<u>218,998</u>	<u>765,251</u>	<u>984,249</u>
Total assets	<u>451,870</u>	<u>1,238,334</u>	<u>1,690,204</u>
Deferred outflows of resources	<u>-</u>	<u>158,608</u>	<u>158,608</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 12,964	\$ 32,695	\$ 45,659
Due to other funds	-	28,153	28,153
Compensated absences	10,000	17,000	27,000
Liabilities payable from restricted assets			
Customer deposits	-	500	500
Total current liabilities	<u>22,964</u>	<u>78,348</u>	<u>101,312</u>
Noncurrent liabilities			
Compensated absences	5,696	18,619	24,315
Net pension liability	-	200,824	200,824
Total OPEB liability	-	268,799	268,799
Advances from other funds	-	16,572	16,572
Total noncurrent liabilities	<u>5,696</u>	<u>504,814</u>	<u>510,510</u>
Total liabilities	<u>28,660</u>	<u>583,162</u>	<u>611,822</u>
Deferred inflows of resources	<u>-</u>	<u>34,751</u>	<u>34,751</u>
Net position			
Net investment in capital assets	218,998	765,251	984,249
Unrestricted	204,212	13,778	217,990
Total net position	<u>\$ 423,210</u>	<u>\$ 779,029</u>	<u>\$ 1,202,239</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, 2021

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Operating revenues			
Charges for sales and services	\$ 415,860	\$ 701,977	\$ 1,117,837
Other operating	49	11,711	11,760
Total operating revenues	<u>415,909</u>	<u>713,688</u>	<u>1,129,597</u>
Operating expenses			
Cost of sales and services	291,097	851,745	1,142,842
Administration	-	12,804	12,804
Depreciation	23,052	147,639	170,691
Total operating expenses	<u>314,149</u>	<u>1,012,188</u>	<u>1,326,337</u>
Operating income (loss)	101,760	(298,500)	(196,740)
Nonoperating revenues (expenses)			
Investment earnings	6	219	225
Interest and other charges	-	(1,786)	(1,786)
Total nonoperating revenues (expenses)	<u>6</u>	<u>(1,567)</u>	<u>(1,561)</u>
Income (loss) before transfers	101,766	(300,067)	(198,301)
Transfers from other funds			
General Fund	<u>275,000</u>	<u>450,000</u>	<u>725,000</u>
Change in net position	376,766	149,933	526,699
Net position - beginning	<u>46,444</u>	<u>629,096</u>	<u>675,540</u>
Net position - ending	<u>\$ 423,210</u>	<u>\$ 779,029</u>	<u>\$ 1,202,239</u>

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2021

Exhibit E-3

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 295,912	\$ 701,977	\$ 997,889
Cash received (paid) for interfund services provided (used)	-	(12,804)	(12,804)
Cash paid for goods and services	(146,793)	(250,293)	(397,086)
Cash paid to employees	(118,136)	(616,282)	(734,418)
Other operating income	49	11,711	11,760
Net cash provided (used) by operating activities	31,032	(165,691)	(134,659)
Cash flows from noncapital financing activities			
Advances from (to) other funds	-	(28,153)	(28,153)
Transfers from other funds	275,000	450,000	725,000
Net cash provided (used) by noncapital financing activities	275,000	421,847	696,847
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(242,050)	(54,500)	(296,550)
Interest and other charges paid on debt	-	(1,786)	(1,786)
Net cash provided (used) by capital and related financing activities	(242,050)	(56,286)	(298,336)
Cash flows from investing activities			
Receipts of investment earnings	12	250	262
Net cash provided by investing activities	12	250	262
Net increase (decrease) in cash and cash equivalents	63,994	200,120	264,114
Cash and cash equivalents - beginning	46,346	260,306	306,652
Cash and cash equivalents - ending	\$ 110,340	\$ 460,426	\$ 570,766

Continued on next page.

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2021

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)	\$ 101,760	\$ (298,500)	\$ (196,740)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	23,052	147,639	170,691
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(119,948)	-	(119,948)
(Increase) decrease in intergovernmental receivable	(2,492)	(1,440)	(3,932)
(Increase) decrease in deferred outflows of resources - pensions	-	(20,916)	(20,916)
(Increase) decrease in deferred outflows of resources - OPEB	-	(22,777)	(22,777)
Increase (decrease) in accounts payable and accrued liabilities	12,964	5,218	18,182
Increase (decrease) in customer deposits	-	(500)	(500)
Increase (decrease) in compensated absences	15,696	(2,029)	13,667
Increase (decrease) in net pension liability	-	50,550	50,550
Increase (decrease) in total OPEB liability	-	(7,897)	(7,897)
Increase (decrease) in deferred inflows of resources - pensions	-	(2,089)	(2,089)
Increase (decrease) in deferred inflows of resources - OPEB	-	(12,950)	(12,950)
Total adjustments	(70,728)	132,809	62,081
Net cash provided (used) by operating activities	\$ 31,032	\$ (165,691)	\$ (134,659)

City of Lexington, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2021

Exhibit E-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services	\$	\$ 415,860	\$
Other operating		49	
Total operating revenues	470,000	415,909	(54,091)
Nonoperating revenues			
Investment earnings		6	
Total nonoperating revenues	400	6	(394)
Total revenues	470,400	415,915	(54,485)
Expenditures			
Stormwater operations			
Salaries and employee benefits		124,573	
Cost of sales and services		150,828	
Capital outlay		242,050	
Total stormwater operations	1,064,829	517,451	547,378
Debt service	98,550	-	98,550
Total expenditures	1,163,379	517,451	645,928
Revenues over expenditures	(692,979)	(101,536)	591,443
Other financing sources			
Installment purchase debt issued	383,841	-	
Transfers from other funds			
General Fund	275,000	275,000	-
Total other financing sources	658,841	275,000	-
Revenues and other financing sources over (under) expenditures	(34,138)	173,464	591,443
Appropriated net position	34,138	-	(34,138)
Revenues and other financing sources over (under) expenditures	\$ -	173,464	\$ 557,305

Continued on next page.

City of Lexington, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2021

Exhibit E-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		\$ 173,464	
Reconciling items:			
Capital outlay		242,050	
Depreciation		(23,052)	
(Increase) decrease in compensated absences payable		(15,696)	
Total reconciling items		203,302	
Change in net position		\$ 376,766	

City of Lexington, North Carolina
Golf Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2021

Exhibit E-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Golf course	\$	\$ 397,914	\$
Golf cart rentals		303,522	
Municipal club rental		541	
Other operating		11,711	
Total operating revenues	787,119	713,688	(73,431)
Nonoperating revenues			
Investment earnings		219	
Total nonoperating revenues	3,900	219	(3,681)
Total revenues	791,019	713,907	(77,112)
Expenditures			
Golf operations			
Salaries and employee benefits		621,244	
Cost of sales and services		248,609	
Administrative charges risk management fund		12,804	
Capital outlay		54,500	
Total operating expenditures	1,349,124	937,157	411,967
Debt service			
Interest and other charges		1,786	
Total debt service	29,941	1,786	28,155
Total expenditures	1,379,065	938,943	440,122
Revenues over (under) expenditures	(588,046)	(225,036)	363,010
Other financing sources			
Installment purchase debt issued	98,820	-	(98,820)
Transfers from other funds			
General Fund	450,000	450,000	-
Total other financing sources	548,820	450,000	(98,820)
Revenues and other financing sources over (under) expenditures	(39,226)	224,964	264,190
Appropriated net position	39,226	-	(39,226)
Revenues, other financing sources, and appropriated net position over (under) expenditures	\$ -	224,964	\$ 224,964

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, 2021

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		\$ 224,964	
Reconciling items:			
Capital outlay		54,500	
Depreciation		(147,639)	
(Increase) decrease in compensated absences payable		2,029	
Increase (decrease) in deferred outflows of resources - pensions		20,916	
(Increase) decrease in net pension liability		(50,550)	
(Increase) decrease in deferred inflows of resources - pensions		2,089	
Increase (decrease) in deferred outflows of resources - OPEB		22,777	
(Increase) decrease in total OPEB liability		7,897	
(Increase) decrease in deferred inflows of resources - OPEB		12,950	
Total reconciling items		(75,031)	
Change in net position		\$ 149,933	



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, 2021

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	\$ 871,723	\$ 2,203,962	\$ 2,220,215	\$ 2,005,851	\$ 7,301,751
Receivables (net)					
Accounts - billed	-	-	-	116,413	116,413
Due from other governments	42,408	273	1,027	35,436	79,144
Inventories	157,231	-	-	-	157,231
Prepaid items	-	-	-	17,000	17,000
Total current assets	<u>1,071,362</u>	<u>2,204,235</u>	<u>2,221,242</u>	<u>2,174,700</u>	<u>7,671,539</u>
Noncurrent assets					
Designated cash and cash equivalents					
Capital reserve	680,649	-	-	-	680,649
Group insurance reserve	-	7,515,394	-	-	7,515,394
Capital assets					
Land and other non-depreciable assets	15,000	-	-	631,723	646,723
Other capital assets, net of accumulated depreciation	818,509	-	32,700	3,039,197	3,890,406
Total capital assets	<u>833,509</u>	<u>-</u>	<u>32,700</u>	<u>3,670,920</u>	<u>4,537,129</u>
Total noncurrent assets	<u>1,514,158</u>	<u>7,515,394</u>	<u>32,700</u>	<u>3,670,920</u>	<u>12,733,172</u>
Total assets	<u>2,585,520</u>	<u>9,719,629</u>	<u>2,253,942</u>	<u>5,845,620</u>	<u>20,404,711</u>
Deferred outflows of resources	<u>132,296</u>	<u>2,604</u>	<u>58,425</u>	<u>621,250</u>	<u>814,575</u>

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2021

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	\$ 109,132	\$ 23,502	\$ 16,075	\$ 380,550	\$ 529,259
Unpaid claims costs	-	443,000	180,459	-	623,459
Compensated absences	26,000	-	7,000	98,000	131,000
Installment purchases payable	-	-	-	207,600	207,600
Total current liabilities	<u>135,132</u>	<u>466,502</u>	<u>203,534</u>	<u>686,150</u>	<u>1,491,318</u>
Noncurrent liabilities					
Compensated absences	13,607	-	7,742	81,977	103,326
Net pension liability	192,596	3,042	64,216	743,524	1,003,378
Total OPEB liability	147,875	5,194	128,710	1,183,927	1,465,706
Installment purchases payable	-	-	-	1,548,400	1,548,400
Total noncurrent liabilities	<u>354,078</u>	<u>8,236</u>	<u>200,668</u>	<u>3,557,828</u>	<u>4,120,810</u>
Total liabilities	<u>489,210</u>	<u>474,738</u>	<u>404,202</u>	<u>4,243,978</u>	<u>5,612,128</u>
Deferred inflows of resources	<u>20,689</u>	<u>655</u>	<u>16,029</u>	<u>150,360</u>	<u>187,733</u>
Net position					
Net investment in capital assets	833,509	-	32,700	1,914,920	2,781,129
Unrestricted	1,374,408	9,246,840	1,859,436	157,612	12,638,296
Total net position	<u>\$ 2,207,917</u>	<u>\$ 9,246,840</u>	<u>\$ 1,892,136</u>	<u>\$ 2,072,532</u>	<u>\$ 15,419,425</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, 2021

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
Operating revenues					
Charges for services	\$ 1,860,552	\$ 5,260,334	\$ 1,207,384	\$ 3,920,254	\$ 12,248,524
Other operating	13,622	34,935	8,629	381,436	438,622
Total operating revenues	<u>1,874,174</u>	<u>5,295,269</u>	<u>1,216,013</u>	<u>4,301,690</u>	<u>12,687,146</u>
Operating expenses					
Cost of sales and services	1,666,014	-	-	-	1,666,014
Administration	-	296,681	395,498	3,828,805	4,520,984
Premiums	-	656,340	541,622	-	1,197,962
Claims	-	4,523,200	615,679	-	5,138,879
Depreciation	225,116	-	11,205	574,491	810,812
Total operating expenses	<u>1,891,130</u>	<u>5,476,221</u>	<u>1,564,004</u>	<u>4,403,296</u>	<u>13,334,651</u>
Operating income (loss)	<u>(16,956)</u>	<u>(180,952)</u>	<u>(347,991)</u>	<u>(101,606)</u>	<u>(647,505)</u>
Nonoperating revenues (expenses)					
Investment earnings	783	5,211	1,134	766	7,894
Gain (loss) on sale of property	46,261	-	-	1,825	48,086
Interest and other charges	-	-	-	(43,919)	(43,919)
Total nonoperating revenues (expenses)	<u>47,044</u>	<u>5,211</u>	<u>1,134</u>	<u>(41,328)</u>	<u>12,061</u>
Change in net position	30,088	(175,741)	(346,857)	(142,934)	(635,444)
Net position - beginning	<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>
Net position - ending	<u>\$ 2,207,917</u>	<u>\$ 9,246,840</u>	<u>\$ 1,892,136</u>	<u>\$ 2,072,532</u>	<u>\$ 15,419,425</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2021

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	\$ 1,860,552	\$ 5,260,334	\$ 1,207,384	\$ 3,811,167	\$ 12,139,437
Cash paid for goods and services	(1,101,686)	(5,272,101)	(1,310,221)	(2,435,177)	(10,119,185)
Cash paid to employees	(530,922)	(7,779)	(192,960)	(1,201,650)	(1,933,311)
Other operating income	13,622	34,935	8,629	381,436	438,622
Net cash provided (used) by operating activities	<u>241,566</u>	<u>15,389</u>	<u>(287,168)</u>	<u>555,776</u>	<u>525,563</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(193,977)	-	-	(84,373)	(278,350)
Principal paid on installment purchase debt	-	-	-	(207,600)	(207,600)
Interest and other charges paid on debt	-	-	-	(45,403)	(45,403)
Proceeds from the sale of assets	51,277	-	-	1,825	53,102
Net cash provided (used) by capital and related financing activities	<u>(142,700)</u>	<u>-</u>	<u>-</u>	<u>(335,551)</u>	<u>(478,251)</u>
Cash flows from investing activities					
Receipts of investment earnings	911	6,357	1,427	949	9,644
Net cash provided by investing activities	<u>911</u>	<u>6,357</u>	<u>1,427</u>	<u>949</u>	<u>9,644</u>
Net increase (decrease) in cash and cash equivalents	99,777	21,746	(285,741)	221,174	56,956
Cash and cash equivalents - beginning	1,452,595	9,697,610	2,505,956	1,784,677	15,440,838
Cash and cash equivalents - ending	<u>\$ 1,552,372</u>	<u>\$ 9,719,356</u>	<u>\$ 2,220,215</u>	<u>\$ 2,005,851</u>	<u>\$ 15,497,794</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, 2021

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)	\$ (16,956)	\$ (180,952)	\$ (347,991)	\$ (101,606)	\$ (647,505)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	225,116	-	11,205	574,491	810,812
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources					
(Increase) decrease in accounts receivable	-	-	-	(109,087)	(109,087)
(Increase) decrease in intergovernmental receivable	13,348	(131)	1,061	(8,664)	5,614
(Increase) decrease in inventory	(18,505)	-	-	-	(18,505)
(Increase) decrease in deferred outflows of resources - pensions	(25,505)	8,705	(7,977)	(102,983)	(127,760)
(Increase) decrease in deferred outflows of resources - OPEB	(14,838)	(747)	(10,371)	(113,955)	(139,911)
Increase (decrease) in accounts payable and accrued liabilities	643	11,843	666	85,038	98,190
(Increase) decrease in amounts accrued related to interest on capital debt	-	-	-	1,484	1,484
Increase (decrease) in unpaid claims cost	-	190,929	64,059	-	254,988
Increase (decrease) in compensated absences	4,938	(2,635)	1,110	28,634	32,047
Increase (decrease) in net pension liability	57,649	(14,425)	18,337	230,179	291,740
Increase (decrease) in total OPEB liability	20,503	3,160	(9,567)	112,048	126,144
Increase (decrease) in deferred inflows of resources - pensions	(1,641)	(632)	(582)	(6,034)	(8,889)
Increase (decrease) in deferred inflows of resources - OPEB	(3,186)	274	(7,118)	(33,769)	(43,799)
Total adjustments	<u>258,522</u>	<u>196,341</u>	<u>60,823</u>	<u>657,382</u>	<u>1,173,068</u>
Net cash provided (used) by operating activities	<u>\$ 241,566</u>	<u>\$ 15,389</u>	<u>\$ (287,168)</u>	<u>\$ 555,776</u>	<u>\$ 525,563</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, 2021

Exhibit F-4

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services	\$	\$ 1,860,552	\$
Other operating		13,622	
Total operating revenues	2,091,684	1,874,174	(217,510)
Nonoperating revenues			
Investment earnings		381	
Sale of property		51,277	
Total nonoperating revenues	16,500	51,658	35,158
Total revenues	2,108,184	1,925,832	(182,352)
Expenditures			
Salaries and employee benefits		533,228	
Cost of sales and services		266,360	
Purchases for resale		847,011	
Capital outlay		193,977	
Total expenditures	2,372,797	1,840,576	532,221
Revenues over (under) expenditures	(264,613)	85,256	349,869
Other financing sources (uses)			
Transfers from other funds			
Fleet Management Capital Reserve Fund	383,622	169,685	(213,937)
Transfers to other funds			
Fleet Management Capital Reserve Fund	(176,165)	(133,270)	42,895
Total other financing sources (uses)	207,457	36,415	(171,042)
Revenues and other financing sources over (under) expenditures and other financing uses	(57,156)	121,671	178,827
Appropriated net position	57,156	-	(57,156)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	121,671	\$ 121,671

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, 2021

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		\$ 121,671	
Reconciling items			
Capital outlay		193,977	
Depreciation		(225,116)	
Gain (loss) on sale of property		(5,016)	
Increase (decrease) in inventory		18,505	
(Increase) decrease in compensated absences payable		(4,938)	
Increase (decrease) in deferred outflows of resources - pensions		25,505	
(Increase) decrease in net pension liability		(57,649)	
(Increase) decrease in deferred inflows of resources - pensions		1,641	
Increase (decrease) in deferred outflows of resources - OPEB		14,838	
(Increase) decrease in total OPEB liability		(20,503)	
(Increase) decrease in deferred inflows of resources - OPEB		3,186	
Items related to subfund - Fleet Management Capital Reserve Fund			
Investment earnings		402	
Transfer from Fleet Management Fund		133,270	
Transfer to Fleet Management Fund		(169,685)	
Total reconciling items		(91,583)	
Change in net position		\$ 30,088	

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, 2021

Exhibit F-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 9,500	\$ 402	\$ (9,098)
Revenues over (under) expenditures	9,500	402	(9,098)
Other financing sources (uses)			
Transfers from other funds			
Fleet Management Fund	176,165	133,270	(42,895)
Transfers to other funds			
Fleet Management Fund	(383,622)	(169,685)	213,937
Total other financing sources (uses)	(207,457)	(36,415)	171,042
Revenues and other financing sources over (under) expenditures and other financing uses	(197,957)	(36,013)	161,944
Net position appropriated	197,957	-	(197,957)
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	\$ -	\$ (36,013)	\$ (36,013)

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, 2021

Exhibit F-6

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Premium charges to departments	\$	\$ 3,693,730	\$
Premium charges to employees/retirees		1,561,613	
Premium charges for COBRA		4,991	
Other operating		34,935	
Total operating revenues	6,487,081	5,295,269	(1,191,812)
Nonoperating revenues			
Investment earnings		5,211	
Total nonoperating revenues	76,700	5,211	(71,489)
Total revenues	6,563,781	5,300,480	(1,263,301)
Expenditures			
Salaries and employee benefits		6,341	
Administration		296,640	
Premiums		656,340	
Claims		4,523,200	
Total expenditures	6,820,273	5,482,521	1,337,752
Revenues over (under) expenditures	(256,492)	(182,041)	74,451
Appropriated net position	256,492	-	(256,492)
Revenues and appropriated net position over (under) expenditures and other financing uses	\$ -	(182,041)	\$ (182,041)
Reconciliation from financial plan basis (modified accrual) to full accrual			
Reconciling items			
(Increase) decrease in compensated absences payable		2,635	
Increase (decrease) in deferred outflows of resources - pensions		(8,705)	
(Increase) decrease in net pension liability		14,425	
(Increase) decrease in deferred inflows of resources - pensions		632	
Increase (decrease) in deferred outflows of resources - OPEB		747	
(Increase) decrease in total OPEB liability		(3,160)	
(Increase) decrease in deferred inflows of resources - OPEB		(274)	
Total reconciling items		6,300	
Change in net position		\$ (175,741)	

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, 2021

Exhibit F-7

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Premium charges to departments	\$	\$ 1,203,168	\$
Premium charges to employees		4,216	
Other operating		8,629	
Total operating revenues	1,255,051	1,216,013	(39,038)
Nonoperating revenues			
Investment earnings		1,134	
Total nonoperating revenues	21,300	1,134	(20,166)
Total revenues	1,276,351	1,217,147	(59,204)
Expenditures			
Salaries and employee benefits		193,718	
Administration		217,948	
Premiums		541,622	
Claims		615,679	
Total expenditures	1,780,396	1,568,967	211,429
Revenues over (under) expenditures	(504,045)	(351,820)	152,225
Appropriated net position	504,045	-	(504,045)
Revenues and appropriated net position over (under) expenditures	\$ -	(351,820)	\$ (351,820)

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, 2021

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		\$ (351,820)	
Reconciling items			
Depreciation		(11,205)	
(Increase) decrease in compensated absences payable		(1,110)	
Increase (decrease) in deferred outflows of resources - pensions		7,977	
(Increase) decrease in net pension liability		(18,337)	
(Increase) decrease in deferred inflows of resources - pensions		582	
Increase (decrease) in deferred outflows of resources - OPEB		10,371	
(Increase) decrease in total OPEB liability		9,567	
(Increase) decrease in deferred inflows of resources - OPEB		7,118	
Total reconciling items		4,963	
Change in net position		\$ (346,857)	

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, 2021

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		1,165,497	
Other operating		380,389	
Total operating revenues	4,652,754	4,300,643	(352,111)
Nonoperating revenues			
Investment earnings		661	
Sale of property		1,825	
Total nonoperating revenues	6,400	2,486	(3,914)
Total revenues	4,659,154	4,303,129	(356,025)
Expenditures			
Utility administration			
Salaries and employee benefits		30,320	
Administration		46,609	
Total utility administration	167,085	76,929	90,156
Utility services			
Salaries and employee benefits		910,431	
Administration		444,517	
Capital outlay		58,540	
Total utility administration	1,690,488	1,413,488	277,000
Customer service			
Salaries and employee benefits		780,720	
Administration		706,446	
Total customer service	1,832,975	1,487,166	345,809
Warehousing			
Salaries and employee benefits		142,798	
Administration		25,864	
Total warehousing	182,008	168,662	13,346

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, 2021

Exhibit F-8
continued

	Financial Plan	Actual	Variance Positive (Negative)
Meter reading			
Salaries and employee benefits	\$	\$ 150,797	\$
Administration		49,365	
Capital outlay		25,833	
Total meter reading	310,120	225,995	84,125
Marketing			
Salaries and employee benefits		109,919	
Administration		316,899	
Total marketing	787,301	426,818	360,483
Debt service			
Principal retirement		207,600	
Interest and other charges		45,403	
Total debt service	253,003	253,003	-
Total expenditures	5,222,980	4,052,061	1,170,919
Revenues over (under) expenditures	(563,826)	251,068	814,894
Appropriated net position	563,826	-	(563,826)
Revenues and appropriated net position over (under) expenditures	\$ -	251,068	\$ 251,068

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, 2021

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		\$ 251,068	
Reconciling items			
Principal retirement		207,600	
Capital outlay		84,373	
Depreciation		(574,491)	
Provision for uncollectable accounts		1,047	
Change in accrued interest		1,484	
(Increase) decrease in compensated absences payable		(28,634)	
Increase (decrease) in deferred outflows of resources - pensions		102,983	
(Increase) decrease in net pension liability		(230,179)	
(Increase) decrease in deferred inflows of resources - pensions		6,034	
Increase (decrease) in deferred outflows of resources - OPEB		113,955	
(Increase) decrease in total OPEB liability		(112,048)	
(Increase) decrease in deferred inflows of resources - OPEB		33,769	
Items related to subfund - Utility Administration Projects Fund			
Investment earnings		105	
Total reconciling items		(394,002)	
Change in net position		\$ (142,934)	

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, 2021

Exhibit F-9

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Workorder System Project					
Investment earnings	\$ -	\$ 14,211	\$ 105	\$ 14,316	\$ 14,316
Total	-	14,211	105	14,316	14,316
Total revenues	-	14,211	105	14,316	14,316
Expenditures					
Work Order System Project	375,000	186,293	-	186,293	188,707
Total expenditures	375,000	186,293	-	186,293	188,707
Revenues over (under) expenditures	(375,000)	(172,082)	105	(171,977)	203,023
Other financing sources					
Workorder System Project					
Transfers from other funds					
Utility Administration Fund	375,000	375,000	-	375,000	-
Total	375,000	375,000	-	375,000	-
Total other financing sources	375,000	375,000	-	375,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 202,918	\$ 105	\$ 203,023	\$ 203,023

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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, 2021

Exhibit G-1

Fiscal Year	Uncollected Balance June 30, 2020	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2021
2020-21	\$ -	\$ 10,676,169	\$ 10,422,095	\$ 254,074
2019-20	308,721	-	161,578	147,143
2018-19	161,255	-	67,110	94,145
2017-18	105,534	-	29,926	75,608
2016-17	75,241	-	19,128	56,113
2015-16	54,773	-	11,471	43,302
2014-15	51,513	-	9,454	42,059
2013-14	58,087	-	9,133	48,954
2012-13	60,669	-	7,671	52,998
2011-12	62,604	-	7,509	55,095
Prior	190,687	-	15,421	175,266
	<u>\$ 1,129,084</u>	<u>\$ 10,676,169</u>	<u>\$ 10,760,496</u>	<u>1,044,757</u>

Less: allowance for uncollectible accounts:
General Fund

791,000

Ad valorem taxes receivable - net

\$ 253,757

Reconciliation to revenues

Ad valorem taxes - General Fund

\$ 10,760,803

Reconciling items

Interest collected

(92,636)

Discounts allowed

82,762

Abatements and releases - prior years

9,567

Total reconciling items

(307)

Total collections and credits

\$ 10,760,496

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2021

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	\$ 1,637,609,140	\$ 0.650	\$ 10,644,479	\$ 9,740,007	\$ 904,472
Penalties	-		7,291	7,291	-
Total	<u>1,637,609,140</u>		<u>10,651,770</u>	<u>9,747,298</u>	<u>904,472</u>
Discoveries					
Current year taxes	3,802,087	0.650	24,714	24,714	-
Prior year taxes	-		16,762	16,762	-
Penalties	-		3,995	3,995	-
Total	<u>3,802,087</u>		<u>45,471</u>	<u>45,471</u>	<u>-</u>
Abatements	<u>(2,803,474)</u>		<u>(21,072)</u>	<u>(21,072)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,638,607,753</u></u>				
Net levy			10,676,169	9,771,697	904,472
Uncollected taxes at June 30			<u>(254,074)</u>	<u>(254,074)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 10,422,095</u></u>	<u><u>\$ 9,517,623</u></u>	<u><u>\$ 904,472</u></u>
Current levy collection percentage			<u>97.62%</u>	<u>97.40%</u>	<u>100.00%</u>

Continued on next page.

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2021

Exhibit G-2
continued

Secondary Market Disclosures

Assessed Valuation	
Assessment Ratio ¹	100%
Real Property	\$ 1,197,238,176
Personal Property	281,242,527
Public Service Company Property ²	24,018,586
Registered Motor Vehicles	<u>136,108,464</u>
Total Assessed Valuation	1,638,607,753
City-wide Tax Rate	0.650
Levy (includes discoveries, releases and abatements) ³	\$ 10,676,169

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

Municipal Service District	
Total Assessed Valuation	\$ 45,723,287
Additional District Tax Rate	0.200
Additional District Levy (includes discoveries, releases and abatements) ³	\$ 90,812

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, 2021

Exhibit H-1

	ABC Board	Tourism Authority	Uptown Lexington	Front Street- Lexington	Totals
Assets					
Current assets					
Cash and cash equivalents	\$ 336,116	\$ 499,726	\$ 119,853	\$ 38,216	\$ 993,911
Due from primary government	-	49,810	-	-	49,810
Loans receivable	-	-	16,405	-	16,405
Inventories	649,991	-	-	2,531,324	3,181,315
Deposits and prepaid items	6,952	6,563	-	216	13,731
Total current assets	<u>993,059</u>	<u>556,099</u>	<u>136,258</u>	<u>2,569,756</u>	<u>4,255,172</u>
Noncurrent assets					
Loans receivable	-	-	2,195	-	2,195
Capital assets					
Land and other non-depreciable assets	253,386	-	-	-	253,386
Other capital assets, net of accumulated depreciation	634,590	-	-	-	634,590
Total capital assets	<u>887,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>887,976</u>
Total noncurrent assets	<u>887,976</u>	<u>-</u>	<u>2,195</u>	<u>-</u>	<u>890,171</u>
Total assets	<u>1,881,035</u>	<u>556,099</u>	<u>138,453</u>	<u>2,569,756</u>	<u>5,145,343</u>
Deferred outflows of resources	<u>52,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,538</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	355,078	4,229	2,192	100	361,599
Due to primary government	138,695	-	-	-	138,695
Compensated absences	-	6,110	-	-	6,110
Installment purchases payable	34,248	-	-	-	34,248
Total current liabilities	<u>528,021</u>	<u>10,339</u>	<u>2,192</u>	<u>100</u>	<u>540,652</u>
Noncurrent liabilities					
Net pension liability	46,455	-	-	-	46,455
Payroll Protection Program loan	-	-	17,082	-	17,082
Installment purchases payable	156,254	-	-	2,076,588	2,232,842
Total noncurrent liabilities	<u>202,709</u>	<u>-</u>	<u>17,082</u>	<u>2,076,588</u>	<u>2,296,379</u>
Total liabilities	<u>730,730</u>	<u>10,339</u>	<u>19,274</u>	<u>2,076,688</u>	<u>2,837,031</u>
Net position					
Net investment in capital assets	697,474	-	-	-	697,474
Restricted for					
Stabilization by state statute	-	49,810	-	-	49,810
Tourism promotion	-	495,950	-	-	495,950
Uptown revitalization	-	-	119,179	-	119,179
Economic development, nonexpendable	-	-	-	241,603	241,603
Working capital	186,501	-	-	-	186,501
Unrestricted	318,868	-	-	251,465	570,333
Total net position	<u>\$ 1,202,843</u>	<u>\$ 545,760</u>	<u>\$ 119,179</u>	<u>\$ 493,068</u>	<u>\$ 2,360,850</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, 2021

	ABC Board	Tourism Authority	Uptown Lexington	Front Street- Lexington	Totals
Operating revenues					
Sales and services	\$ 6,300,696	\$ 14,179	\$ -	\$ -	\$ 6,314,875
Payment from City of Lexington	-	327,073	135,234	-	462,307
Other grants and donations	-	12,795	15,739	-	28,534
Other operating revenues	-	13,913	-	-	13,913
Total operating revenues	<u>6,300,696</u>	<u>367,960</u>	<u>150,973</u>	<u>-</u>	<u>6,819,629</u>
Operating expenses					
Cost of sales and services	4,789,064	-	-	-	4,789,064
Other operating expenses	712,233	329,579	169,549	6,907	1,218,268
Total operating expenses	<u>5,501,297</u>	<u>329,579</u>	<u>169,549</u>	<u>6,907</u>	<u>6,007,332</u>
Operating income (loss)	<u>799,399</u>	<u>38,381</u>	<u>(18,576)</u>	<u>(6,907)</u>	<u>812,297</u>
Nonoperating revenues (expenses)					
Investment earnings	287	248	85	-	620
Gain on extinguishment of debt	-	-	16,282	-	16,282
Other nonoperating revenues	-	-	74	-	74
Interest and other charges	(7,524)	-	(132)	-	(7,656)
Required distributions	(584,639)	-	-	-	(584,639)
Total nonoperating revenues (expenses)	<u>(591,876)</u>	<u>248</u>	<u>16,309</u>	<u>-</u>	<u>(575,319)</u>
Income (loss) before capital contributions	207,523	38,629	(2,267)	(6,907)	236,978
Capital contributions	-	-	-	430,000	430,000
Change in net position	207,523	38,629	(2,267)	423,093	666,978
Net position - beginning	995,320	507,131	121,446	69,975	1,693,872
Net position - ending	<u>\$ 1,202,843</u>	<u>\$ 545,760</u>	<u>\$ 119,179</u>	<u>\$ 493,068</u>	<u>\$ 2,360,850</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	\$ 119,853
Emergency business assistance loans receivable	<u>18,600</u>
Total assets	<u><u>\$ 138,453</u></u>

Liabilities

Accounts payable and accrued liabilities	<u>\$ 2,142</u>
Total liabilities	<u>2,142</u>

Fund balance

Restricted	
Uptown revitalization	<u>136,311</u>
Total fund balance	<u><u>136,311</u></u>

Total liabilities and fund balance	<u><u>\$ 138,453</u></u>
------------------------------------	--------------------------

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

Fund balance as reported on the Balance Sheet	\$ 136,311
Some liabilities are not due and payable in the current period and therefore are not reported in the fund.	
Accrued interest payable	(50)
Payroll Protection Program loan	<u>(17,082)</u>

Net position reported on the combining statement of net position (Exhibit H-1)	<u><u>\$ 119,179</u></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, 2021

Exhibit H-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Contribution from City of Lexington			
Special district property tax	\$ 87,000	\$ 96,524	\$ 9,524
Other grants from City of Lexington	60,000	38,710	(21,290)
Donations/fund raisers	36,000	15,739	(20,261)
Investment earnings	950	85	(865)
Miscellaneous	-	74	74
Total revenues	183,950	151,132	(32,818)
Expenditures			
Salaries and employee benefits	98,900	90,396	8,504
Operations	105,050	79,153	25,897
Total expenditures	203,950	169,549	34,401
Revenues over (under) expenditures	(20,000)	(18,417)	1,583
Other financing sources			
Proceeds from Payroll Protection Program loan	-	17,082	17,082
Revenues and other financing sources over (under) expenditures	(20,000)	(1,335)	18,665
Appropriated fund balance	20,000	-	(20,000)
Net change in fund balance	\$ -	(1,335)	\$ (1,335)
Fund balance - beginning		137,646	
Fund balance - ending		\$ 136,311	
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		\$ (1,335)	
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		(17,082)	
Interest expense recognized on extinguished debt		(82)	
Decrease (increase) in accrued interest payable		(50)	
Gain on extinguishment of debt under Payroll Protection Program		16,282	
Change in net position reported on the combining statement of revenues, expenses, and changes in net position (Exhibit H-2)		\$ (2,267)	

STATISTICAL SECTION



STATISTICAL SECTION

This section of the City of Lexington's annual comprehensive 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	199-210
<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	211-220
<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	211-227
<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	228-229
<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	230-233
<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 annual comprehensive financial reports for the relevant year.

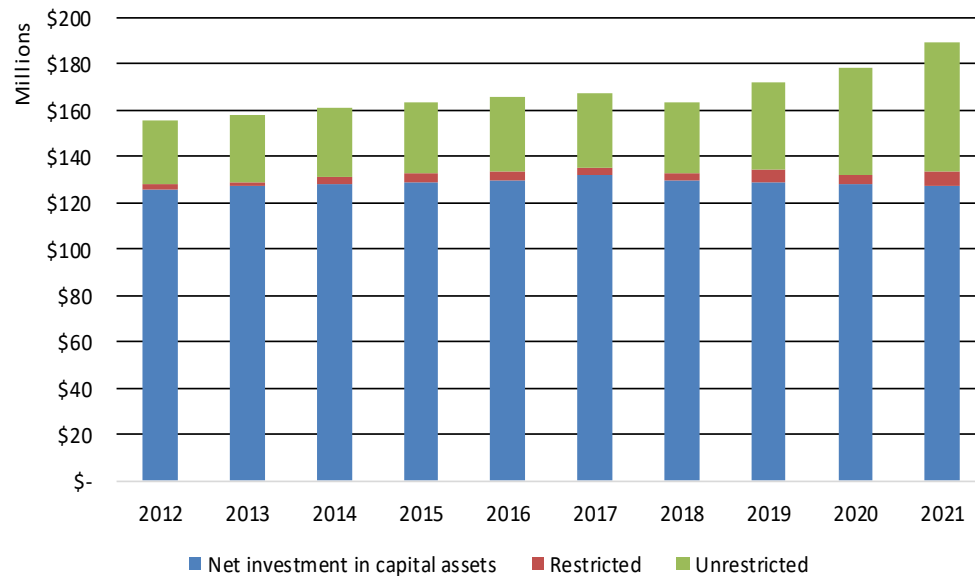


City of Lexington, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 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	\$ 33,673,104
Restricted	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	5,675,140
Unrestricted	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	1,410,009
Total governmental activities net position	<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>	<u>\$ 40,758,253</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 93,874,486
Unrestricted	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	54,750,195
Total business-type activities net position	<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>	<u>\$148,624,681</u>
Primary government										
Net investment in capital assets	\$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	\$127,547,590
Restricted	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	5,675,140
Unrestricted	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	56,160,204
Total primary government net position	<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>	<u>\$189,382,934</u>

Net Position by Component - Total Primary Government



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

Table 2

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities										
General government	\$ 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	\$ 4,726,370
Public safety	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	13,136,736
Highways and streets	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	2,173,088
Sanitation	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	2,326,376
Culture and recreation	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	1,918,639
Economic and physical development	2,752,101	184,060	143,139	73,939	1,380,493	835,883	514,067	1,938,504	1,346,325	838,166
Interest on long-term debt	167,568	153,788	141,426	183,188	179,867	194,869	186,736	191,366	192,520	176,099
Total governmental activities expenses	<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>	<u>25,295,474</u>
Business-type activities										
Electric	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	43,907,795
Water and Wastewater	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	12,593,358
Natural Gas	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	9,580,143
Stormwater	-	-	-	-	-	-	-	-	50,162	315,219
Golf	810,830	1,037,258	809,312	815,233	871,926	944,635	1,129,231	909,770	1,033,354	1,024,420
Total business-type activities expenses	<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>	<u>67,420,935</u>
Total primary government expenses	<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>	<u>\$ 92,716,409</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 55,617	\$ 152,683	\$ 241,521	\$ 88,413	\$ 15,021	\$ 11,799	\$ 18,397	\$ 3,914	\$ 2,463	\$ 7,970
Public safety	222,367	293,915	194,359	305,823	382,193	330,857	436,522	478,041	514,218	376,824
Highways and streets	3,620	12,110	4,406	2,009	290	1,599	3,183	23,549	4,024	2,265
Sanitation	815,666	809,692	924,808	1,169,368	1,171,703	1,171,786	1,312,322	1,513,620	1,554,188	1,574,896
Culture and recreation	93,521	98,914	84,643	85,667	106,829	295,567	134,419	206,565	94,278	122,094
Economic and physical development	167,840	175,741	170,481	232,908	200,114	89,775	212,290	214,482	199,271	183,116
Operating grants and contributions	1,807,962	1,151,258	1,049,845	830,907	2,035,092	968,124	962,406	2,306,497	1,246,636	1,522,514
Capital grants and contributions	1,563,195	946,861	714,152	25,000	578,556	89,591	128,393	405,590	-	-
Total governmental activities program revenues	<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>	<u>3,789,679</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Business-type activities										
Charges for services										
Electric	\$ 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	\$ 47,515,840
Water and Wastewater	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	10,695,408
Natural Gas	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	11,471,601
Stormwater	-	-	-	-	-	-	-	-	5,007	415,909
Golf	749,128	780,138	646,750	648,358	653,191	628,632	729,107	635,234	528,856	713,688
Operating grants and contributions	45,776	20,344	614,114	46,368	823,343	445,525	139,919	448,776	7,508,462	9,287,751
Capital grants and contributions	1,469,210	352,407	633,527	-	-	24,000	-	-	-	78,525
Total business-type activities program revenues	<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>	<u>80,178,722</u>
Total primary government program revenues	<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>	<u>\$ 83,968,401</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (21,505,795)
Business-type activities	<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>	<u>12,757,787</u>
Total primary government net expense	<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>	<u>\$ (8,748,008)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 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	\$ 10,698,617
Other taxes	264,890	265,420	265,561	314,466	318,347	320,251	327,810	367,932	675,730	783,490
Unrestricted intergovernmental revenues	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	8,135,331
Unrestricted investment earnings	52,586	31,238	27,417	27,756	53,649	77,321	195,401	515,476	367,621	13,523
Unrestricted miscellaneous	-	-	-	5,881	4,988	4,233	4,318	974	37,159	63,723
Transfers	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	1,531,917
Total governmental activities	<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>	<u>21,226,601</u>
Business-type activities										
Unrestricted investment earnings	76,609	43,309	41,360	44,803	94,784	120,279	292,858	700,319	581,368	59,329
Transfers	(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)	(1,531,917)
Total business-type activities	<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>	<u>(1,472,588)</u>
Total primary government	<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>	<u>\$ 19,754,013</u>
Change in Net Position										
Governmental activities	\$ (2,458,379)	\$ (145,920)	\$ (1,063,803)	\$ 104,539	\$ 1,082,124	\$ 725,434	\$ 1,002,346	\$ 3,079,314	\$ (2,252,923)	\$ (279,194)
Business-type activities	<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>	<u>11,285,199</u>
Total primary government	<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>	<u>\$ 11,006,005</u>

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

Table 3

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$ 67,597	\$ 58,814	\$ 12,698	\$ 3,920	\$ 3,329	\$ 3,329	\$ 15,829	\$ 3,789	\$ 4,000	\$ 169,605
Spendable										
Restricted	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	5,085,571
Committed	10,230	15,105	15,939	13,902	15,329	13,524	13,691	14,034	9,370	82,306
Assigned	768,000	975,954	1,017,376	1,292,822	772,298	1,155,856	1,116,391	1,564,396	1,920,720	2,355,903
Unassigned	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	6,891,327
Total General Fund	<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>	<u>\$ 14,584,712</u>
All other governmental funds										
Spendable										
Restricted	\$ 1,367,075	\$ 1,088,754	\$ 656,816	\$ 1,523,329	\$ 1,875,021	\$ 346,882	\$ 320,030	\$ 611,533	\$ 317,060	\$ 589,569
Committed	257,460	273,971	290,250	267,921	269,596	208,761	656,308	813,053	853,781	599,986
Unassigned	(33,090)	(46,525)	(14)	(227,371)	(292,943)	(89,750)	-	(31,934)	-	-
Total all other governmental funds	<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>	<u>\$ 1,189,555</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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Ad valorem taxes	\$ 8,083,823	\$ 9,019,518	\$ 9,485,078	\$ 9,460,541	\$ 9,095,367	\$ 9,979,487	\$ 10,222,019	\$ 10,355,093	\$ 10,593,453	\$ 10,857,510
Other taxes and licenses	264,890	264,915	264,000	316,532	318,347	320,251	327,810	367,932	675,730	783,490
Unrestricted intergovernmental	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	8,135,331
Restricted intergovernmental	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	1,501,298
Permits and fees	165,203	183,454	168,223	225,193	212,467	181,616	221,521	300,901	352,071	264,636
Sales and services	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	1,999,783
Investment earnings	37,827	22,357	18,763	19,054	36,776	50,371	109,056	280,167	187,694	6,699
Miscellaneous	284,120	233,561	157,656	230,437	281,403	231,006	687,928	1,223,092	77,204	42,834
Total revenues	<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>	<u>23,591,581</u>
Expenditures										
General government	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	4,187,787
Public safety	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	11,679,268
Highways and streets	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	1,012,540
Sanitation	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	1,786,529
Culture and recreation	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	1,502,804
Economic and physical development	1,878,884	265,183	223,608	194,250	1,504,578	639,316	514,989	1,937,769	1,313,160	859,590
Capital outlay	1,165,404	591,277	1,099,879	441,262	1,770,495	720,952	1,152,229	107,332	2,705,025	1,476,103
Construction in progress	1,671,529	973,349	511,556	2,058,881	2,170,011	2,003,650	37,141	1,111,483	167,775	966,290
Debt service:										
Principal	580,635	540,183	586,744	623,053	681,960	699,790	816,723	848,132	844,229	918,074
Interest and other charges	167,568	153,788	141,426	154,414	168,945	197,772	184,812	185,040	198,871	179,724
Total expenditures	<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>	<u>24,568,709</u>
Excess of revenues over (under) expenditures	(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)	(977,128)

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

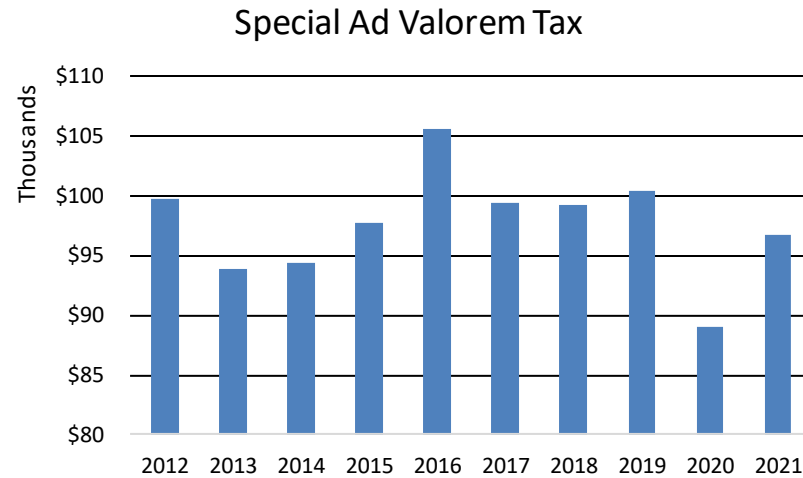
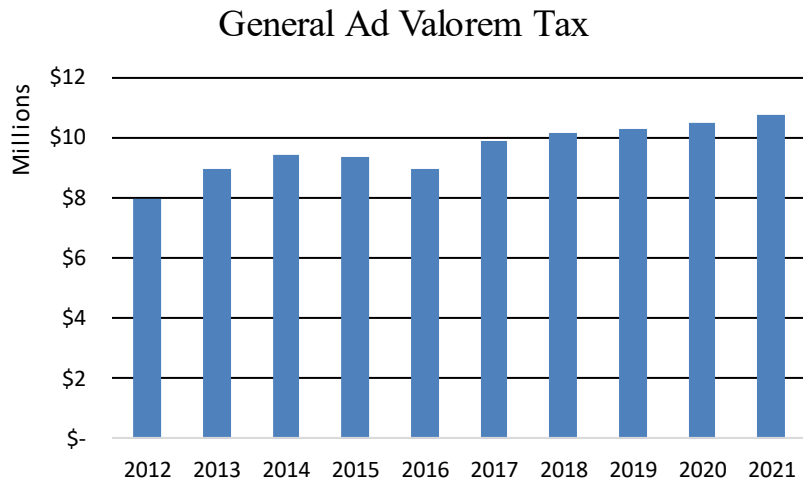
Table 4
continued

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Other financing sources (uses)										
Installment purchase debt issued	\$ 460,402	\$ -	\$ 582,807	\$ 2,410,000	\$ 2,084,980	\$ -	\$ 1,035,527	\$ 1,140,000	\$ -	\$ 2,302,487
Transfers from other funds	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	2,256,917
Transfers to other funds	(573,266)	(223,650)	(456,674)	(568,584)	(802,174)	(945,757)	(804,389)	(575,192)	(549,707)	(725,000)
Sale of capital assets	-	-	-	18,607	61,575	2,295	4,442	47,388	253,457	56,534
Total other financing sources (uses)	<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>	<u>3,890,938</u>
Net change in fund balances	<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>	<u>\$ 2,913,810</u>
Debt service as a percentage of noncapital expenditures	3.8%	3.7%	3.6%	3.9%	4.1%	4.2%	4.5%	4.4%	4.5%	5.0%
Debt service as a percentage of total expenditures	3.3%	3.4%	3.3%	3.5%	3.5%	3.7%	4.3%	4.2%	4.0%	4.5%
Capital outlay as a percentage of total expenditures	12.6%	7.6%	7.4%	11.2%	16.0%	11.3%	5.0%	5.0%	11.0%	9.9%

City of Lexington, North Carolina
Ad Valorem Taxes, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 5

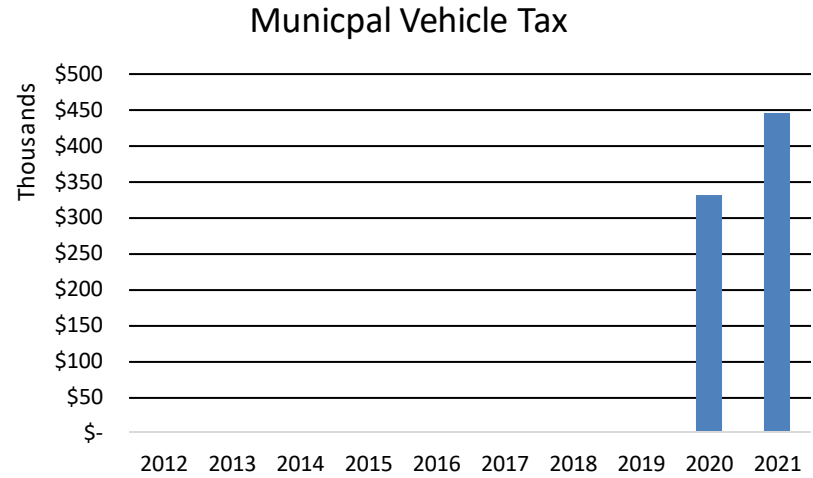
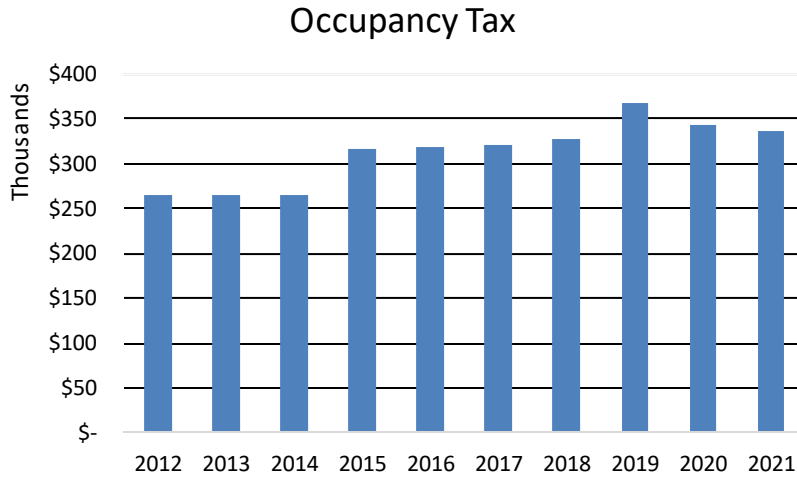
Fiscal Year	General Ad Valorem Tax	Special Ad Valorem Tax	Total
2012	\$ 7,984,145	\$ 99,678	\$ 8,083,823
2013	8,925,727	93,791	9,019,518
2014	9,390,723	94,355	9,485,078
2015	9,362,764	97,777	9,460,541
2016	8,989,843	105,524	9,095,367
2017	9,880,081	99,406	9,979,487
2018	10,122,823	99,196	10,222,019
2019	10,254,723	100,370	10,355,093
2020	10,504,426	89,027	10,593,453
2021	10,760,803	96,707	10,857,510



City of Lexington, North Carolina
Other Taxes and Licenses by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 6

Fiscal Year	Occupancy Tax	Cable TV Franchise Tax	Municipal Vehicle Tax	Total
2012	\$ 264,569	\$ 321	-	\$ 264,890
2013	264,663	252	-	264,915
2014	264,000	-	-	264,000
2015	316,532	-	-	316,532
2016	318,347	-	-	318,347
2017	320,251	-	-	320,251
2018	327,810	-	-	327,810
2019	367,932	-	-	367,932
2020	343,510	-	332,220	675,730
2021	337,180	-	446,310	783,490



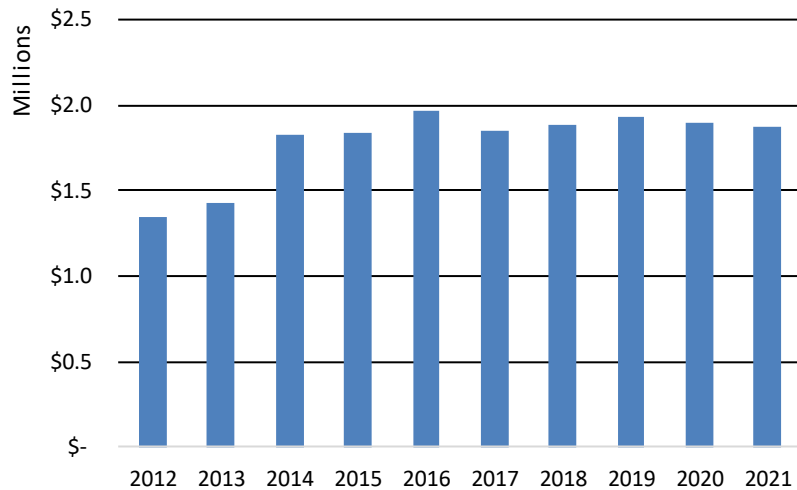
City of Lexington, North Carolina
Unrestricted Intergovernmental Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 7

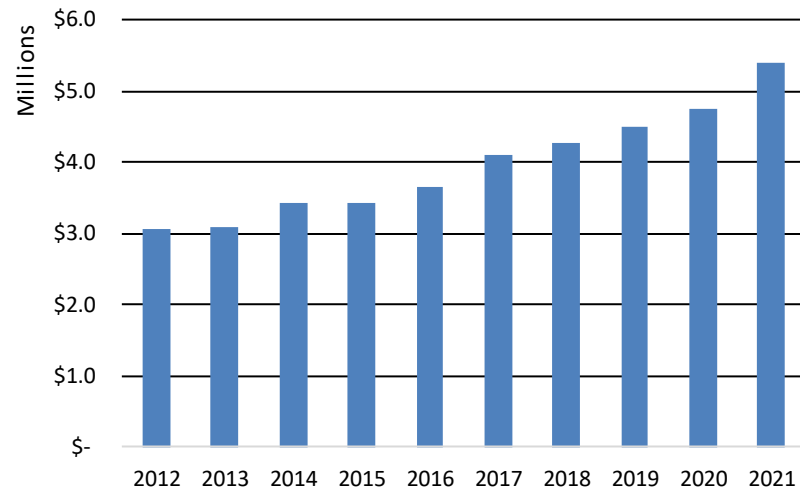
Fiscal Year	Build America Bond Interest Credit	Utilities Sales Tax	Piped Natural Gas Tax	Telecom-munications Tax	Video Franchise Tax	Payments in Lieu of Tax	Beer and Wine Tax	Local Option Sales Tax	ABC Revenues	Total
2012	\$ 37,955	\$ 1,343,834	\$ 1,628	\$ 286,724	\$ 157,097	\$ 7,552	\$ 82,326	\$ 3,050,437	\$ 186,200	\$ 5,153,753
2013	35,830	1,430,901	1,601	283,274	143,785	8,154	75,937	3,083,691	205,800	5,268,973
2014	30,944	1,827,102	2,427	299,966	172,657	13,681	81,484	3,428,265	301,000	6,157,526
2015	29,052	1,838,078	(3,867)	235,965	138,770	4,678	88,973	3,424,361	305,060	6,061,070
2016	26,892	1,962,379	127,759	202,077	131,744	1,348	82,393	3,646,785	305,900	6,487,277
2017	24,637	1,849,092	135,808	197,210	130,442	1,731	83,997	4,106,964	349,300	6,879,181
2018	22,252	1,883,982	167,236	180,867	125,168	1,717	80,267	4,263,394	360,500	7,085,383
2019	19,819	1,927,328	169,726	164,940	114,478	1,687	78,548	4,491,601	345,100	7,313,227
2020	17,267	1,892,993	149,463	131,288	109,712	1,654	78,060	4,737,746	414,400	7,532,583
2021	14,634	1,871,738	168,528	130,333	114,034	1,656	75,896	5,400,812	357,700	8,135,331

Graphical representations of trends are provided for the two largest sources of unrestricted intergovernmental revenues.

Utilities Sales Tax



Local Option Sales Tax



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

Table 8

Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating revenues										
Charges for service	\$ 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	\$ 46,725,659
Other operating revenues	1,534,910	1,574,156	2,396,323	273,825	915,867	666,864	443,691	685,451	378,660	408,635
Total operating revenues	47,386,503	49,921,330	54,320,797	53,679,028	51,300,549	50,797,110	51,546,031	50,877,723	47,178,992	47,134,294
Operating expenses										
Salaries and benefits	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	4,501,733	4,824,251	6,098,297	4,286,391	6,248,503	5,343,517	4,706,488	10,176,453	9,605,649	9,939,407
Purchases of power for resale	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	32,058,077
Depreciation	916,110	922,514	949,226	956,873	998,503	1,048,465	1,033,041	1,081,713	1,329,794	1,281,967
Total operating expenses	46,430,103	47,874,779	51,652,590	50,910,968	49,344,281	47,630,569	45,948,712	46,604,187	43,799,247	43,279,451
Operating income (loss)	956,400	2,046,551	2,668,207	2,768,060	1,956,268	3,166,541	5,597,319	4,273,536	3,379,745	3,854,843
Non-operating revenues (expenses)										
Investment earnings	34,225	19,060	16,136	16,907	37,028	48,105	128,915	346,784	323,224	16,256
Working capital refund	-	-	-	-	-	-	-	-	7,505,400	9,287,751
Interest and other charges	(188,937)	(170,698)	(152,401)	(189,818)	(141,749)	(180,709)	(155,722)	(131,967)	(115,060)	(100,755)
Other	(57,571)	(48,761)	61,532	(15,964)	(5,698)	(9,157)	(37,982)	(99,316)	(15,569)	24,745
Total non-operating revenues (expenses)	(212,283)	(200,399)	(74,733)	(188,875)	(110,419)	(141,761)	(64,789)	115,501	7,697,995	9,227,997
Income before transfers	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	13,082,840
Capital contributions	-	-	-	-	-	24,000	-	2,466,547	-	-
Transfers from (to) other funds	(634,423)	(1,338,781)	(520,204)	(2,774,154)	(2,171,161)	(1,452,514)	(1,433,688)	(1,426,993)	(1,431,106)	(1,200,000)
Change in net position	\$ 109,694	\$ 507,371	\$ 2,073,270	\$ (194,969)	\$ (325,312)	\$ 1,596,266	\$ 4,098,842	\$ 5,428,591	\$ 9,646,634	\$ 11,882,840

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

Table 9

Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating revenues										
Water charges for service	\$ 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	\$ 4,496,340
Wastewater charges for service	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	5,366,348
Other operating revenues	150,721	166,534	209,105	177,518	188,028	215,264	181,570	440,280	375,112	637,548
Total operating revenues	8,503,583	8,468,431	8,723,752	8,710,757	8,595,901	9,029,721	9,484,603	10,718,813	10,729,801	10,500,236
Operating expenses										
Water plant	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	2,205,866
Waste treatment plant	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	4,303,828
Water and wastewater	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	4,392,359
Depreciation	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	1,425,580
Total operating expenses	7,483,627	7,378,823	8,115,008	7,578,100	7,926,197	8,964,000	9,146,999	9,439,191	11,224,751	12,327,633
Operating income (loss)	1,019,956	1,089,608	608,744	1,132,657	669,704	65,721	337,604	1,279,622	(494,950)	(1,827,397)
Non-operating revenues (expenses)										
Investment earnings	18,283	11,507	11,693	12,480	25,440	32,864	77,212	169,334	133,319	15,888
Interest and other charges	(185,947)	(162,232)	(139,249)	(124,747)	(60,462)	(45,310)	(30,334)	(17,219)	(10,589)	(13,206)
Other	(43,970)	258	(1,069)	(17,379)	-	(39,873)	-	(2,067)	-	39,239
Total non-operating revenues (expenses)	(211,634)	(150,467)	(128,625)	(129,646)	(35,022)	(52,319)	46,878	150,048	122,730	41,921
Income before contributions and transfers	808,322	939,141	480,119	1,003,011	634,682	13,402	384,482	1,429,670	(372,220)	(1,785,476)
Capital contributions	1,461,439	82,471	633,527	-	-	-	-	-	-	-
Transfers from (to) other funds	(1,293,919)	(778,351)	(511,795)	226,397	(204,930)	(431,543)	(321,476)	3,152,335	(357,314)	-
Change in net position	\$ 975,842	\$ 243,261	\$ 601,851	\$ 1,229,408	\$ 429,752	\$ (418,141)	\$ 63,006	\$ 4,582,005	\$ (729,534)	\$ (1,785,476)

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

Table 10

Description	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating revenues										
Charges for service	\$ 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	\$ 11,079,183
Other operating revenues	19,229	19,294	248,463	46,018	246,147	61,395	206,424	35,312	55,615	61,281
Total operating revenues	<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>	<u>11,140,464</u>
Operating expenses										
Salaries and benefits	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	1,389,955
Operating expenses	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	3,226,533
Purchases of natural gas for resale	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	3,897,531
Depreciation	544,692	573,748	584,781	561,669	561,600	580,694	537,604	528,377	654,821	640,805
Total operating expenses	<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>	<u>9,154,824</u>
Operating income (loss)	<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>	<u>1,985,640</u>
Non-operating revenues (expenses)										
Investment earnings	15,544	8,390	9,997	12,018	25,085	28,956	62,180	160,744	100,484	26,194
Interest and other charges	(193,196)	(174,536)	(158,855)	(176,581)	(121,392)	(60,592)	(39,677)	(34,925)	(30,005)	(24,937)
Other	(48,908)	(11,726)	232	(3,736)	(12,944)	(9,064)	(122,337)	(13,429)	(6,350)	13,776
Total nonoperating revenues (expenses)	<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>	<u>15,033</u>
Income before contributions and transfers	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	2,000,673
Capital contributions	7,771	269,936	-	-	-	-	-	-	-	-
Transfers from (to) other funds	(1,147,666)	(1,100,646)	(1,408,915)	(926,267)	(881,812)	(1,049,818)	(1,072,046)	406,953	(1,101,548)	(1,056,917)
Change in net position	<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>	<u>\$ 943,756</u>

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

Table 11

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
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
2021	1,488,087,304	281,242,527	24,018,586	136,108,464	290,849,128	1,638,607,753	0.650	1,638,607,753

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 12

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	
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
2021	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, 2021 and June 30, 2012

Table 13

Taxpayer	Type of Business	2021				2012			
		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	\$ 106,353,233	1	\$ 691,296	6.49%	\$ 77,958,969	1	\$ 436,570	5.29%
Moran Foods Inc.	Food Distributor	23,575,029	2	153,238	1.44%	-	-	-	-
Wal-Mart	Retail	20,839,443	3	135,457	1.27%	15,436,080	5	86,442	1.05%
Masterbrand Cabinets	Wood Kitchen Cabinets	16,797,795	4	109,186	1.03%	-	-	-	-
Vitacost.com Inc.	Online Retail	13,838,509	5	89,950	0.84%	16,535,169	3	75,485	1.12%
Chesapeake Pharmaceutical Pkg	Printing	13,751,990	6	89,388	0.84%	8,085,986	9	45,282	0.55%
Jeld-Wen Inc.	Windows and Doors	13,741,559	7	89,320	0.84%	19,563,716	2	109,557	1.33%
First National Bank (2)	Banking	9,979,074	8	64,864	0.61%	15,968,824	4	89,425	1.08%
Windstream	Communications	9,946,427	9	64,651	0.61%	-	-	-	-
Arneg Holdings USA LLC	Refrigeration Equipment	9,345,575	10	60,746	0.57%	8,296,143	8	46,459	0.56%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	-	-	-	-	10,392,618	6	58,198	0.71%
Childress Winery & Vineyards	Viniculture	-	-	-	-	8,921,166	7	49,959	0.61%
Parkdale Mills Inc.	Textiles	-	-	-	-	7,636,413	10	42,764	0.52%
Total		\$ 238,168,634		\$ 1,548,096	14.54%	\$ 188,795,084		\$ 1,040,141	12.82%

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 14

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
2012	\$ 8,257,246	\$ 7,720,187	93.50%	\$ 481,964	\$ 8,202,151	99.33%
2013	8,987,527	8,447,008	93.99%	487,521	8,934,529	99.41%
2014	9,477,350	9,027,238	95.25%	401,158	9,428,396	99.48%
2015	9,267,995	8,943,133	96.49%	282,803	9,225,936	99.55%
2016	9,128,784	8,811,858	96.53%	273,624	9,085,482	99.53%
2017	9,963,786	9,602,457	96.37%	305,216	9,907,673	99.44%
2018	10,060,422	9,763,912	97.05%	220,902	9,984,814	99.25%
2019	10,163,290	9,843,256	96.85%	225,889	10,069,145	99.07%
2020	10,509,312	10,200,591	97.06%	161,578	10,362,169	98.60%
2021	10,676,169	10,422,095	97.62%	-	10,422,095	97.62%

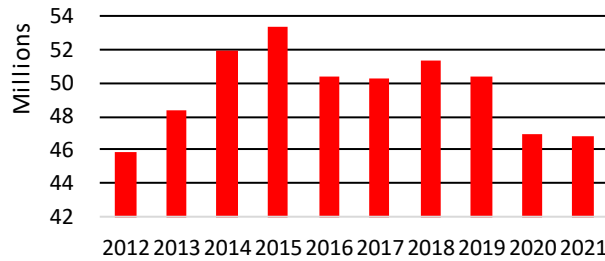
Source:
Davidson County Tax Department

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

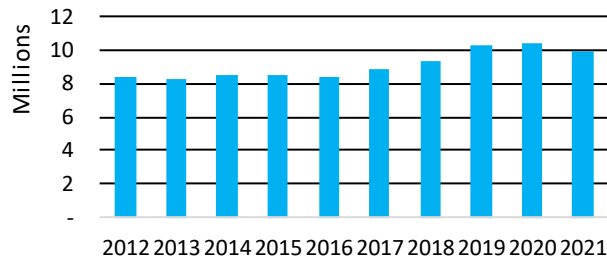
Table 15

Fiscal Year	Electric	Water & Wastewater	Natural Gas	Total
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
2021	46,805,477	9,896,350	11,086,958	67,788,785

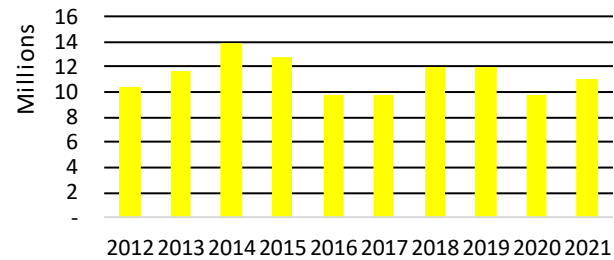
Electric Fund
Charges for Sales and Services



Water & Wastewater Fund
Charges for Sales and Services



Natural Gas Fund
Charges for Sales and Services



City of Lexington, North Carolina Table 15a
Electric Fund Charges for Sales and Services
Last Ten Fiscal Years

Fiscal Year	Residential (1)	Commercial	Industrial	REPS (2)	Total
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
2021	28,490,311	15,604,988	2,421,028	289,150	46,805,477

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 Table 15b
Water Fund Charges for Sales and Services
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Total
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
2021	2,491,924	1,172,702	847,673	4,512,299

City of Lexington, North Carolina Table 15c
Wastewater Fund Charges for Sales and Services
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Total
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
2021	2,930,158	2,075,313	378,580	5,384,051

City of Lexington, North Carolina Table 15d
Natural Gas Fund Charges for Sales and Services
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Capacity Sales	Total
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
2021	4,847,210	3,263,457	2,976,291	-	11,086,958

City of Lexington, North Carolina
Schedule of Top Ten Electric Customers
Fiscal Year Ended June 30, 2021

Table 16

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	8,383,788	\$ 1,282,263	2.74%
Lexington Memorial Hospital	Hospital	8,423,694	801,027	1.71%
Davidson County Schools	Public School System	5,470,086	760,987	1.63%
Lexington City Schools	Public School System	4,728,135	524,733	1.12%
Food Lion	Grocery Store Chain	5,799,176	512,050	1.09%
Davidson County	Government	4,275,923	506,596	1.08%
Cardinal Container	Corrugated Fiber Boxes	5,267,066	454,291	0.97%
United Furniture Industries	Upholstery Furniture	2,193,881	223,594	0.48%
Wal-Mart	Retail	3,949,015	223,051	0.48%
Paris Food Corp	Frozen Fruit and Vegetables	2,479,858	218,054	0.47%
		<u>50,970,622</u>	<u>\$ 5,506,646</u>	<u>11.77%</u>

City of Lexington, North Carolina
Schedule of Top Ten Water Customers
Fiscal Year Ended June 30, 2021

Table 17

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Electric Glass Fiber America (1)	Glass Products	157,287	\$ 471,511	4.76%
Halyard North Carolina	Healthcare Products	51,945	119,423	1.21%
City of Lexington	Government	36,362	102,849	1.04%
Parkdale Mills, Inc.	Textiles	26,257	61,775	0.62%
Cardinal Container	Corrugated Fiber Boxes	8,228	44,436	0.45%
Davidson County	Government	10,007	40,188	0.41%
Lexington City Schools	Public School System	5,788	38,962	0.39%
Lexington Memorial Hospital	Hospital	16,827	38,836	0.39%
NC Department of Public Safety	Prison	15,552	35,024	0.35%
Lexington Home Brands	Upholstery Furniture	<u>802</u>	<u>22,989</u>	<u>0.23%</u>
		<u>329,055</u>	<u>\$ 975,993</u>	<u>9.85%</u>

Notes:

(1) Formerly PPG Industries

City of Lexington, North Carolina
Schedule of Top Ten Wastewater Customers
Fiscal Year Ended June 30, 2021

Table 18

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	13,675	\$ 140,083	1.42%
Atrium Companies Inc.	Vinyl Windows & Doors	11,548	92,208	0.93%
Cardinal Container	Corrugated Fiber Boxes	8,500	74,781	0.76%
Halyard North Carolina	Healthcare Products	15,851	72,987	0.74%
Lexington Memorial Hospital	Hospital	16,827	66,462	0.67%
Davidson County	Government	10,507	61,180	0.62%
NC Department of Public Safety	Prison	15,552	60,632	0.61%
Richard Childress Racing, Inc	Motorsports	4,374	44,404	0.45%
Brookstone Rest Home	Residential Care	5,552	43,243	0.44%
Matcore Metal Fabrication	Machine Tools	4,539	37,383	0.38%
		<u>106,925</u>	<u>\$ 693,363</u>	<u>7.02%</u>

City of Lexington, North Carolina
Schedule of Top Ten Natural Gas Customers
Fiscal Year Ended June 30, 2021

Table 19

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Electric Glass Fiber America (1) (2)	Glass Products	472,243	\$ 462,770	4.17%
Wildermess. NC	Hardwood Products	85,785	427,959	3.86%
Egger Wood Products	Particleboard Manufacturer	318,540	310,191	2.80%
Halyard North Carolina (2)	Healthcare Products	226,133	302,866	2.73%
Kurz Transfer Products LP	Stamping Technology	43,713	240,466	2.17%
Matcor Metal Fabrication	Machine Tools	42,629	223,326	2.01%
Lexington Memorial Hospital	Hospital	39,018	209,017	1.89%
Hanes Construction Company	Paving	36,471	200,298	1.81%
Kepley Frank Hardwood Company	Hardwood Products	31,094	161,025	1.45%
JT Russell and Sons, Inc.	Asphalt Plant	27,784	151,253	1.36%
		<u>1,323,410</u>	<u>\$ 2,689,171</u>	<u>24.25%</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 20

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			
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	2.52%	901
2016	-	6,418,476	1,374,000	1,634,284	12,575,832	22,002,592	3.24%	1,188
2017	-	5,663,686	832,000	-	10,939,568	17,435,254	2.47%	941
2018	-	5,827,490	300,000	-	9,272,253	15,399,743	2.14%	847
2019	-	6,064,358	-	-	8,309,690	14,374,048	1.94%	792
2020	-	5,220,129	-	-	7,306,215	12,526,344	NA	689
2021	-	6,604,542	-	-	6,632,989	13,237,531	NA	674

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 21

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)
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%	-
2021	-	-	-	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, 2021

Table 22

Government Unit	Debt Outstanding	Percentage Applicable to City of Lexington (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Davidson County	\$ 108,003,856	10.69%	\$ 11,545,612
Subtotal, overlapping debt			11,545,612
City of Lexington, direct debt			6,604,542
Total direct and overlapping debt			\$ 18,150,154

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:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This 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 \$1,638,607,753 divided by the County's assessed valuation of \$15,325,340,972.

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

Table 23

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
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%
2021	131,088,620	13,237,531	117,851,089	10.10%

Legal Debt Margin Calculation for Fiscal Year 2021

Total Assessed Valuation	\$ 1,638,607,753
Debt limit (8 percent of total assessed value)	131,088,620
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	-
Outstanding debt not evidenced by bonds	13,237,531
Less: Statutory deductions for electric bonds	-
Total net debt applicable to limit	<u>13,237,531</u>
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 117,851,089</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 24

Fiscal Year	Electric Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
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
2021	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 25

Fiscal Year	Wastewater & Other Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
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
2021	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 26

Fiscal Year	Natural Gas Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
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
2021	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 27

Fiscal Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)
2012	18,816	\$ 616,506	\$ 32,765	10.4%
2013	18,628	607,161	32,594	9.4%
2014	18,655	643,094	34,473	6.6%
2015	18,730	668,755	35,705	5.8%
2016	18,528	678,755	36,634	5.1%
2017	18,532	706,514	38,124	4.6%
2018	18,179	718,216	39,508	4.0%
2019	18,149	741,859	40,876	3.7%
2020	18,172	NA	NA	5.6%
2021	19,632	NA	NA	5.7%

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 28

Employer	2021			2012		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.31%+	1000+	1	1.38%+
County of Davidson	1000+	2	1.31%+	500-999	2	0.69%-1.38%
Atrium Corporation	1000+	3	1.31%+	500-999	3	0.69%-1.38%
Old Dominion Freight Line	500-999	4	0.65%-1.31%	500-999	6	0.69%-1.38%
Food Lion	500-999	5	0.65%-1.31%	500-999	10	0.69%-1.38%
Wal-Mart Associates Inc.	500-999	6	0.65%-1.31%	500-999	4	0.69%-1.38%
Bradley Personnel Inc.	500-999	7	0.65%-1.31%	500-999	11	0.69%-1.38%
Asco Power Technologies LP	500-999	8	0.65%-1.31%	250-499	19	0.35%-0.69%
Jeld-Wen	500-999	9	0.65%-1.31%	250-499	18	0.35%-0.69%
Novant Health Thomasville Medical	500-999	10	0.65%-1.31%	500-999	9	0.69%-1.38%
Pergo LLC	500-999	11	0.65%-1.31%	NA	NA	NA
Wake Forest University Baptist Medical	500-999	12	0.65%-1.31%	500-999	5	0.69%-1.38%
Davidson-Davie County Community College	500-999	13	0.65%-1.31%	500-999	7	0.69%-1.38%
Lexington City Schools	250-499	14	0.33%-0.65%	500-999	8	0.69%-1.38%
Ennis Flint, Inc.	250-499	15	0.33%-0.65%	NA	NA	NA
Egger Wood Products LLC	250-499	16	0.33%-0.65%	NA	NA	NA
Lowes Home Centers Inc.	250-499	17	0.33%-0.65%	250-499	22	0.35%-0.69%
United Church Homes and Services	250-499	18	0.33%-0.65%	NA	NA	NA
Thomasville City Schools	250-499	19	0.33%-0.65%	250-499	12	0.35%-0.69%
City of Lexington	250-499	20	0.33%-0.65%	250-499	17	0.35%-0.69%
Aristofraft/Decora/Schrock	250-499	21	0.33%-0.65%	NA	NA	NA
City of Thomasville	250-499	22	0.33%-0.65%	250-499	21	0.35%-0.69%
Halyard North Carolina, Inc.	250-499	23	0.33%-0.65%	NA	NA	NA
Cook Out Office	250-499	24	0.33%-0.65%	NA	NA	NA
Priddy Manor Assisted Living	100-249	25	0.13%-0.33%	NA	NA	NA

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 29

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	24	24	26	25	24	25	27	28	27	28
Public safety										
Police										
Officers	69	65	65	64	61	62	62	57	62	62
Civilians	10	10	9	9	10	10	10	10	10	10
Fire										
Firefighters and officers	47	47	50	50	50	51	51	51	51	52
Civilians	1	1	1	1	1	1	1	1	1	1
Business & community development	7	9	9	9	9	8	9	9	9	9
Highways and streets										
Engineering (1)	4	4	4	2	-	-	-	-	-	-
Public services administration (2)	-	-	-	-	4	4	4	4	4	5
Street	15	15	15	15	13	13	13	13	13	11
Sanitation	18	18	18	17	14	14	14	14	14	13
Culture and recreation	18	18	18	18	18	18	18	18	18	18
Electric (3)	23	23	21	23	23	24	25	-	-	-
Water & Wastewater	44	43	43	43	44	44	44	45	45	45
Natural Gas	21	21	21	20	20	20	20	20	20	20
Stormwater (4)	-	-	-	-	-	-	-	-	-	3
Golf	5	5	5	5	5	6	6	7	8	8
Fleet Management	7	7	7	7	5	6	6	6	7	7
Group Insurance	-	-	-	-	1	1	1	1	1	1
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	24	24	24	24	25	25	25	32	34	34
Total	339	336	338	334	329	334	338	318	326	329

Source:

City of Lexington Budget Office

Note:

- (1) Due to City reorganization in fiscal year 2015-16, the Engineering Department is no longer a functioning City department.
- (2) Due to City reorganization in fiscal year 2015-16, the Public Services Administration Department was added as a functioning City department.
- (3) Due to City reorganization in fiscal year 2018-19, Electric operations now contracted with Electricities.
- (4) Stormwater was added as a functioning City Department in fiscal year 2020-21.

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

Table 30

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Governmental Activities</i>										
Public safety										
Police										
Physical arrests	3,552	3,242	2,532	3,132	3,058	2,709	2,653	2,359	2,284	1,922
Parking tickets	1,152	1,320	1,656	1,644	1,188	1,324	1,658	1,040	147	-
Calls for service	55,545	53,312	47,125	46,531	48,421	49,649	48,116	47,483	56,420	50,690
Citations	4,131	2,866	1,604	1,101	1,435	2,365	1,889	1,676	2,246	1,849
Fire										
Number of calls answered	1,048	1,013	1,181	1,181	1,237	1,066	1,164	1,288	1,165	1,208
Inspections	1,232	739	831	789	909	798	773	658	481	754
Business & community development										
Number of minimum housing inspections	2,513	2,600	2,494	1,977	2,901	1,444	1,080	1269 (4)	1,290	1,297
Number of building inspections	1,663	1,318	1,582	2,456	2,507	2,554	2,702	3,373	3,501	3,367
Number of nuisance complaints	2,534	2,405	2,405	2,048	2,143	2,252	2,306	2,902	2,318	2,145
Highways and streets										
Street resurfacing (miles)	7.38	5.76	4.12	3.67	0.00	2.85	2.29	0.00	2.32	0.00
Feet of sidewalk replaced/repared	1,142	990	384	527	1,532	759	1,611	1,074	1,761	721
Sanitation										
Refuse collected (tons/year)	7,125	6,590	7,036	6,884	7,386	7,240	7,152	8,240	8,237	8,726
Recyclables collected (tons/year)	505	580	568	634	755	918	957	268	797	1,045
Yard waste collected (tons/year)	4,350	4,550	7,151 (1)	3,965	3,731	3,561	3,448	1,540	1,576	1,608
Culture and recreation										
Athletic program enrollment	844	905	1,185	1,072	967	904	757	364	198	165
Park reservations	397	357	342	394	415	410	432	323	154	369
Pool admissions	2,366	4,609	3,295	9,322 (2)	17,879 (3)	12,635	10,767	10,703	6,273	4,901
Recreational program enrollment	1,076	1,135	523	948	969	1,738	1,009	1,220	922	358

Continued on next page.

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

Table 30
continued

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Business-type activities</i>										
Electric										
kWh sold	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	382,816,447
Number of customers	18,352	18,331	18,445	18,515	18,593	18,589	18,704	18,940	19,133	19,838
Water										
cfd sold	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	985,065
Number of customers	8,219	8,257	8,252	8,272	8,304	8,377	8,381	8,409	8,450	8,585
Wastewater										
cfd sold	830,295	822,187	824,727	810,697	798,931	819,071	814,118	821,675	826,148	793,241
Number of customers	7,922	7,954	7,988	8,022	8,082	8,262	8,377	8,441	8,629	8,816
Natural gas										
dt sold	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	2,108,822
Number of customers	8,940	9,054	9,093	9,224	9,276	9,355	9,467	9,502	9,573	9,707
Golf course										
Rounds sold	33,637	30,808	28,574	28,429	26,928	25,576	24,494	25,364	23,160	28,314
Number of passholders	103	110	100	94	73	76	67	65	51	58

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 31

Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<i>Governmental Activities</i>										
General Government										
Motor pool vehicles	83	85	86	80	85	90	90	96	48	41
Motor pool equipment	47	48	49	51	47	47	49	49	22	18
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	75	72	71	70	72	77	78	81	90	75
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	4
Fire trucks	8	9	8	8	9	9	9	9	9	9
Highways and streets										
Streets (miles)	125.5	125.3	125.3	125.3	125.3	125.4	125.4	125.2	125.2	125.6
Sanitation										
Collection trucks and equipment	23	25	25	22	22	24	26	25	31	29
Culture and recreation										
Parks	19	20	20	20	20	20	20	20	21	21
Swimming pools	2	2	2	2	1	1	1	2	2	2
Tennis courts	15	15	15	15	15	15	15	15	15	15
Basketball courts	12	13	13	13	13	13	13	13	16	16
Athletic fields	8	8	8	8	8	8	8	8	8	8
Walking, jogging and hiking trails (miles)	2.46	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)	616	616	616	620	716	716	716	863	930	930
Distribution underground lines (miles)	-	-	-	-	-	-	-	352	374	383
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)	192.0	192.0	192.0	192.0	192.0	192.9	192.9	192.9	192.9	192.9
Wastewater lines (miles)	212.0	214.0	216.0	216.0	247.0	248.6	248.6	248.6	248.6	216.0
Maximum daily treatment capacity water (millions of gallons)	7.2	7.2	7.2	7.2	7.2	7.2	9.3	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)	664	674	673	704	715	731	731	752	761	758

Source:
Various city departments and city capital asset records.

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

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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, 2021 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 18, 2021. 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 18, 2021

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance with The 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 Federal Program

We have audited the compliance of the City of Lexington, North Carolina, with the types of compliance requirements described in the *OMB Compliance Supplement* and 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 federal programs for the year ended June 30, 2021. The City of Lexington's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lexington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 federal 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 federal program. However, our audit does not provide a legal determination of the City of Lexington's compliance.

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2021.

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 compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lexington's internal control over compliance with the requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lexington'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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 18, 2021

CITY OF LEXINGTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a)?	No
Identification of major federal programs:	

Program Name

COVID-19 Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	No

2. Financial Statement Findings

None reported.

3. Federal Award Findings and Questioned Cost

None reported.

CITY OF LEXINGTON, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

None reported.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL#</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>
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-2934	\$ 300,000	\$ -	\$ -	\$ 300,000
<i>U.S. Department of Justice</i>						
Direct Programs						
Bulletproof Vest Partnership Program	16.607	2018BUBX18092430	1,194	-	-	1,194
Bulletproof Vest Partnership Program	16.607	2020BUBX20022096	4,373	-	-	4,373
Equitable Sharing Program	16.922	NC0290100	6,146	-	-	-
Passed-through N.C. Department of Public Safety						
Violence Against Women Formula Grants Program	16.588	2019-WF-AX-0021	15,905	-	-	-
Violence Against Women Formula Grants Program	16.588	2020-WF-AX-0013	62,344	-	-	31,457
<i>U.S. Department of Treasury</i>						
Direct Programs						
Equitable Sharing	21.016	NC0290100	3,655	-	-	-
Passed-through N.C. Office of State Budget and Management						
Passed-through Davidson County						
Coronavirus Relief Fund	21.019	02-29-02	<u>414,417</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>808,034</u>	<u>-</u>	<u>-</u>	<u>337,024</u>

Continued on next page.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL#</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 Environmental Quality</i>						
Direct Program						
VW-DC Fast Program		45499VW	\$ -	\$ 53,525	\$ -	\$ 15,194
VW-Level 2 Program		1000010826	-	25,000	-	8,763
<i>N.C. Department of Transportation</i>						
Direct Program						
Powell Bill, DOT-4		32570	-	209,649	-	-
<i>N.C. Department of Revenue</i>						
Direct Program						
Unauthorized Substance Tax			-	42,867	-	-
Total assistance - state programs			-	331,041	-	23,957
Total assistance			\$ 808,034	\$ 331,041	\$ -	\$ 360,981

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, 2021. 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.