

ANNUAL COMPREHENSIVE FINANCIAL REPORT



FISCAL YEAR ENDED

June 30, 2022

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City of Lexington

Fiscal Year Ended June 30, 2022



City Council
Jason Hayes, Mayor

Joe Watkins, Mayor Pro Tem
John Burke
Dr. Keith Curry
Jim Myers

Whitney Brooks
Frank Callicutt
Garrett Holloway
Matt Welborn

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, 2022**

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INTRODUCTORY SECTION





FINANCE DEPARTMENT
INTEGRITY FIRST

October 28, 2022

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, 2022. 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, 2022.

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

As noted earlier, the City is required by state law to have an annual independent financial audit. A compliance audit on state financial assistance is also required under applicable sections of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Martin Starnes & Associates, CPAs, P.A., conducted the audits and concluded in an unmodified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the City of Lexington, North Carolina, as of June 30, 2022. 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 18.8 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, Planning Board/Board of Adjustment/Historic Preservation Commission, Human Relations Commission, Edward C Smith Civic Center, Davidson Home Solutions, 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 now reaching Lexington as well.

Due to the financial planning and responsible stewardship by the City of Lexington, 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.

The past decade has marked a period of recovery and growth in Lexington. As with many mill towns in the southeast, Lexington was vulnerable to shifts in the economy due to loss of manufacturing and recessions. The community began an intentional plan of redefining itself early in the Great Recession despite the challenges of soaring poverty, job losses, population declines and vacancies reaching nearly 70% in some neighborhoods. Courageous initiatives during that time are now bearing fruit for a community that has transformed. Previously vacant commercial and industrial buildings have been filled with new businesses. The City has 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 housing market had a net gain of over 700 housing units between 2016 and 2021. Currently, nearly 2,500 additional housing units are in the planning stages or have received development approval. Median house prices have moved from far below tax value, to well above with middle-income properties being under contract within 48 hours. The City's demolition program has slowed because blighted houses are viable targets for renovation. Vacant infill lots created from the earlier demolition program are now being used to construct new houses.

After years of stagnant economic growth, the City is experiencing new development and healthy redevelopment. In 2018, there was \$21.4 million in commercial and residential development. In 2019 there was \$56.7 million. In 2020 investment dropped to \$24.7 million as a result of temporary halts due to COVID-19 closing impacts. The 2021, construction values rebounded to \$48.8 million. Most recently, planned construction projects have experienced delays due to supply chain issues and inflation. Prior to COVID-19, Lexington's unemployment rate was improving and reached 3.6%. As a result of COVID-19, the rate climbed to 11%, but has since returned to 5.4%, while the rate is 3.7% in North Carolina and 3.7% nationally. Nevertheless, 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 with translatable skills in furniture, assembly, and textiles. These cumulative efforts will aid Lexington in economic recovery post COVID-19. Confidence in growth is supported by the number of applications submitted for new development, though construction delays continue. This continued growth will be necessary to overcome poverty rates that have slightly improved but remain comparatively high in Lexington.

Improvements in poverty rates typically lag behind development as it takes time for wealth to reach all residents and recovery is accomplished over time through debt reduction, savings, security levels necessary for investment, access to transportation, education, jobs, and health care, as well as time to build savings. Therefore, exponential development and growth will only slowly be reflected in improved poverty rates. What is critical is that the poverty rates continue to improve. Based on recent development and job growth outlined herein, the economic position of the citizenry demonstrated improvement in the 2020 Census, down 2% from the previous Census. Nevertheless, 25% of Lexington is living in poverty. This compares to 12% of Davidson County, 12.9% in North Carolina, and 11.4% in the US. Per capita income in Davidson County is \$26,616 and in Lexington is \$17,465 compared to \$31,993 in North Carolina and \$35,384 in the US. Further, Median Household Income is \$50,454 in Davidson County is and \$30,366 in Lexington, compared to \$56,642 in North Carolina and \$64,994 in the US. Therefore, new job investment and growth will continue to be critical to this community.

The City recently welcomed and approved a petition for voluntary satellite annexation of 768 acres along I-85. The City will partner with Samet Corporation to leverage resources for development of this property as the NC I-85 Center whereby Samet Corporation will own and develop the industrial park with industrial recruitment and infrastructure support from the City. Samet is one of the leading Commercial & Industrial General Contractors, Design & Builders and Construction Managers in the Southeast. The company was recently recognized by Engineering News and Record Magazine (ENR) as one of the Top 400 General Contractors in the United States and are the largest General Contractor in the Triad Region of Central North Carolina according to The Triad Business Journal. Equaling over 6% of the total land area of the city, this industrial park hold potential for strong long-term economic growth.

Lexington formed a partnership with Front Street Properties, LLC to purchase approximately 200 acres within the city proper for development of the Lexington Industrial Park. Front Street Properties, LLC is aggressively working to recruit suitable users. The site has attracted the serious interest of several large industries resulting in full assessment exercises. As with the industrial recruitment field, several prospects are typical before the right fit is discovered and the property is sold and developed. ElectriCities of North Carolina, Inc. has certified it for site-readiness to aid in recruitment efforts.

Egger Wood Products North American headquarters in the nearby I-85 Corporate Center is underway, bringing 770 new jobs with \$700 million in investment and a 4.2 million square-foot facility over a 10 to 15-year period. Egger has demonstrated a consistent job multiplier of 3 in all of their previous 20 worldwide locations.

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 was recently sold for a new industrial development.

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.

Halyard North Carolina (formerly Kimberly-Clark Health Care), a global healthcare products company, continues to be the City's largest taxpayer, with 7.26% of the City's assessed valuation. Moran Foods, Wal-Mart, Masterbrand Cabinets, and Vitacost.com round out the top five at 1.40%, 1.21%, 0.90%, and 0.74%, 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.)

New job creation and retention is 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 industrial development 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 and located at the convergence of Charlotte and Greensboro growth, Lexington remains a serious contender for industrial location along the I-85 corridor with ample access to rail via Norfolk Southern Rail Service.

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. COVID-19 resulted in a substantial halt to tourism, with economic impact falling to \$147 million in 2020, but rebounding to \$215.67 million in 2021. Tourism growth is expected to return to a steady annual increase. Attractions include historic Uptown Lexington, the Depot District and Breedon 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 fluctuating spikes in cases 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 and 38th annual Barbecue Festivals were cancelled for 2020 and 2021. With its return in October 2022, the Festival is expected to bring 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 totaled approximately \$45.9 million in 2021.

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 uses, it is anticipated that Lexington's economic base will see growth in the future.

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. Although it is widely believed that most communities were severely underreported due to COVID19, tremendous 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. A recent addition to the City's utility services includes Stormwater Management. The City has entered into the Phase II Stormwater regulation level. Stormwater management will be an independent utility funded through rates applied and billed to the amount of impervious service of one's residence. In essence, cost will be assessed relative to the amount of impervious surface attributed to a resident user of square footage of home and hardscape for living. 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 actively seeks grant sources to offset costs associated with mandated improvements, maintenance expenses, and expansions of the systems.

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

City Manager Terra Greene 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 hired a professional Diversity, Equity and Inclusion Officer to support efforts in creating an organization of diversity, equity and inclusion and a community of unity. Although this letter is geared primarily toward economic reporting, statistics, and growth factors, the all-important issue of racial diversity, equality, and inclusion are at the forefront of creating a community that can move forward and be financially successful with contributions of each and every citizen.

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 “Re-creation 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. Currently, the City is progressing plans to develop a youth recreation facility to round out recreation initiatives identified in the original plan.

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 an additional \$10.5 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. Although the cost of the project has increased from \$41 to \$57 million due to inflation, supply chain issues, and increasing cost of construction, the investment will return long term benefits to the residents of this greater community.

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., 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

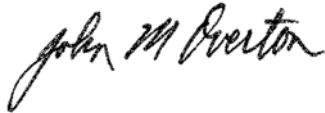
Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Lexington for its annual comprehensive annual financial report (ACFR) for the fiscal year ended June 30, 2021. This was the thirtieth consecutive 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, flowing style.

John M. Overton
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lexington
North Carolina**

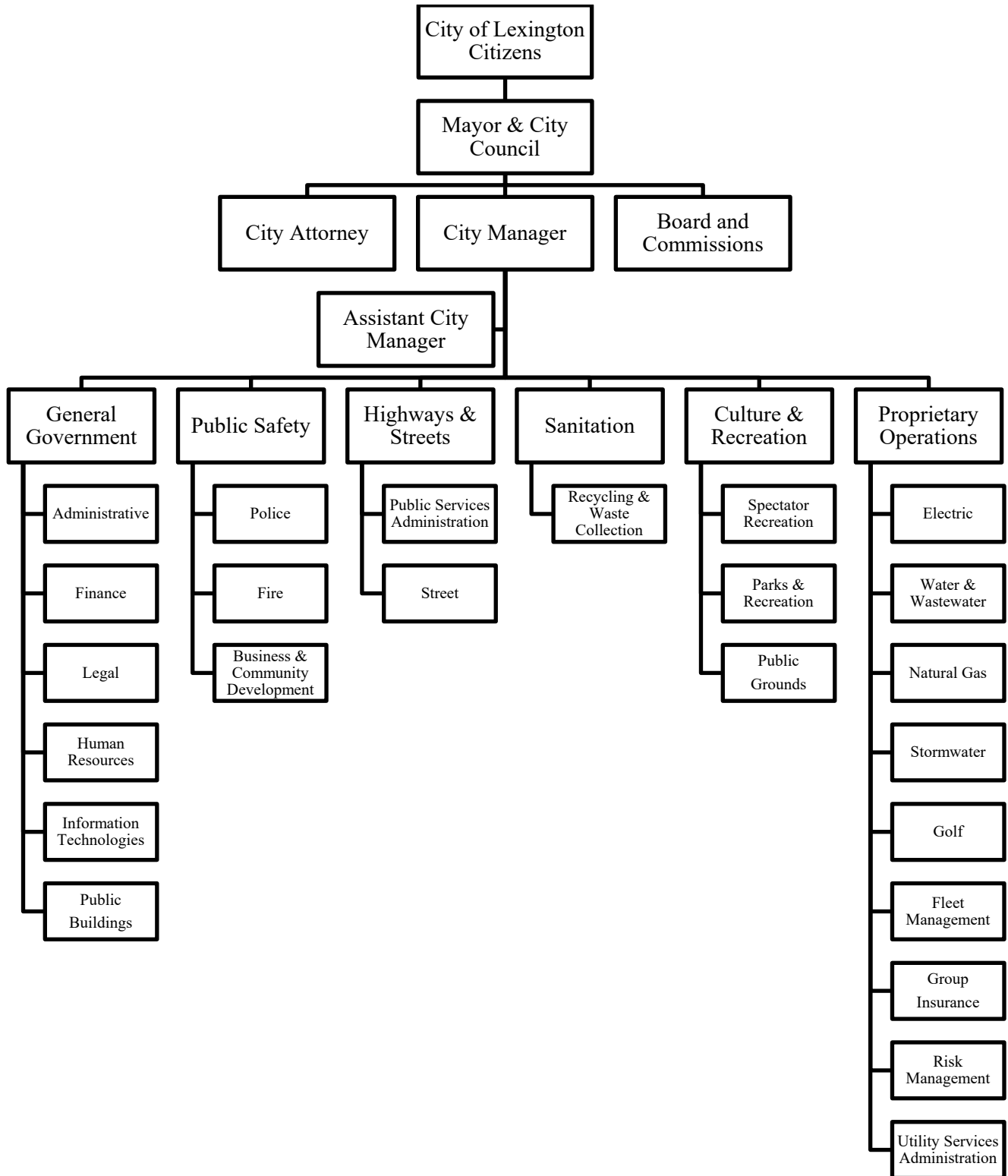
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

City of Lexington, North Carolina Organizational Chart



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FINANCIAL SECTION



MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying 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, 2022, 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.

We did not audit the financial statements of the City of Lexington ABC Board, which represents 36%, 50% and 91%, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. We did not audit the financial statements of Front Street-Lexington, LLC, which represents 48%, 20%, and 0% of the assets, net position, and revenues of the discretely presented component units as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the ABC Board, Front Street-Lexington, LLC, and the Lexington Tourism Authority were not audited in accordance with *Government Auditing Standards*.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, in 2022 the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, the Firefighters' and Rescue Squad Workers' Pension Funds' Schedule of the Proportionate Share of Net Pension Liability, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll, and the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 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 combining and individual fund financial statements, budgetary schedules, other schedules, component unit statements and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit and the reports of the 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 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 performed 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 28, 2022

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, 2022. 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

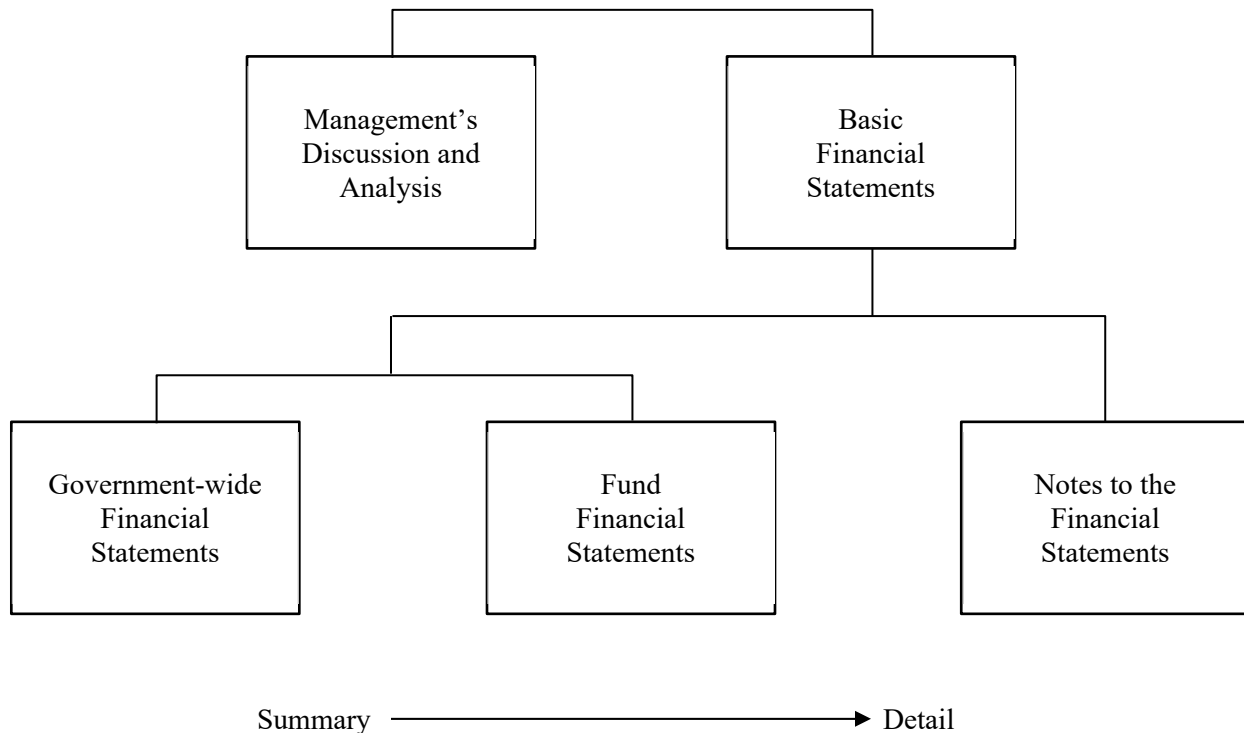
- The assets and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$193,333,608 (*net position*).
- The government's total net position increased by \$3,950,674, primarily due to increases in property tax revenues, increases in unrestricted intergovernmental revenues such as sales taxes, budgetary savings in personnel and other operating expenses, 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 \$14,361,049, which is an increase of \$677,147 in comparison with the prior year. Approximately 44.5% of this total amount, or \$6,391,997, is non spendable or restricted. The increase is primarily driven by increased property tax and sales tax revenues. A significant planned increase in spending on a street paving contract partially offset some of the gains in revenues.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,968,769, or 18.6% of total General Fund expenditures for the fiscal year. This reflects the impact of a \$2,090,365 restatement of beginning fund balance related to the reclassification of payment in lieu of taxes transfers made from the Water and Wastewater Fund to the General Fund, treating the transactions as loan, which is more fully described in Note 10 of this report. 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 \$29,660,014, which increased by \$16,422,483 (124.1%) during the current fiscal year. This includes lease liabilities totaling \$140,524. The City issued installment purchase debt in the amount of \$14,000,000 for the City Centre Project and \$5,310,000 for the Advanced Metering Infrastructure (AMI) Project. 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 30 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 45 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 101 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Lexington's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 31,456,882	\$ 28,282,385	\$ 87,555,812	\$ 67,875,727	\$ 119,012,694	\$ 96,158,112
Capital assets	36,953,025	39,980,494	105,455,497	100,507,475	142,408,522	140,487,969
Total assets	<u>68,409,907</u>	<u>68,262,879</u>	<u>193,011,309</u>	<u>168,383,202</u>	<u>261,421,216</u>	<u>236,646,081</u>
Deferred outflows of resources	<u>7,329,540</u>	<u>6,343,239</u>	<u>2,948,460</u>	<u>2,361,649</u>	<u>10,278,000</u>	<u>8,704,888</u>
Current liabilities	5,073,617	1,987,655	6,935,330	6,569,936	12,008,947	8,557,591
Long-term liabilities outstanding	26,909,039	30,163,506	32,016,796	14,928,760	58,925,835	45,092,266
Total liabilities	<u>31,982,656</u>	<u>32,151,161</u>	<u>38,952,126</u>	<u>21,498,696</u>	<u>70,934,782</u>	<u>53,649,857</u>
Deferred inflows of resources	<u>4,915,801</u>	<u>1,696,704</u>	<u>2,515,025</u>	<u>621,474</u>	<u>7,430,826</u>	<u>2,318,178</u>
Net position						
Net investment in capital assets	31,969,057	33,673,104	97,720,290	93,874,486	129,689,347	127,547,590
Restricted	6,230,231	5,675,140	-	-	6,230,231	5,675,140
Unrestricted	641,702	1,410,009	56,772,328	54,750,195	57,414,030	56,160,204
Total net position	<u>\$ 38,840,990</u>	<u>\$ 40,758,253</u>	<u>\$ 154,492,618</u>	<u>\$ 148,624,681</u>	<u>\$ 193,333,608</u>	<u>\$ 189,382,934</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 \$193,333,608 as of June 30, 2022. The City's net position increased by \$3,950,674 for the fiscal year ended June 30, 2022. However, the largest portion (67.08%) 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, plants and distribution systems, and

right to use leased assets). 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, \$6,230,231, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$57,414,030 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 97.77%. The statewide average in fiscal year 2019-20 was 98.96%.
- Increased property tax revenues of approximately \$1,134,000, including a \$435,000 estimated impact of a general property revaluation.
- Increased sales tax revenues of approximately \$1,168,000 due to continued economic growth in the City.
- Vacancies and delays in hiring resulting in approximately \$2,149,000 in unspent budgetary appropriations for personnel cost in governmental activities, including \$550,000 in unspent budgetary appropriations for health insurance cost.
- Decreased revenues for electricity sales of approximately \$345,000, or 0.7%, primarily due to a 0.9% increase in overall consumption and the continuing impact of average rate decreases of 3.3% for residential rates and 2.4% for commercial rates in January 2021.
- Increased revenues for water and wastewater charges of approximately \$1,593,000, primarily due to 2.0% increase in customer water consumption and a 2.1% increase in wastewater consumption, along with rate increases of 10% for water and wastewater that went into effect on July 1, 2021.
- Continued investment in plant and infrastructure maintenance for the water and wastewater systems.
- Significant increased revenues for natural gas sales of approximately \$2,810,000, or 25.3%, due to both a 13.8% increase in consumption and significant market-driven increases in the variable “cost of gas” component of the rate structure.
- Significant increased cost of gas purchased for resale of approximately \$3,084,000, or 79.1%, due primarily to significant market-driven commodity price increases.
- 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	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 2,400,697	\$ 2,267,165	\$ 76,382,358	\$ 70,812,446	\$ 78,783,055	\$ 73,079,611
Operating grants and contributions	1,382,085	1,522,514	1,423	9,287,751	1,383,508	10,810,265
Capital grants and contributions	-	-	209,739	78,525	209,739	78,525
General revenues						
Property taxes	11,832,251	10,698,617	-	-	11,832,251	10,698,617
Other taxes	913,891	783,490	-	-	913,891	783,490
Other general revenues	9,411,179	8,212,577	109,771	59,329	9,520,950	8,271,906
Total revenues	<u>25,940,103</u>	<u>23,484,363</u>	<u>76,703,291</u>	<u>80,238,051</u>	<u>102,643,394</u>	<u>103,722,414</u>

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Expenses						
General government	\$ 4,599,821	\$ 4,726,370	\$ -	\$ -	\$ 4,599,821	\$ 4,726,370
Public safety	12,515,442	13,136,736	-	-	12,515,442	13,136,736
Highways and streets	3,099,029	2,173,088	-	-	3,099,029	2,173,088
Sanitation	2,599,340	2,326,376	-	-	2,599,340	2,326,376
Culture and recreation	2,215,386	1,918,639	-	-	2,215,386	1,918,639
Economic and physical development	2,457,306	838,166	-	-	2,457,306	838,166
Interest on long-term debt	152,248	176,099	-	-	152,248	176,099
Electric	-	-	45,025,677	43,907,795	45,025,677	43,907,795
Water and Wastewater	-	-	11,838,419	12,593,358	11,838,419	12,593,358
Natural gas	-	-	12,073,469	9,580,143	12,073,469	9,580,143
Stormwater	-	-	954,143	315,219	954,143	315,219
Golf	-	-	1,162,440	1,024,420	1,162,440	1,024,420
Total expenses	<u>27,638,572</u>	<u>25,295,474</u>	<u>71,054,148</u>	<u>67,420,935</u>	<u>98,692,720</u>	<u>92,716,409</u>
Increase (decrease) in net position before transfers	(1,698,469)	(1,811,111)	5,649,143	12,817,116	3,950,674	11,006,005
Transfers	<u>1,871,571</u>	<u>1,531,917</u>	<u>(1,871,571)</u>	<u>(1,531,917)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>173,102</u>	<u>(279,194)</u>	<u>3,777,572</u>	<u>11,285,199</u>	<u>3,950,674</u>	<u>11,006,005</u>
Net position, beginning, previously reported	40,758,253	41,037,447	148,624,681	137,339,482	189,382,934	178,376,929
Restatement	<u>(2,090,365)</u>	<u>-</u>	<u>2,090,365</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning	<u>38,667,888</u>	<u>41,037,447</u>	<u>150,715,046</u>	<u>137,339,482</u>	<u>189,382,934</u>	<u>178,376,929</u>
Net position, ending	<u>\$ 38,840,990</u>	<u>\$ 40,758,253</u>	<u>\$ 154,492,618</u>	<u>\$ 148,624,681</u>	<u>\$ 193,333,608</u>	<u>\$ 189,382,934</u>

Governmental activities - Governmental activities increased the City's net position by \$173,102. Key elements of this decrease are as follows:

- Operating grants and contributions decreased by approximately \$140,000. The previous year included \$414,000 in Coronavirus Relief Funds.
- Property taxes increased by approximately \$1,134,000, reflecting an increase of approximately \$161,074,000 in assessed property values, including a \$62,890,000 estimated impact of a general property revaluation on values.
- Retail sales continued to see a significant growth trend that began during the previous fiscal year, driving a \$1,205,000 increase in unrestricted intergovernmental revenues, including an increase in local option sales taxes of approximately \$1,168,000 for the year.
- Pension and OPEB expense decreased by approximately \$1,137,000.
- Depreciation expense increased by approximately \$557,000.
- Paving expenses for streets increased by approximately \$817,000.
- Economic development expenses increased by approximately \$1,619,000, primarily related to recognized losses on disposal of properties held for economic development purposes.
- 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 \$3,777,572. Key elements of the business-type increase are as follows:

- Continuing benefits from decreased rates paid for purchased electric power, increases in the number of kWh of electricity sold, a ten percent increase in water and wastewater rates, increases in DT of natural gas sold, and cost containment measures contributed to operating margins in the three major utility funds of Electric, Water and Wastewater, and Natural Gas, resulting in an aggregate positive change of \$2,263,938 in net position related to these three utilities.
- Nonmajor utility funds and internal service funds contributed an aggregate positive change of \$1,513,634 in net position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The General Fund is the chief operating fund of the City of Lexington. At the end of the current fiscal year, City of Lexington fund balance available for appropriation in the General Fund was \$7,595,139, while total fund balance reached \$13,841,458. 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 28.14% of General Fund expenditures, while total fund balance represents 51.28% of the same amount. Of the fund balance available, \$3,100 is restricted in what it can be used for and \$169,551 has been committed for specific purposes. The City Council has appropriated \$2,453,719 of the fund balance available for use in the year ended June 30, 2022.

At June 30, 2022, the governmental funds of the City of Lexington reported a combined fund balance of \$14,361,049, with a net increase in fund balance of \$677,147. Included in this change in fund balance is an increase of \$1,347,111 in the General Fund. Much of the increase in the General Fund is due to significant increases in property taxes and unrestricted intergovernmental revenues resulted from a continued improving economy. 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 3,061,209, representing a 9.8 percent increase from the original budget. These included the following significant amendments: 1) \$843,274 related to vehicle acquisitions for General Fund operating departments, including \$557,000 in budgetary authority to place orders for vehicles that are not expected to be delivered until the subsequent fiscal year due to extended delivery times caused by supply chain issues. acquisition of an aerial fire truck that is expected to be delivered and financed in a subsequent fiscal year, 2) \$588,478 mid-year amendment including \$500,000 in reappropriation of unspent prior year budgetary authority for street paving, 3) \$481,937 related to the recognition of prepaid maintenance on and the refinancing of debt for a police computer aided dispatch and records management software system with an interfund loan in order to avoid an escalation in the interest rate, 4) \$334,000 for a purchases of vehicles from the City's Fleet Management Fund motor pool operations as part of a continuing implementation of vehicle and equipment replacement plans for the City's Governmental Funds, and 5) \$260,000 for a midyear adjustment related to escalating gasoline and diesel prices and increased repair costs for large trucks and equipment.

Revenues were \$1,410,502 higher than the final budgeted amounts. Ad valorem tax revenues exceeded those amounts estimated with the budget by \$700,284, primarily because taxable property values exceeded values estimated with the budget, accounting for approximately \$464,000 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 \$554,424. Included in this category is the local option sales tax with revenues exceeding budgeted amounts by \$505,899. Retail sales continued seeing a substantial growth trend that began in the previous year and sales tax collections ended up being much stronger than anticipated. Restricted intergovernmental revenues were \$200,376 more than budgeted amounts, primarily due an increase in Powell Aid revenues driven by census population gains.

Other financing resources were \$2,403,116 lower than the final budgeted amounts. \$2,616,487 in budgeted debt issuances were not issued, primarily related to a budgeted \$1,600,000 debt issuance for an aerial fire truck that was not delivered or financed until the subsequent fiscal year. \$584,000 in budgeted debt issuances for refuse trucks and public grounds vehicles were not issued as the City continued efforts to reduce or eliminate borrowing for most vehicles and equipment as part of its vehicle and equipment replacement plans. \$432,487 in a budgeted debt issuance for refinancing debt for a police computer aided dispatch and records management software system was instead handled as an interfund loan. Sales of capital assets exceeded budgeted amounts by \$213,373.

Expenditures were \$7,290,063, or 21.6%, lower than the final budgeted amounts. Personnel costs were \$2,148,746 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 \$549,697. Another significant part of this variance is represented by outstanding encumbrances at June 30, 2022, which totaled \$2,996,789 for the General Fund. These purchase and contractual commitments, although originally authorized under budgetary appropriations for the year ended June 30, 2022, will be reflected as expenditures in the subsequent fiscal year. These purchase commitments include \$2,473,878 in outstanding encumbrances for capital items that had not been delivered by fiscal year end, including \$1,497,094 related to the acquisition of an aerial fire truck, which will be financed in the subsequent year. Debt service was \$663,309 lower than budget amounts, primarily because \$480,407 in repayments on internal borrowings were budgeted as debt service. In addition, \$145,598 in budgeted debt service for new refuse trucks and public grounds vehicles was not needed because those purchases were made without issuing debt. Other expenditures were held in check by management in its continuing effort to manage expenditures.

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 \$52,019,838, including \$33,647,936 in Electric, \$10,707,412 in Water and Wastewater, and \$7,664,490 in Natural Gas. Unrestricted net position of the City’s nonmajor enterprise funds (Stormwater and Golf) totaled \$446,765 at the end of the fiscal year. Total unrestricted net position for all enterprise funds amounted to \$52,466,603.

The change in net position for the City’s major enterprise funds totaled \$2,263,938, including \$653,391 in Electric, \$569,982 in Water and Wastewater, and \$1,040,565 in Natural Gas. The change in net position for the City’s nonmajor enterprise funds (Stormwater and Golf) totaled \$400,302. 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	\$ 3,360,501	\$ (245,390)	\$ 628,374	\$ 3,743,485	\$ 171,527	\$ 3,915,012
Unrestricted	<u>(2,707,110)</u>	<u>815,372</u>	<u>412,191</u>	<u>(1,479,547)</u>	<u>228,775</u>	<u>(1,250,772)</u>
Total Net Position	<u>\$ 653,391</u>	<u>\$ 569,982</u>	<u>\$ 1,040,565</u>	<u>\$ 2,263,938</u>	<u>\$ 400,302</u>	<u>\$ 2,664,240</u>

Electric unrestricted net position decreased by \$2,707,110. The decrease is primarily continued investment in infrastructure, including \$2,491,671 invested during the fiscal year towards a third electric delivery station for the system. 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

3,476,000 kWh more than in the previous year, representing a 0.9% increase. The impact of this increase is reflected in both revenues and in the cost of purchased electric power. Water and Wastewater unrestricted net position increased by \$815,372. Increases are primarily due to the impact of 10% water and wastewater rate increases that went into effect on July 1, 2021. The Water and Wastewater utility reported charges for approximately 20,000 mor CCF's of water than in the previous year (a 2.0% increase) and 17,000 more CCF's of wastewater than in the previous year (a 2.1% increase). Natural Gas unrestricted net position increased by \$412,191. The Natural Gas utility sold approximately \$291,000 DT's more than in the previous year, representing a 13.8% increase. The increase is primarily associated customer growth, along with colder winter temperatures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Right to Use Leased Assets – As of June 30, 2022, the City of Lexington had \$139,913 invested in right to use leased assets, net of accumulated amortization, for its governmental and business–type activities. This amount includes assets such as land and vehicles and equipment.

City of Lexington's Right to Use Leased Assets (Net of Amortization)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 130,128	\$ -	\$ -	\$ -	\$ 130,128	\$ -
Equipment & vehicles	-	-	9,785	-	9,785	-
Total	<u>\$ 130,128</u>	<u>\$ -</u>	<u>\$ 9,785</u>	<u>\$ -</u>	<u>\$ 139,913</u>	<u>\$ -</u>

Additional information on the City's right to use leased assets can be found in Note 2.A.6 of the Basic Financial Statements.

Capital Assets – As of June 30, 2022, the City of Lexington had \$142,408,522 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:

- Reflected the removal of \$1,395,553 in capitalized construction in progress related to disposal of properties held for economic development purposes, reflecting a \$1,017,803 loss on disposal as economic and physical development expense.
- Reflected the reclassification of \$1,997,720 in capitalized construction in progress related to properties held for economic development purposes to non-depreciable land.
- Reflected the reclassification of \$1,308,167 in capitalized construction in progress related to the City's Skate/BMX Park Project to other improvements.
- Reflected the reclassification of \$987,907 in capitalized construction in progress related to the City's 2020 Recreation Facilities Improvements Project to buildings (\$745,294) and equipment and vehicles (\$242,613).
- Investments in governmental equipment & vehicles, reflecting the continuing implementation of vehicle & equipment replacement plans.
 - Investments in the General Fund and other governmental funds totaling \$1,318,313.
 - Investments in the Fleet Management Fund, a governmental activity, totaling \$287,270
- Investments in the Electric Delivery Station No. 3 Project, an Electric Fund project, at a cost of \$2,491,671.

- Investments in the Advanced Metering Infrastructure (AMI) Project, a Water and Wastewater Fund project, at a cost of \$1,449,009. This project is being financed by a \$5,310,000 debt issuance that occurred during the 2021-22 fiscal year.
- Investments in the Transco Interconnect Distribution Pipeline Project, a Natural Gas Fund project, at a cost of \$227,853.
- Investments in infrastructure improvements in the Electric Fund at a cost of \$1,111,479.
- 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 \$577,943.
 - Investments in the Water & Wastewater Fund totaling \$536,711.
 - Investments in the Natural Gas Fund totaling \$308,950.

**City of Lexington's Capital Assets
(Net of Depreciation)
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 4,536,534	\$ 2,538,814	\$ 2,292,083	\$ 2,293,083	\$ 6,828,617	\$ 4,831,897
Buildings	8,709,252	8,243,572	7,269,077	7,436,216	15,978,329	15,679,788
Other improvements	4,008,541	3,096,282	520,906	1,069,360	4,529,447	4,165,642
Equipment & vehicles	4,672,452	4,316,185	4,645,088	4,049,304	9,317,540	8,365,489
Intangibles	354,213	430,112	33,442	52,066	387,655	482,178
Infrastructure	13,118,292	14,134,058	-	-	13,118,292	14,134,058
Plant & distribution systems	-	-	84,674,301	85,036,745	84,674,301	85,036,745
Construction in progress	1,553,741	7,221,471	6,020,600	570,701	7,574,341	7,792,172
Total	<u>\$ 36,953,025</u>	<u>\$ 39,980,494</u>	<u>\$ 105,455,497</u>	<u>\$ 100,507,475</u>	<u>\$ 142,408,522</u>	<u>\$ 140,487,969</u>

Additional information on the City's capital assets can be found in Note 2.A.7 of the Basic Financial Statements.

Long-term Debt – At June 30, 2022, the City had installment purchase debt outstanding of \$29,519,490. 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. The remainder of the City's long-term debt obligations are comprised of lease liabilities.

**City of Lexington's Outstanding Debt
Figure 6**

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Lease liabilities	\$ 130,776	\$ -	\$ 9,748	\$ -	\$ 140,524	\$ -
Direct placement installment purchases	4,983,320	6,604,542	24,536,170	6,632,989	29,519,490	13,237,531
Total	<u>\$ 5,114,096</u>	<u>\$ 6,604,542</u>	<u>\$ 24,545,918</u>	<u>\$ 6,632,989</u>	<u>\$ 29,660,014</u>	<u>\$ 13,237,531</u>

The City of Lexington's total debt increased by \$16,422,483 (124.1%), primarily due to the issuance of new installment purchase debt totaling \$19,310,000. The City issued installment purchase debt for the following – 1) \$5,310,000 for the Advanced Metering Infrastructure (AMI) Project to replace the water and wastewater utility metering infrastructure with a modern metering infrastructure with advanced capabilities, and 2) \$14,000,000 for the City Centre Project to develop and construct of a new one-stop smart service center for City of Lexington residents and utility customers, a Utility Administration Internal Service Fund project. Principal retirements during the year totaled \$3,028,041.

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 \$114,455,041. The City has no bonds authorized but unissued at June 30, 2022.

Additional information regarding the City of Lexington's long-term debt can be found in Note 2.B.9 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

- Unemployment. The local unemployment rate of 3.6% was slightly lower than the state rate of 4.1% at the end of the fiscal year. This is a significantly lower unemployment rate than the previous year when the local unemployment rate was 5.7%. The state unemployment rate from the previous year was 5.5%.
- Principal property tax payers. Halyard North Carolina is the largest taxpayer in the City, with 7.26% of total assessed valuation.
- Principal utility customers. For the year ended June 30, 2021, the City of Lexington was the largest electric customer providing 2.92% of total electric revenue, Electric Glass Fiber America was the largest water customer providing 4.87% of total water revenue, Davidson County schools was the largest wastewater customer providing 1.90% of total wastewater revenue, and Wilderness, NC was the largest natural gas customer providing 6.79% of total natural gas revenue.
- Inspections for construction activity in the City totaled 4,849 with a value of \$46.1 million compared to prior year inspections totaling 2,930 with a value of \$27.2 million.
- Economic development incentive agreements. Economic development incentive agreements that remain in effect as of June 30, 2022 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.
 - 3) Halyard North Carolina – Under the terms of this December 2020 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.
- 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, 2022 include:
 - 1) 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.
 - 2) 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.
 - 3) 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.

- 4) Border Concepts, Inc. – Under the terms of this *Rural Building Reuse and Infrastructure* grant, announced in April 2022, Border Concepts committed to renovate or expand an industrial building and to create 10 full time jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities – Budgeted revenue is expected to be 5.2% higher than for 2021-22. The property tax rate for 2022-23 remains unchanged at \$0.65 per \$100 of assessed valuation. Increases in anticipated taxable property values are expected to increase budgeted revenue by \$579,000 (5.2% increase) and reflect increased property values due to economic growth. Unrestricted intergovernmental revenues are expected to increase budgeted revenue by \$532,000 (6.1% increase) and includes increases in budgeted sales tax of \$499,000, reflecting unbudgeted gains in 2021-22 and more modest increases in 2022-23. Restricted intergovernmental revenues are expected to increase budgeted revenue by \$177,000 (26.8% increase) and reflect the impact of Census population gains in the City’s Powell Bill allocation. 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 10.9% from final 2021-22 budgeted expenditures to \$32,306,042. The largest increments of change include an increase in personnel of \$1,958,646 and a reduction in capital outlay of \$3,760,041. Strategic investments are being made in the human infrastructure necessary ensure success in the future. Also included are provisions for 4% merit pay increases and ongoing pay studies to ensure the City can attract and retain quality employees. The City is continuing its implementation of vehicle & equipment replacement plans. The previous year’s capital outlay budget included funding for a fire aerial truck that was ordered in 2020-21 but won’t be delivered until at least 2022-23. In addition, in response to extended delivery lead times for other large vehicles and equipment, City Council amended the 2021-22 budget in order to authorize many of the items that were scheduled for replacement in 2022-23 to be ordered in 2021-22. Debt service is budgeted to decrease by \$968,000 (39.3% decrease) as the City continues efforts to reduce or eliminate borrowing for most vehicles and equipment in the future. Other strategic investments are being made for the future, including increasing the budgetary appropriation for street resurfacing to \$1,000,000, continuing increased levels of investments in technology, and continuing the planning for future facilities, including a Public Safety Center, a Public Services Center, and a Recreation Center.

Business-type Activities – Rates for electricity will decrease by an average of 5% for residential customers. Budgeted expenditures in the Electric Fund are expected to decrease approximately 9.1% to \$44,172,022. Purchased electricity is expected to decrease by approximately 10.2% based on expected power purchased and expected cost of power purchased. The City is continuing its funding of vehicle & equipment replacement plans. Construction continues for the Electric Delivery Station No. 3 Project, an Electric Fund Project budgeted at \$5.304 million.

Water and wastewater rates in the City will increase by 12%. Budgeted expenditures in the Water and Wastewater Fund are expected to increase approximately 7.2% to \$15,102,217. Personnel expenditures in the Water and Wastewater Fund are expected to increase approximately 25% from the 2021-22 final budget. During 2021-22, significant amounts originally appropriated for personnel was redirected to take care of critical maintenance needs. The 2022-23 personnel budget includes a provision for merit increases. \$2,400,000 in spending on critical infrastructure maintenance needs is being funded by a transfer from the Water and Wastewater Capital Reserve Fund. Debt service is increasing by approximately \$250,000 as the City enters its first full year of debt service related to its Advanced Metering Infrastructure (AMI) project. The City is continuing its funding of vehicle & equipment replacement plans. However, in response to extended delivery lead times for vehicles and equipment, City Council amended the 2021-22 budget in order to authorize many of the items that were scheduled for replacement in 2022-23 to be ordered in 2021-2.

The results of a recent natural gas cost of service rate study recommended an average base rate increase of 8.59% for residential customers, with varying impacts to other customer classes. With natural gas commodity prices

elevated and as a conscientious measure to mitigate rate increase impacts post Covid-19, the 2022-23 budget included a base rate increase of approximately 50% of the recommended increase with the remainder planned for implementation in 2023-24. For 2022-23, the City is budgeting the use of \$800,000 from its Natural Gas Rate Stabilization Fund in order to phase in the recommended base rate increases. Volume rates are adjusted during the year based on cost of gas. Expected cost of gas is budgeted at \$4.00 per dekatherm for 2022-23, up from \$3.50 per dekatherm in 2021-22. Budgeted expenditures in the Natural Gas Fund are expected to decrease approximately 9.6% to \$13,415,520. Personnel expenditures in the Natural Gas Fund are expected to increase approximately 28% as labor markets continue to place upward pressures on pay scales. Personnel expenditures include a provision for merit increases. Purchased natural gas is expected to increase by approximately 9% based on expected cost of gas and expected sales volumes.

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, 2021 through June 30, 2022. Questions concerning any of the information found in this report or requests for additional information should be directed to the City of Lexington Finance Department, 28 West Center Street, Lexington, NC 27292 or visit the City's website at www.LexingtonNC.gov.

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BASIC FINANCIAL STATEMENTS

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City of Lexington, North Carolina
Statement of Net Position
June 30, 2022

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	Total
ASSETS				
Cash and cash equivalents	\$ 27,762,345	\$ 50,766,373	\$ 78,528,718	\$ 910,293
Receivables (net)				
Taxes	145,062	-	145,062	-
Accounts - billed	259,431	4,091,804	4,351,235	-
Accounts - unbilled	115,360	5,331,233	5,446,593	-
Interest on leases	-	525	525	-
Lease receivables	246,647	354,878	601,525	-
Due from other governments	2,761,190	669,347	3,430,537	-
Due from component units	66,780	-	66,780	-
Due from primary government	-	-	-	47,847
Loans receivable	-	-	-	3,250
Internal balances	(3,750,899)	3,750,899	-	-
Inventories	172,594	4,586,131	4,758,725	3,561,247
Deposits and prepaid items	131,091	17,000	148,091	7,986
Restricted cash and cash equivalents	3,119,024	17,682,769	20,801,793	-
Equity interest in component unit	298,129	-	298,129	-
Equity interest in joint venture	-	295,068	295,068	-
Right to use leased assets, net of amortization	130,128	9,785	139,913	68,866
Capital assets				
Land and other non-depreciable assets	6,090,275	8,312,683	14,402,958	253,386
Other capital assets, net of accumulated depreciation	30,862,750	97,142,814	128,005,564	702,577
Total capital assets	<u>36,953,025</u>	<u>105,455,497</u>	<u>142,408,522</u>	<u>955,963</u>
Total assets	<u>68,409,907</u>	<u>193,011,309</u>	<u>261,421,216</u>	<u>5,555,452</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,329,540</u>	<u>2,948,460</u>	<u>10,278,000</u>	<u>101,305</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Net Position
June 30, 2022

Exhibit 1
continued

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	Total
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,898,829	\$ 6,053,487	\$ 7,952,316	\$ 330,111
Due to component units	47,847	-	47,847	-
Due to primary government	-	-	-	66,780
Unearned revenue	3,024,866	-	3,024,866	-
Payable from restricted assets	102,075	881,843	983,918	-
Long-term liabilities				
Due in one year	1,798,261	2,393,788	4,192,049	53,297
Due in more than one year	25,110,778	29,623,008	54,733,786	2,287,157
Total liabilities	<u>31,982,656</u>	<u>38,952,126</u>	<u>70,934,782</u>	<u>2,737,345</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,915,801</u>	<u>2,515,025</u>	<u>7,430,826</u>	<u>50,394</u>
NET POSITION				
Net investment in capital assets	31,969,057	97,720,290	129,689,347	799,625
Restricted for				
Stabilization by state statute	6,089,798	-	6,089,798	47,847
Council chamber improvements	3,100	-	3,100	-
Law enforcement	137,333	-	137,333	-
Tourism promotion	-	-	-	676,934
Uptown revitalization	-	-	-	113,938
Economic development, nonexpendable	-	-	-	286,437
Working capital	-	-	-	226,835
Unrestricted	<u>641,702</u>	<u>56,772,328</u>	<u>57,414,030</u>	<u>717,402</u>
Total net position	<u>\$ 38,840,990</u>	<u>\$ 154,492,618</u>	<u>\$ 193,333,608</u>	<u>\$ 2,869,018</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, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Component Units
						Total	Total
Primary government							
Governmental Activities							
General government	\$ 4,599,821	\$ 4,298	\$ 2,314	\$ -	\$ (4,593,209)	\$ -	\$ (4,593,209)
Public safety	12,515,442	472,025	170,140	-	(11,873,277)	-	(11,873,277)
Highways and streets	3,099,029	1,867	678,307	-	(2,418,855)	-	(2,418,855)
Sanitation	2,599,340	1,565,590	33,150	-	(1,000,600)	-	(1,000,600)
Culture and recreation	2,215,386	142,589	96,760	-	(1,976,037)	-	(1,976,037)
Economic and physical development	2,457,306	214,328	401,414	-	(1,841,564)	-	(1,841,564)
Interest on long-term debt	152,248	-	-	-	(152,248)	-	(152,248)
Total governmental activities	<u>27,638,572</u>	<u>2,400,697</u>	<u>1,382,085</u>	<u>-</u>	<u>(23,855,790)</u>	<u>-</u>	<u>(23,855,790)</u>
Business-type activities							
Electric	45,025,677	47,197,149	141	-	-	2,171,613	2,171,613
Water and Wastewater	11,838,419	12,500,677	980	209,739	-	872,977	872,977
Natural Gas	12,073,469	14,530,940	94	-	-	2,457,565	2,457,565
Stormwater	954,143	1,158,348	15	-	-	204,220	204,220
Golf	1,162,440	995,244	193	-	-	(167,003)	(167,003)
Total business-type activities	<u>71,054,148</u>	<u>76,382,358</u>	<u>1,423</u>	<u>209,739</u>	<u>-</u>	<u>5,539,372</u>	<u>5,539,372</u>
Total primary government	<u>\$ 98,692,720</u>	<u>\$ 78,783,055</u>	<u>\$ 1,383,508</u>	<u>\$ 209,739</u>	<u>(23,855,790)</u>	<u>5,539,372</u>	<u>(18,316,418)</u>
Discretely presented component units	<u>\$ 7,994,942</u>	<u>\$ 7,710,643</u>	<u>\$ 673,704</u>	<u>\$ 100,000</u>			<u>489,405</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2022

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				\$ 11,832,251	\$ -	\$ 11,832,251	\$ -
Other taxes				913,891	-	913,891	-
Grants and contributions not restricted to specific programs				9,340,693	-	9,340,693	-
Investment earnings, unrestricted				53,712	109,771	163,483	1,142
Gain on extinguishment of debt				-	-	-	17,146
Miscellaneous, unrestricted				16,774	-	16,774	475
Total general revenues not including transfers				<u>22,157,321</u>	<u>109,771</u>	<u>22,267,092</u>	<u>18,763</u>
Transfers				<u>1,871,571</u>	<u>(1,871,571)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers				<u>24,028,892</u>	<u>(1,761,800)</u>	<u>22,267,092</u>	<u>18,763</u>
Change in net position				<u>173,102</u>	<u>3,777,572</u>	<u>3,950,674</u>	<u>508,168</u>
Net position - beginning				40,758,253	148,624,681	189,382,934	2,360,850
Restatement				<u>(2,090,365)</u>	<u>2,090,365</u>	<u>-</u>	<u>-</u>
Net position - beginning, restated				<u>38,667,888</u>	<u>150,715,046</u>	<u>189,382,934</u>	<u>2,360,850</u>
Net position - ending				<u>\$ 38,840,990</u>	<u>\$ 154,492,618</u>	<u>\$ 193,333,608</u>	<u>\$ 2,869,018</u>

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

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit 3

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	ARPA Grant Project Fund		
Assets				
Cash and cash equivalents	\$ 12,033,437	\$ 5,073	\$ 713,162	\$ 12,751,672
Receivables (net)				
Property taxes	141,965	-	3,097	145,062
Accounts - billed	229,463	-	4,050	233,513
Accounts - unbilled	115,360	-	-	115,360
Lease receivables	89,316	-	157,331	246,647
Due from other governments	2,711,002	-	7,303	2,718,305
Due from other funds	5,017	-	-	5,017
Due from component unit	66,780	-	-	66,780
Prepaid items	131,091	-	-	131,091
Restricted cash and cash equivalents				
Customer deposits	77,075	-	-	77,075
Economic development deposit	25,000	-	-	25,000
Unassigned ARPA proceeds	-	3,016,949	-	3,016,949
Total assets	<u>\$ 15,625,506</u>	<u>\$ 3,022,022</u>	<u>\$ 884,943</u>	<u>\$ 19,532,471</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 961,175	\$ -	\$ 197,966	\$ 1,159,141
Due to other funds	106,497	-	5,017	111,514
Due to component units	47,847	-	-	47,847
Unearned revenue	-	3,016,949	7,917	3,024,866
Liabilities payable from restricted assets				
Deposits	102,075	-	-	102,075
Advance from other funds	<u>325,990</u>	<u>-</u>	<u>-</u>	<u>325,990</u>
Total liabilities	<u>1,543,584</u>	<u>3,016,949</u>	<u>210,900</u>	<u>4,771,433</u>
Deferred inflows of resources	<u>240,464</u>	<u>-</u>	<u>159,525</u>	<u>399,989</u>

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit 3
continued

	Major Funds		Total Non- Major Funds	Total Governmental Funds
	General Fund	ARPA Grant Project Fund		
Fund balances				
Nonspendable				
Prepaid items	\$ 131,091	\$ -	\$ -	\$ 131,091
Leases	29,772	-	903	30,675
Restricted				
Stabilization by state statute	6,085,456	-	4,342	6,089,798
Council chamber improvements	3,100	-	-	3,100
Law enforcement	-	-	137,333	137,333
Committed				
Recreation improvements	-	-	270,800	270,800
Other	169,551	-	101,140	270,691
Assigned				
Subsequent year's expenditures	2,453,719	-	-	2,453,719
Unassigned	4,968,769	5,073	-	4,973,842
Total fund balances	13,841,458	5,073	514,518	14,361,049
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 15,625,506	 \$ 3,022,022	 \$ 884,943	 \$ 19,532,471

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

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	\$ 14,361,049	
Equity interest in component unit is not a current financial resource and therefore not reported in the funds.		298,129
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 107,985,117	
Accumulated depreciation	(71,032,092)	
Less internal service funds' net capital assets included in net position adjustment below	(543,205)	36,409,820
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost	149,591	
Accumulated amortization	(19,463)	130,128
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	4,056,129	
Deferred outflows of resources for governmental activities related to OPEB	3,273,411	
Deferred outflows of resources included in internal service funds' net position adjustment below	(224,846)	7,104,694
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(29,309)	
Leases, bonds and installment financing	(5,114,096)	
Compensated absences	(1,508,603)	
Compensated absences included in internal service funds' net position adjustment below	71,053	(6,580,955)
Net pension liability - LGERS		
Net pension liability for governmental activities	(2,184,531)	
Net pension liability included in internal service funds' net position adjustment below	103,510	(2,081,021)
Total pension liability - LEO		
		(3,149,295)
Total OPEB liability		
Total OPEB liability for governmental activities	(14,952,514)	
Total OPEB liability included in internal service funds' net position adjustment below	294,099	(14,658,415)

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2022

Exhibit 3
continued

		Total Governmental Funds
Earned revenues considered deferred inflow of resources in the funds		<u>184,017</u>
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	(3,493,739)	
Deferred inflows of resources for governmental activities related to OPEB	(1,206,090)	
Deferred inflows of resources included in internal service funds' net position adjustment below	<u>184,001</u>	(4,515,828)
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	14,657,079	
Portion of net position allocated to business type activities	<u>(3,318,412)</u>	<u>11,338,667</u>
Net position of governmental activities		<u>\$ 38,840,990</u>

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, 2022

Exhibit 4

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	ARPA Grant Project Fund		
Revenues				
Ad valorem taxes	\$ 11,851,784	\$ -	\$ 90,774	\$ 11,942,558
Other taxes and licenses	913,891	-	-	913,891
Unrestricted intergovernmental	9,340,693	-	-	9,340,693
Restricted intergovernmental	860,566	-	535,972	1,396,538
Permits and fees	280,228	-	-	280,228
Sales and services	2,005,734	-	96,857	2,102,591
Investment earnings	24,458	5,073	1,370	30,901
Miscellaneous	40,173	-	1,404	41,577
Total revenues	<u>25,317,527</u>	<u>5,073</u>	<u>726,377</u>	<u>26,048,977</u>
Expenditures				
Current				
General government	4,745,976	-	-	4,745,976
Public safety	12,756,092	-	109,226	12,865,318
Highways and streets	2,176,151	-	-	2,176,151
Sanitation	2,479,007	-	20,485	2,499,492
Culture and recreation	2,290,905	-	21,617	2,312,522
Economic and physical development	427,942	-	1,000,667	1,428,609
Debt service				
Principal	1,640,037	-	-	1,640,037
Interest and other charges	158,006	-	-	158,006
Total expenditures	<u>26,674,116</u>	<u>-</u>	<u>1,151,995</u>	<u>27,826,111</u>
Revenues over (under) expenditures	<u>(1,356,589)</u>	<u>5,073</u>	<u>(425,618)</u>	<u>(1,777,134)</u>
Other financing sources (uses)				
Lease liabilities issued	149,591	-	-	149,591
Transfers from other funds	2,764,377	-	16,485	2,780,862
Transfers to other funds	(466,485)	-	(442,806)	(909,291)
Sales of capital assets	256,217	-	176,902	433,119
Total other financing sources (uses)	<u>2,703,700</u>	<u>-</u>	<u>(249,419)</u>	<u>2,454,281</u>
Net change in fund balances	<u>1,347,111</u>	<u>5,073</u>	<u>(675,037)</u>	<u>677,147</u>
Fund balance - beginning, previously reported	14,584,712	-	1,189,555	15,774,267
Restatement	<u>(2,090,365)</u>	<u>-</u>	<u>-</u>	<u>(2,090,365)</u>
Fund balance - beginning, restated	<u>12,494,347</u>	<u>-</u>	<u>1,189,555</u>	<u>13,683,902</u>
Fund balances - ending	<u>\$ 13,841,458</u>	<u>\$ 5,073</u>	<u>\$ 514,518</u>	<u>\$ 14,361,049</u>

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, 2022

Exhibit 4
continued

		Total Governmental Funds
<i>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</i>		
Net change in fund balances - total governmental funds	\$	677,147
Changes in equity interest in component unit are included on the Statement of Activities		(4,336)
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$ 1,723,442	
Depreciation expense for governmental assets	<u>(2,988,965)</u>	(1,265,523)
Right to use leased asset capital outlay expenditures which were capitalized	149,591	
Amortization expense for intangible assets	<u>(19,463)</u>	130,128
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,220,147
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		208,818
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		624,169
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	(433,119)	
Gain (loss) on disposal of capital assets	11,980	
Gain (loss) on disposal of capital assets (characterized as economic development expense based on purpose for which asset was acquired and held)	(1,017,803)	
Change in unavailable revenues	<u>(113,907)</u>	(1,552,849)
<p>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.</p>		
New long-term debt issued	(149,591)	
Principal payments on long-term debt	1,640,037	
Decrease (increase) in accrued interest payable	<u>5,758</u>	1,496,204

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, 2022

Exhibit 4
continued

		Total Governmental Funds
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	(179,386)	
Pension expense	(1,103,120)	
OPEB plan expense	(1,035,644)	(2,318,150)
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	1,310,186	
Portion of revenue allocated to business-type activities	(352,839)	957,347
Total change in net position of governmental activities		\$ 173,102

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, 2022**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 11,136,500	\$ 11,151,500	\$ 11,851,784	\$ 700,284
Other taxes and licenses	740,400	940,400	913,891	(26,509)
Unrestricted intergovernmental	8,204,039	8,786,269	9,340,693	554,424
Restricted intergovernmental	660,190	660,190	860,566	200,376
Permits and fees	195,400	195,400	280,228	84,828
Sales and services	2,083,263	2,083,263	2,005,734	(77,529)
Investment earnings	5,800	5,800	24,191	18,391
Miscellaneous	73,000	83,936	40,173	(43,763)
Total revenues	<u>23,098,592</u>	<u>23,906,758</u>	<u>25,317,260</u>	<u>1,410,502</u>
Expenditures				
Current				
General government	5,170,712	5,456,312	4,745,976	710,336
Public safety	15,967,696	16,069,846	12,610,865	3,458,981
Highways and streets	2,282,152	3,024,192	2,176,151	848,041
Sanitation	2,494,154	3,284,669	2,479,007	805,662
Culture and recreation	2,455,771	2,941,039	2,290,905	650,134
Economic and physical development	435,178	577,178	423,578	153,600
Debt service				
Principal	1,778,314	2,285,502	1,640,037	645,465
Interest and other charges	175,587	175,850	158,006	17,844
Total expenditures	<u>30,759,564</u>	<u>33,814,588</u>	<u>26,524,525</u>	<u>7,290,063</u>
Revenues over (under) expenditures	<u>(7,660,972)</u>	<u>(9,907,830)</u>	<u>(1,207,265)</u>	<u>8,700,565</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, 2022**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Installment purchase debt issued	\$ 784,000	\$ 2,616,487	\$ -	\$ (2,616,487)
Transfers from other funds	3,015,498	2,764,379	2,764,377	(2)
Transfers to other funds	(544,666)	(550,851)	(548,351)	2,500
Sales of capital assets	5,000	42,844	256,217	213,373
Total other financing sources (uses)	3,259,832	4,872,859	2,472,243	(2,400,616)
 Revenues and other financing sources over (under) expenditures and other financing uses	(4,401,140)	(5,034,971)	1,264,978	6,299,949
 Fund balance appropriated	4,401,140	5,034,971	-	(5,034,971)
 Net change in fund balances	\$ -	\$ -	1,264,978	\$ 1,264,978
 Reconciliation from Budgetary Basis to Modified Accrual Basis				
Initial implementation of lease standard				
Lease liabilities issued			149,591	
Capital outlay				
Fire			(145,227)	
Economic and physical development			(4,364)	
 Net change in fund balances			1,264,978	
 Fund balance - beginning, previously reported			14,507,910	
Restatement			(2,090,365)	
Fund balance - beginning, restated			12,417,545	
 Fund balance - ending			\$ 13,682,523	
 A legally budgeted Governmental Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			267	
Transfer from the General Fund			81,866	
Fund Balance - beginning			76,802	
Fund balance - ending (Exhibit 4)			\$ 13,841,458	

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, 2022

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	\$ 15,280,493	\$ 5,517,103	\$ 5,220,722	\$ 931,452	\$ 26,949,770	\$ 8,713,189
Receivables (net)						
Accounts - billed	2,773,669	648,607	479,260	53,831	3,955,367	162,355
Accounts - unbilled	3,578,261	942,082	725,435	85,455	5,331,233	-
Interest on leases	-	525	-	-	525	-
Lease receivable	-	354,878	-	-	354,878	-
Due from other governments	348,321	173,386	68,218	32,663	622,588	89,644
Due from other funds	130,973	-	16,572	-	147,545	-
Restricted cash and cash equivalents						
Customer deposits	685,078	57,665	137,100	2,000	881,843	-
Unexpended debt proceeds	-	3,861,250	-	-	3,861,250	12,939,676
Inventories	2,707,432	592,371	1,286,328	-	4,586,131	172,594
Prepaid items	-	-	-	-	-	17,000
Total current assets	<u>25,504,227</u>	<u>12,147,867</u>	<u>7,933,635</u>	<u>1,105,401</u>	<u>46,691,130</u>	<u>22,094,458</u>
Noncurrent assets						
Advances to other funds	375,689	-	-	-	375,689	-
Designated cash and cash equivalents						
Capital reserve	12,500,295	5,540,920	958,595	-	18,999,810	862,434
Rate stabilization	1,043,908	-	828,600	-	1,872,508	-
Group insurance reserve	-	-	-	-	-	8,379,335
Equity interest in joint venture	-	295,068	-	-	295,068	-
Right to use leased assets, net of amortization	-	-	-	-	-	9,785

Continued on next page.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

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			
Capital assets						
Land and other non-depreciable assets	\$ 3,325,924	\$ 2,594,251	\$ 545,948	\$ 40,728	\$ 6,506,851	\$ 1,820,832
Other capital assets, net of accumulated depreciation	36,269,905	33,526,078	23,623,216	1,115,048	94,534,247	3,136,772
Total capital assets	<u>39,595,829</u>	<u>36,120,329</u>	<u>24,169,164</u>	<u>1,155,776</u>	<u>101,041,098</u>	<u>4,957,604</u>
Total noncurrent assets	<u>53,515,721</u>	<u>41,956,317</u>	<u>25,956,359</u>	<u>1,155,776</u>	<u>122,584,173</u>	<u>14,209,158</u>
Total assets	<u>79,019,948</u>	<u>54,104,184</u>	<u>33,889,994</u>	<u>2,261,177</u>	<u>169,275,303</u>	<u>36,303,616</u>
Deferred outflows of resources	<u>208,868</u>	<u>1,168,193</u>	<u>536,792</u>	<u>260,952</u>	<u>2,174,805</u>	<u>998,501</u>
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	\$ 4,268,937	\$ 438,966	\$ 721,961	\$ 77,303	\$ 5,507,167	\$ 694,944
Due to other funds	-	-	-	41,048	41,048	-
Unpaid claims costs	-	-	-	-	-	505,134
Compensated absences	-	171,000	84,000	31,381	286,381	173,000
Lease liabilities	-	-	-	-	-	3,873
Installment purchases payable	499,458	628,269	135,915	-	1,263,642	705,892
Liabilities payable from restricted assets						
Accounts payable	-	-	-	-	-	56,621
Customer deposits	685,078	57,665	137,100	2,000	881,843	-
Total current liabilities	<u>5,453,473</u>	<u>1,295,900</u>	<u>1,078,976</u>	<u>151,732</u>	<u>7,980,081</u>	<u>2,139,464</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

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			
Noncurrent liabilities						
Compensated absences	\$ -	\$ 185,381	\$ 67,385	\$ 20,939	\$ 273,705	\$ 70,723
Net pension liability	-	466,964	209,076	115,781	791,821	418,408
Total OPEB liability	954,078	2,029,537	971,506	372,139	4,327,260	1,598,242
Lease liabilities	-	-	-	-	-	5,875
Installment purchases payable	2,631,603	4,844,179	288,346	-	7,764,128	14,802,508
Advances from other funds	-	-	-	49,699	49,699	-
Total noncurrent liabilities	<u>3,585,681</u>	<u>7,526,061</u>	<u>1,536,313</u>	<u>558,558</u>	<u>13,206,613</u>	<u>16,895,756</u>
Total liabilities	<u>9,039,154</u>	<u>8,821,961</u>	<u>2,615,289</u>	<u>710,290</u>	<u>21,186,694</u>	<u>19,035,220</u>
Deferred inflows of resources	<u>76,958</u>	<u>1,233,873</u>	<u>402,104</u>	<u>209,298</u>	<u>1,922,233</u>	<u>776,793</u>
Net position						
Net investment in capital assets	36,464,768	34,509,131	23,744,903	1,155,776	95,874,578	2,388,917
Unrestricted	<u>33,647,936</u>	<u>10,707,412</u>	<u>7,664,490</u>	<u>446,765</u>	<u>52,466,603</u>	<u>15,101,187</u>
Total net position	<u>\$ 70,112,704</u>	<u>\$ 45,216,543</u>	<u>\$ 31,409,393</u>	<u>\$ 1,602,541</u>	148,341,181	<u>\$ 17,490,104</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,833,025	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>3,318,412</u>	
Net position of business-type activities					<u>\$ 154,492,618</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, 2022

Exhibit 7

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Operating revenues						
Charges for sales and services	\$ 46,084,870	\$ 11,372,978	\$ 13,860,751	\$ 1,886,657	\$ 73,205,256	\$ 13,374,886
Other operating	<u>277,869</u>	<u>625,968</u>	<u>62,448</u>	<u>180,004</u>	<u>1,146,289</u>	<u>1,543,897</u>
Total operating revenues	<u>46,362,739</u>	<u>11,998,946</u>	<u>13,923,199</u>	<u>2,066,661</u>	<u>74,351,545</u>	<u>14,918,783</u>
Operating expenses						
Cost of sales and services	9,387,893	743,224	2,856,914	1,560,505	14,548,536	1,909,052
Purchases for resale	32,054,288	-	6,981,626	-	39,035,914	-
Water treatment	-	1,953,235	-	-	1,953,235	-
Waste collection and treatment	-	3,316,826	-	-	3,316,826	-
Water and wastewater construction	-	2,516,891	-	-	2,516,891	-
Administration	2,669,266	1,860,186	1,964,519	328,201	6,822,172	4,942,707
Premiums	-	-	-	-	-	1,476,536
Claims	-	-	-	-	-	3,693,964
Depreciation	1,353,136	1,469,398	670,848	228,881	3,722,263	867,247
Overhead capitalized	<u>(935,520)</u>	<u>(99,514)</u>	<u>(640,603)</u>	<u>-</u>	<u>(1,675,637)</u>	<u>-</u>
Total operating expenses	<u>44,529,063</u>	<u>11,760,246</u>	<u>11,833,304</u>	<u>2,117,587</u>	<u>70,240,200</u>	<u>12,889,506</u>
Operating income (loss)	1,833,676	238,700	2,089,895	(50,926)	4,111,345	2,029,277
Nonoperating revenues (expenses)						
Federal Build America Bond interest credit	-	3,716	10,528	-	14,244	-
Investment earnings	54,236	20,257	14,788	1,586	90,867	43,098
Restricted intergovernmental	-	919	-	193	1,112	50,327
Gain (loss) on sale of property	52,070	160,674	77,077	1,016	290,837	42,323
Interest and other charges	<u>(86,591)</u>	<u>(64,023)</u>	<u>(30,152)</u>	<u>(1,567)</u>	<u>(182,333)</u>	<u>(94,346)</u>
Total nonoperating revenues (expenses)	<u>19,715</u>	<u>121,543</u>	<u>72,241</u>	<u>1,228</u>	<u>214,727</u>	<u>41,402</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, 2022

Exhibit 7
continued

	Business-type Activities - Enterprise Funds					
	Major Funds			Total Non- Major Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas			
Income (loss) before transfers	\$ 1,853,391	\$ 360,243	\$ 2,162,136	\$ (49,698)	\$ 4,326,072	\$ 2,070,679
Capital contributions	-	209,739	-	-	209,739	-
Transfers from other funds	-	-	-	450,000	450,000	-
Transfers to other funds	(1,200,000)	-	(1,121,571)	-	(2,321,571)	-
Change in net position	<u>653,391</u>	<u>569,982</u>	<u>1,040,565</u>	<u>400,302</u>	<u>2,664,240</u>	<u>2,070,679</u>
Net position - beginning	69,459,313	42,556,196	30,368,828	1,202,239		15,419,425
Restatement	-	<u>2,090,365</u>	-	-		-
Net position - beginning, restated	<u>69,459,313</u>	<u>44,646,561</u>	<u>30,368,828</u>	<u>1,202,239</u>		<u>15,419,425</u>
Net position - ending	<u>\$ 70,112,704</u>	<u>\$ 45,216,543</u>	<u>\$ 31,409,393</u>	<u>\$ 1,602,541</u>		<u>\$ 17,490,104</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					760,493	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>352,839</u>	
Change in net position - business-type activities					<u>\$ 3,777,572</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, 2022

Exhibit 8

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Cash flows from operating activities						
Cash received from customers	\$ 45,956,362	\$ 11,110,812	\$ 13,569,035	\$ 1,867,319	\$ 72,503,528	\$ -
Cash received (paid) for interfund services provided (used)	(2,669,266)	(1,860,186)	(1,964,519)	(328,201)	(6,822,172)	13,328,944
Cash paid for goods and services	(42,390,657)	(5,320,229)	(8,397,236)	(511,841)	(56,619,963)	(9,993,123)
Cash paid to employees	(71,901)	(3,424,876)	(1,547,637)	(941,437)	(5,985,851)	(2,042,003)
Other operating income	277,869	617,669	62,448	180,004	1,137,990	1,543,897
Net cash provided (used) by operating activities	<u>1,102,407</u>	<u>1,123,190</u>	<u>1,722,091</u>	<u>265,844</u>	<u>4,213,532</u>	<u>2,837,715</u>
Cash flows from noncapital financing activities						
Operating grants	-	919	-	193	1,112	50,327
Advances from (to) other funds	(506,662)	2,458,030	140,894	46,022	2,138,284	-
Transfers from other funds	-	-	-	450,000	450,000	-
Transfers to other funds	(1,200,000)	-	(1,121,571)	-	(2,321,571)	-
Net cash provided (used) by noncapital financing activities	<u>(1,706,662)</u>	<u>2,458,949</u>	<u>(980,677)</u>	<u>496,215</u>	<u>267,825</u>	<u>50,327</u>
Cash flows from capital and related financing activities						
Lease liabilities issued	-	-	-	-	-	13,610
Installment purchase debt issued	-	5,310,000	-	-	5,310,000	14,000,000
Acquisition of right to use leased assets	-	-	-	-	-	(13,610)
Acquisition and construction of capital assets	(3,143,091)	(1,985,720)	(536,803)	(404,379)	(6,069,993)	(1,616,371)
Federal Build America Bond interest credit	-	3,716	10,528	-	14,244	-
Principal paid on lease liabilities and debt	(649,744)	(378,785)	(130,690)	-	(1,159,219)	(237,852)
Interest and other charges paid on lease liabilities and debt	(89,162)	(57,478)	(31,826)	(1,567)	(180,033)	(41,264)
Proceeds from the sale of assets	66,788	161,674	85,951	4,987	319,400	361,187
Net cash provided (used) by capital and related financing activities	<u>(3,815,209)</u>	<u>3,053,407</u>	<u>(602,840)</u>	<u>(400,959)</u>	<u>(1,765,601)</u>	<u>12,465,700</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2022

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	\$ 54,236	\$ 20,257	\$ 14,788	\$ 1,586	\$ 90,867	\$ 43,098
Net cash provided by investing activities	<u>54,236</u>	<u>20,257</u>	<u>14,788</u>	<u>1,586</u>	<u>90,867</u>	<u>43,098</u>
Net increase (decrease) in cash and cash equivalents	(4,365,228)	6,655,803	153,362	362,686	2,806,623	15,396,840
Cash and cash equivalents - beginning	<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>
Cash and cash equivalents - ending	<u>\$ 29,509,774</u>	<u>\$ 14,976,938</u>	<u>\$ 7,145,017</u>	<u>\$ 933,452</u>	<u>\$ 52,565,181</u>	<u>\$ 30,894,634</u>
Summary of ending cash and cash equivalents as reported in the Statement of Net Position (Exhibit 6)						
Cash and cash equivalents	\$ 15,280,493	\$ 5,517,103	\$ 5,220,722	\$ 931,452	26,949,770	\$ 8,713,189
Restricted cash and cash equivalents						
Customer deposits	685,078	57,665	137,100	2,000	881,843	-
Unexpended debt proceeds	-	3,861,250	-	-	3,861,250	12,939,676
Designated cash and cash equivalents						
Capital reserve	12,500,295	5,540,920	958,595	-	18,999,810	862,434
Rate stabilization	1,043,908	-	828,600	-	1,872,508	-
Group insurance reserve	-	-	-	-	-	8,379,335
	<u>\$ 29,509,774</u>	<u>\$ 14,976,938</u>	<u>\$ 7,145,017</u>	<u>\$ 933,452</u>	<u>\$ 52,565,181</u>	<u>\$ 30,894,634</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2022

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			
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating income (loss)	\$ 1,833,676	\$ 238,700	\$ 2,089,895	\$ (50,926)	\$ 4,111,345	\$ 2,029,277
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	1,353,136	1,469,398	670,848	228,881	3,722,263	867,247
Overhead capitalized	(935,520)	(99,514)	(640,603)	-	(1,675,637)	-
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	(128,508)	(262,166)	(291,716)	(19,338)	(701,728)	(45,942)
(Increase) decrease in lease and related interest receivable	-	(355,403)	-	-	(355,403)	-
(Increase) decrease in intergovernmental receivable	(80,688)	(38,059)	(5,641)	(17,422)	(141,810)	(10,500)
(Increase) decrease in inventory	(1,050,043)	(165,656)	(243,176)	-	(1,458,875)	(15,363)
(Increase) decrease in equity interest in joint venture	-	8,516	-	-	8,516	-
(Increase) decrease in deferred outflows of resources - pensions	-	(44,037)	(54,368)	(69,332)	(167,737)	(98,271)
(Increase) decrease in deferred outflows of resources - OPEB	(31,303)	(145,047)	(57,307)	(33,012)	(266,669)	(85,655)
Increase (decrease) in accounts payable and accrued liabilities	228,360	(133,405)	96,480	31,644	223,079	222,306
(Increase) decrease in amounts accrued related to interest on capital debt	2,571	(6,545)	1,674	-	(2,300)	(53,082)
Increase (decrease) in customer deposits	(22,080)	(3,910)	1,035	1,500	(23,455)	-
Increase (decrease) in unpaid claims cost	-	-	-	-	-	(118,325)
Increase (decrease) in compensated absences	-	44,065	34,469	1,005	79,539	9,397

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2022

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 net pension liability	-	(772,526)	(282,711)	(85,043)	(1,140,280)	(584,970)
Increase (decrease) in total OPEB liability	(30,901)	369,505	109,621	103,340	551,565	132,536
Increase (decrease) in deferred inflows of resources - pensions	-	699,331	314,325	175,435	1,189,091	628,665
Increase (decrease) in deferred inflows of resources - OPEB	(36,293)	(27,161)	(20,734)	(888)	(85,076)	(39,605)
Increase (decrease) in deferred inflows of resources - leases	-	347,104	-	-	347,104	-
Total adjustments	<u>(731,269)</u>	<u>884,490</u>	<u>(367,804)</u>	<u>316,770</u>	<u>102,187</u>	<u>808,438</u>
Net cash provided (used) by operating activities	<u>\$ 1,102,407</u>	<u>\$ 1,123,190</u>	<u>\$ 1,722,091</u>	<u>\$ 265,844</u>	<u>\$ 4,213,532</u>	<u>\$ 2,837,715</u>
Schedule of non-cash investing, capital and financing activities						
Contributions of capital assets	<u>\$ -</u>	<u>\$ 209,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,739</u>	<u>\$ -</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, 2022**

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.

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 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. 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.

ARPA Grant Project Fund – The ARPA Grant Project Fund is a special revenue fund that has been created to account for funds allocated to the City under the American Rescue Plan Act that are restricted for use for particular purposes.

The City reports the following nonmajor 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 non-major special revenue funds are as follows:

Grant Projects Fund – Revenues for the Grant Projects 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.

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 ARPA Grant Project Fund, the Grant Projects 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 S&P and AAAMf 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

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. Unexpended ARPA funds represent the City's unexpended allocation under the American Rescue Plan Act because they can be expended only for the purposes allowed under that Act. Unexpended debt proceeds for a water and wastewater project and a utility administration project are classified as restricted cash because its use is restricted to the purpose for which the debt was originally issued.

City of Lexington Restricted Cash

Governmental Activities	
General Fund	
Customer deposits	\$ 77,075
Economic development deposit	25,000
ARPA Grant Project Fund	
Unassigned ARPA proceeds	<u>3,016,949</u>
Total Governmental Activities	<u>\$ 3,119,024</u>
Business-type Activities	
Electric Fund	
Customer deposits	\$ 685,078
Water and Wastewater Fund	
Customer deposits	57,665
Construction in progress - unexpended debt proceeds	3,861,250
Natural Gas Fund	
Customer deposits	137,100
Golf Fund	
Customer deposits	2,000
Utility Administration Fund	
Construction in progress - unexpended debt proceeds	<u>12,939,676</u>
Total Business-type Activities	<u>\$ 17,682,769</u>
Total Restricted Cash	<u><u>\$ 20,801,793</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021. 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. Leases Receivable

The City’s leases receivable is measured at the present value of lease payments expected to be received during the lease terms. There are no variable components under the lease agreements. A deferred inflow of resources is recorded for each lease. The deferred inflow of resources is recorded at the initiation of a lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. 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.

8. Right to Use Leased Assets

The City has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

9. 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	20 to 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.

10. 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 assets 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 assets 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, leases, and pension and OPEB related deferrals.

11. 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.

12. 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.

13. Reimbursements for Pandemic-Related Expenditures

In fiscal year 2020-21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The City was allocated \$6,033,899 of fiscal recovery funds to be paid in two equal installments. The first installment of \$3,016,949 was received in July 2021. The second installment will be received in July 2022. Projects are currently being planned but have not yet been approved by City Council. It is anticipated the City will use the funds for revenue replacement. Revenue replacement funds will be transferred to the appropriate funds once the intended use of the funds is established by City Council.

14. 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.

Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivables in excess of the deferred inflow of resources for the lease receivables, which is not a spendable resource.

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.

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 \$270,800 for the Recreation Center Development Project

Committed for Other – portion of fund balance that is committed for other purposes, including \$10,616 for City Council improvements to their neighborhoods (neighborhood revitalization program), \$158,935 for ADA (Americans with Disabilities Act) Transition Plan funding and \$101,140 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.

15. 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, 2022, the City's deposits had a carrying amount of \$7,342,617 and a bank balance of \$8,389,762. 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, 2022, the City's petty cash fund totaled \$7,150.

2. Investments

At June 30, 2022, the City had the following investments and maturities:

Investment Type	Valuation	Fair Value	Less Than	6-12 Months	1-3 Years
	Measurement Method		6 Months		
NC Capital Management Trust - Government Portfolio	Fair Value-Level 1	\$ 91,980,744	\$ 91,980,744	\$ -	\$ -
Total		\$ 91,980,744	\$ 91,980,744	\$ -	\$ -

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 AAAMf 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 AAAMf by Moody's Investor Service as of June 30, 2022. 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 – Allowances for Doubtful Accounts

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:

<u>General</u>	<u>Other</u>	<u>Total</u>
Fund	Governmental	Governmental
<u>\$ 860,000</u>	<u>\$ 200</u>	<u>\$ 860,200</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.

4. Lease Receivables

In April 2010, the City entered into a ground lease with a company doing business in Lexington. This lease is accounted for as a governmental activity. An initial lease receivable was recorded in the amount of \$33,544 on July 1, 2021. Under the lease the company pays the City \$16,858 per year for twelve years in exchange for the use of the real property. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.514%, which is estimated to be the City's incremental borrowing rate. At June 30, 2022, the remaining lease receivable under this lease was \$16,772. During the year ended June 30, 2022, the City recognized \$22,363 of lease revenue and \$129 of interest revenue under the lease.

In October 2010, the City entered into a ground lease with a company doing business in Lexington. This lease is accounted for as a governmental activity. An initial lease receivable was recorded in the amount of \$145,088 on July 1, 2021. Under the lease the company pays the City \$72,917 per year for twelve years in exchange for the use of the real property. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.514%, which is estimated to be the City's incremental borrowing rate. At June 30,

2022, the remaining lease receivable under this lease was \$72,544. During the year ended June 30, 2022, the City recognized \$96,725 of lease revenue and \$559 of interest revenue under the lease.

In March 2018, the City entered into a lease for warehouse space with a company doing business in Lexington. This lease is accounted for as a governmental activity. An initial lease receivable was recorded in the amount of \$250,285 on July 1, 2021. Under the lease the company pays the City monthly rental payments for five years in exchange for the use of the warehouse space. The lease contains options for two one-year renewals and the City believes that it is likely that the first renewal option will be exercised, but not the second renewal option. Scheduled monthly rental payments under the term of the lease are as follows:

	<u>Monthly Rental</u>
Initial Term:	
03/01/2018 to 02/28/2019	\$ 7,583
03/01/2019 to 02/28/2020	\$ 7,667
03/01/2020 to 02/28/2021	\$ 7,750
03/01/2021 to 02/28/2022	\$ 7,833
03/01/2022 to 02/28/2023	\$ 7,917
Renewal Terms:	
03/01/2023 to 02/28/2024	\$ 7,917
03/01/2024 to 02/28/2025	\$ 7,917

The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.727%, which is estimated to be the City's incremental borrowing rate. At June 30, 2022, the remaining lease receivable under this lease was \$157,331. During the year ended June 30, 2022, the City recognized \$93,857 of lease revenue and \$1,459 of interest revenue under the lease.

In January 2009, the City entered into a lease with a cellular service provider for space on its water tower. This lease is accounted for as a business-type activity. An initial lease receivable was recorded in the amount of \$377,287 on July 1, 2021. Under the lease the company pays the City monthly rental payments for five years in exchange for space on the City's water tower for mounting its antenna. The lease contains options for four five-year renewals and the City believes that it is likely that the all renewal options will be exercised. Scheduled monthly rental payments under the term of the lease are as follows:

	<u>Monthly Rental</u>
Initial Term:	
01/01/2009 to 12/31/2013	\$ 1,800
Renewal Terms:	
01/01/2014 to 12/31/2018	\$ 2,070
01/01/2019 to 12/31/2023	\$ 2,380
01/01/2024 to 12/31/2028	\$ 2,738
01/01/2029 to 12/31/2033	\$ 3,148

The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.836%, which is estimated to be the City's incremental borrowing rate. At June 30, 2022, the remaining lease receivable under this lease was

\$354,878. During the year ended June 30, 2022, the City recognized \$30,183 of lease revenue and \$6,682 of interest revenue under the lease.

The future principal and interest expected to maturity as of June 30, 2022 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest	Total
2023	\$ 183,486	\$ 1,289	\$ 184,775	\$ 22,237	\$ 6,329	\$ 28,566
2024	63,161	172	63,333	24,799	5,909	30,708
2025	-	-	-	27,429	5,422	32,851
2026	-	-	-	27,937	4,914	32,851
2027	-	-	-	28,454	4,397	32,851
2028-2032	-	-	-	168,170	13,331	181,501
2033-2035	-	-	-	55,852	816	56,668
	<u>\$ 246,647</u>	<u>\$ 1,461</u>	<u>\$ 248,108</u>	<u>\$ 354,878</u>	<u>\$ 41,118</u>	<u>\$ 395,996</u>

The lease receivable activity for City of Lexington for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities	\$ -	\$ 428,917	\$ (182,270)	\$ 246,647	\$ 183,486
Business-Type Activities	-	377,287	(22,409)	354,878	22,237
	<u>\$ -</u>	<u>\$ 806,204</u>	<u>\$ (204,679)</u>	<u>\$ 601,525</u>	<u>\$ 205,723</u>

5. Due from Other Governments

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	\$ 1,786,276	\$ -	\$ 1,786,276
Utilities sales tax	444,869	-	444,869
Piped natural gas sales tax	58,877	-	58,877
Telecommunications tax	30,180	-	30,180
Local video programming revenue	35,527	-	35,527
Solid waste disposal tax	3,430	-	3,430
Sales and use tax refund	200,260	669,347	869,607
Federal and state grant funding	9,903	-	9,903
Unremitted property tax collections	191,868	-	191,868
	<u>\$ 2,761,190</u>	<u>\$ 669,347</u>	<u>\$ 3,430,537</u>

6. Right to Use Leased Assets

The City has recorded three right to use leased assets. The assets are right to use assets for leased land and leased equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Right to use leased assets				
Land	\$ -	\$ 149,591	\$ -	\$ 149,591
Total right to use leased assets	-	149,591	-	149,591
Less accumulated amortization for:				
Land	-	19,463	-	19,463
Total accumulated amortization	-	19,463	-	19,463
Governmental activity right to use leased assets, net	\$ -			\$ 130,128
Business-type activities:				
Right to use leased assets				
Equipment & vehicles	\$ -	\$ 13,610	\$ -	\$ 13,610
Total right to use leased assets	-	13,610	-	13,610
Less accumulated amortization for:				
Equipment & vehicles	-	3,825	-	3,825
Total accumulated amortization	-	3,825	-	3,825
Business-type activity right to use leased assets, net	\$ -			\$ 9,785

7. Capital Assets

a. Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>General governmental assets</i>				
Capital assets not being depreciated:				
Land	\$ 2,523,814	\$ 1,997,720	\$ -	\$ 4,521,534
Construction in progress	7,221,471	21,617	(5,689,347)	1,553,741
Total capital assets not being depreciated	9,745,285	2,019,337	(5,689,347)	6,075,275
Capital assets being depreciated:				
Buildings	17,773,660	745,294	-	18,518,954
Other improvements	7,030,035	1,351,549	-	8,381,584
Equipment & vehicles	14,385,029	2,944,225	(1,325,790)	16,003,464
Infrastructure	54,234,255	-	-	54,234,255
Intangibles	2,802,572	7,657	-	2,810,229
Total capital assets being depreciated	96,225,551	5,048,725	(1,325,790)	99,948,486

	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings	9,539,088	279,614	-	9,818,702
Other improvements	3,945,057	439,290	-	4,384,347
Equipment & vehicles	10,899,749	2,221,565	(1,282,401)	11,838,913
Infrastructure	40,100,197	1,015,766	-	41,115,963
Intangibles	<u>2,372,460</u>	<u>83,556</u>	<u>-</u>	<u>2,456,016</u>
Total accumulated depreciation	<u>66,856,551</u>	<u>4,039,791</u>	<u>(1,282,401)</u>	<u>69,613,941</u>
Total capital assets being depreciated, net	<u>29,369,000</u>			<u>30,334,545</u>
General governmental capital assets, net	<u>\$ 39,114,285</u>			<u>\$ 36,409,820</u>
 <i>Governmental-type Internal Service Funds</i>				
Capital assets not being depreciated:				
Land	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>
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	2,882,720	349,150	(1,498,404)	1,733,466
Intangibles	<u>9,845</u>	<u>-</u>	<u>-</u>	<u>9,845</u>
Total capital assets being depreciated	<u>3,095,610</u>	<u>349,150</u>	<u>(1,498,404)</u>	<u>1,946,356</u>
Less accumulated depreciation for:				
Buildings	81,000	-	-	81,000
Other improvements	101,741	-	-	101,741
Equipment & vehicles	2,051,815	339,680	(1,165,930)	1,225,565
Intangibles	<u>9,845</u>	<u>-</u>	<u>-</u>	<u>9,845</u>
Total accumulated depreciation	<u>2,244,401</u>	<u>339,680</u>	<u>(1,165,930)</u>	<u>1,418,151</u>
Total capital assets being depreciated, net	<u>851,209</u>			<u>528,205</u>
Governmental-type Internal Service Funds capital assets, net	<u>\$ 866,209</u>			<u>\$ 543,205</u>
 <i>Summary of governmental activity capital assets</i>				
Capital assets not being depreciated	<u>\$ 9,760,285</u>	<u>\$ 2,019,337</u>	<u>\$(5,689,347)</u>	<u>\$ 6,090,275</u>
Capital assets being depreciated	99,321,161	5,397,875	(2,824,194)	101,894,842
Accumulated depreciation	<u>69,100,952</u>	<u>4,379,471</u>	<u>(2,448,331)</u>	<u>71,032,092</u>
Capital assets being depreciated, net	<u>30,220,209</u>	<u>1,018,404</u>	<u>(375,863)</u>	<u>30,862,750</u>
Governmental activity capital assets, net	<u>\$ 39,980,494</u>			<u>\$ 36,953,025</u>

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

<i>Depreciation Expense</i>	
General government	\$ 296,770
Public safety	533,228
Highways and streets	1,068,624
Sanitation	552,949
Cultural and recreation	514,051
Economic and physical development	23,343
Capital assets held by internal service funds	<u>277,800</u>
<i>Total depreciation expense</i>	<u>3,266,765</u>

<i>Increases in Accumulated Depreciation Related to Capital Asset Transfers</i>	
Equipment & vehicles	1,050,826
Equipment & vehicles - Internal Service Funds	<u>61,880</u>
<i>Total accumulated depreciation transferred</i>	<u>1,112,706</u>
Total Accumulated Depreciation Increases	<u>\$ 4,379,471</u>

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to general government, a governmental activity. The General Fund paid \$54,560 for the assets, which had an original acquisition cost of \$78,717 and accumulated depreciation of \$24,157.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to public safety, a governmental activity. The General Fund paid \$24,251 for the assets, which had an original acquisition cost of \$139,496 and accumulated depreciation of \$115,245.

There was a transfer of assets from the Natural Gas Fund, a business-type activity, to highways and streets, a governmental activity. The General Fund paid \$0 for the assets, which had an original acquisition cost of \$29,106 and accumulated depreciation of \$29,106.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to highways and streets, a governmental activity. The General Fund paid \$86,132 for the assets, which had an original acquisition cost of \$538,450 and accumulated depreciation of \$452,318.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental activity, to sanitation, a governmental activity. The General Fund paid \$24,936 for the assets, which had an original acquisition cost of \$132,404 and accumulated depreciation of \$107,468.

There was a transfer of assets from the Fleet Management Fund, an internal service fund reported as a governmental-type activity, to culture and recreation, a governmental activity. The General Fund paid \$142,594 for the assets, which had an original acquisition cost of \$444,677 and accumulated depreciation of \$302,083.

There was a transfer of assets from the Utility Administration Fund, an internal service fund reported as a business-type activity, to culture and recreation, a governmental activity. The General Fund paid \$0 for the assets, which had an original acquisition cost of \$20,449 and accumulated depreciation of \$20,449.

There was a transfer of assets to the Water and Wastewater Fund, a business-type activity, from culture and recreation, a governmental activity. The Water and Wastewater Fund paid \$0 for the assets, which had an original acquisition cost of \$93,645 and accumulated depreciation of \$93,645.

There was a transfer of assets to the Fleet Management Fund, an internal service fund reported as a governmental activity, from sanitation, a governmental activity. The Fleet Management Fund paid \$0 for the assets, which had an original acquisition cost of \$19,032 and accumulated depreciation of \$19,032.

There was a transfer of assets from the Utility Administration Fund, an internal service fund reported as a business-type activity, to the Fleet Management Fund, an internal service fund reported as a governmental activity. The Fleet Management Fund paid \$0 for the asset, which had an original acquisition cost of \$20,214 and accumulated depreciation of \$20,214.

There was a transfer of assets to the Risk Management Fund, an internal service fund reported as a governmental activity, to the Fleet Management Fund, an internal service fund reported as a governmental activity. The Risk Management Fund paid \$0 for the asset, which had an original acquisition cost of \$22,634 and accumulated depreciation of \$22,634.

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 637,286	\$ -	\$ -	\$ 637,286
Construction in progress	<u>299,449</u>	<u>2,491,671</u>	<u>(102,482)</u>	<u>2,688,638</u>
Total capital assets not being depreciated	<u>936,735</u>	<u>2,491,671</u>	<u>(102,482)</u>	<u>3,325,924</u>
Capital assets being depreciated:				
Buildings	2,987,612	-	-	2,987,612
Other improvements	21,534	-	-	21,534
Plant and distribution systems	64,033,867	1,111,479	(71,071)	65,074,275
Equipment & vehicles	<u>3,160,008</u>	<u>577,943</u>	<u>(189,382)</u>	<u>3,548,569</u>
Total capital assets being depreciated	<u>70,203,021</u>	<u>1,689,422</u>	<u>(260,453)</u>	<u>71,631,990</u>
Less accumulated depreciation for:				
Buildings	160,341	54,767	-	215,108
Other improvements	565	969	-	1,534
Plant and distribution systems	32,306,674	809,676	(63,964)	33,052,386
Equipment & vehicles	<u>1,787,104</u>	<u>487,724</u>	<u>(181,771)</u>	<u>2,093,057</u>
Total accumulated depreciation	<u>34,254,684</u>	<u>1,353,136</u>	<u>(245,735)</u>	<u>35,362,085</u>
Total capital assets being depreciated, net	<u>35,948,337</u>			<u>36,269,905</u>
Electric Fund capital assets, net	<u>\$ 36,885,072</u>			<u>\$ 39,595,829</u>
<i>Water and Wastewater Fund</i>				
Capital assets not being depreciated:				
Land	\$ 866,590	\$ -	\$ (1,000)	\$ 865,590
Construction in progress	<u>69,913</u>	<u>1,658,748</u>	<u>-</u>	<u>1,728,661</u>
Total capital assets not being depreciated	<u>936,503</u>	<u>1,658,748</u>	<u>(1,000)</u>	<u>2,594,251</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings	866,043	-	(167,000)	699,043
Other improvements	21,000	-	-	21,000
Plant and distribution systems	72,685,975	99,514	-	72,785,489
Equipment & vehicles	4,217,850	630,356	(143,484)	4,704,722
Total capital assets being depreciated	<u>77,790,868</u>	<u>729,870</u>	<u>(310,484)</u>	<u>78,210,254</u>
Less accumulated depreciation for:				
Buildings	323,652	27,771	(167,000)	184,423
Other improvements	18,900	-	-	18,900
Plant and distribution systems	40,141,039	1,045,555	-	41,186,594
Equipment & vehicles	2,948,026	489,717	(143,484)	3,294,259
Total accumulated depreciation	<u>43,431,617</u>	<u>1,563,043</u>	<u>(310,484)</u>	<u>44,684,176</u>
Total capital assets being depreciated, net	<u>34,359,251</u>			<u>33,526,078</u>
Water and Wastewater Fund capital assets, net	<u>\$ 35,295,754</u>			<u>\$ 36,120,329</u>

Natural Gas Fund

Capital assets not being depreciated:				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	15,046	227,853	-	242,899
Total capital assets not being depreciated	<u>318,095</u>	<u>227,853</u>	<u>-</u>	<u>545,948</u>
Capital assets being depreciated:				
Buildings	1,969,152	-	-	1,969,152
Plant and distribution systems	33,644,736	640,603	(28,932)	34,256,407
Equipment & vehicles	2,047,715	308,950	(191,403)	2,165,262
Total capital assets being depreciated	<u>37,661,603</u>	<u>949,553</u>	<u>(220,335)</u>	<u>38,390,821</u>
Less accumulated depreciation for:				
Buildings	290,269	35,455	-	325,724
Plant and distribution systems	12,880,120	348,809	(26,039)	13,202,890
Equipment & vehicles	1,137,829	286,584	(185,422)	1,238,991
Total accumulated depreciation	<u>14,308,218</u>	<u>670,848</u>	<u>(211,461)</u>	<u>14,767,605</u>
Total capital assets being depreciated, net	<u>23,353,385</u>			<u>23,623,216</u>
Natural Gas Fund capital assets, net	<u>\$ 23,671,480</u>			<u>\$ 24,169,164</u>

Stormwater Fund

Capital assets being depreciated:				
Equipment & vehicles	\$ 433,222	\$ 110,367	\$ (5,541)	\$ 538,048
Total capital assets being depreciated	<u>433,222</u>	<u>110,367</u>	<u>(5,541)</u>	<u>538,048</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Equipment & vehicles	214,224	52,134	(1,570)	264,788
Total accumulated depreciation	<u>214,224</u>	<u>52,134</u>	<u>(1,570)</u>	<u>264,788</u>
Total capital assets being depreciated, net	218,998			273,260
Stormwater Fund capital assets, net	<u>\$ 218,998</u>			<u>\$ 273,260</u>

Golf Fund

Capital assets not being depreciated:

Land	\$ 40,728	\$ -	\$ -	\$ 40,728
Total capital assets not being depreciated	<u>40,728</u>	<u>-</u>	<u>-</u>	<u>40,728</u>

Capital assets being depreciated:

Buildings	61,500	-	-	61,500
Other improvements	2,128,719	-	-	2,128,719
Equipment & vehicles	442,790	297,124	-	739,914
Total capital assets being depreciated	<u>2,633,009</u>	<u>297,124</u>	<u>-</u>	<u>2,930,133</u>

Less accumulated depreciation for:

Buildings	44,145	810	-	44,955
Other improvements	1,534,321	95,591	-	1,629,912
Equipment & vehicles	330,020	83,458	-	413,478
Total accumulated depreciation	<u>1,908,486</u>	<u>179,859</u>	<u>-</u>	<u>2,088,345</u>
Total capital assets being depreciated, net	724,523			841,788
Golf Fund capital assets, net	<u>\$ 765,251</u>			<u>\$ 882,516</u>

Business-type Internal Service Funds

Capital assets not being depreciated:

Land	\$ 445,430	\$ -	\$ -	\$ 445,430
Construction in progress	186,293	1,174,109	-	1,360,402
Total capital assets not being depreciated	<u>631,723</u>	<u>1,174,109</u>	<u>-</u>	<u>1,805,832</u>

Capital assets being depreciated:

Buildings	3,220,114	-	-	3,220,114
Other improvements	3,163,255	-	-	3,163,255
Equipment & vehicles	680,610	179,891	(40,663)	819,838
Intangibles	1,551,812	-	-	1,551,812
Total capital assets being depreciated	<u>8,615,791</u>	<u>179,891</u>	<u>(40,663)</u>	<u>8,755,019</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings	849,798	48,336	-	898,134
Other improvements	2,711,362	451,894	-	3,163,256
Equipment & vehicles	515,688	91,667	(40,663)	566,692
Intangibles	1,499,746	18,624	-	1,518,370
Total accumulated depreciation	<u>5,576,594</u>	<u>610,521</u>	<u>(40,663)</u>	<u>6,146,452</u>
Total capital assets being depreciated, net	<u>3,039,197</u>			<u>2,608,567</u>
Business-type Internal Service Funds capital assets, net	<u>\$ 3,670,920</u>			<u>\$ 4,414,399</u>
<i>Summary of business-type activity capital assets</i>				
Capital assets not being depreciated	<u>\$ 2,863,784</u>	<u>\$ 5,552,381</u>	<u>\$ (103,482)</u>	<u>\$ 8,312,683</u>
Capital assets being depreciated	197,337,514	3,956,227	(837,476)	200,456,265
Accumulated depreciation	<u>99,693,823</u>	<u>4,429,541</u>	<u>(809,913)</u>	<u>103,313,451</u>
Capital assets being depreciated, net	<u>97,643,691</u>	<u>(473,314)</u>	<u>(27,563)</u>	<u>97,142,814</u>
Business-type activities capital assets, net	<u>\$ 100,507,475</u>			<u>\$ 105,455,497</u>

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

Depreciation Expense

Electric	\$ 1,353,136
Water and Wastewater	1,469,398
Natural Gas	670,848
Stormwater	49,022
Golf	179,859
Capital assets held by internal service funds	<u>585,622</u>
Total depreciation expense	<u>4,307,885</u>

Increases in Accumulated Depreciation Related to Capital Asset Transfers

Equipment & vehicles - Water and Wastewater Fund	93,645
Equipment & vehicles - Stormwater Fund	3,112
Equipment & vehicles - Internal Service Funds	<u>24,899</u>
Total accumulated depreciation transferred	<u>121,656</u>
Total Accumulated Depreciation Increases	<u>\$ 4,429,541</u>

There was a transfer of assets to the Stormwater Fund from the Electric Fund. The Stormwater Fund paid \$4,987 for the asset, which had an original acquisition cost of \$5,541 and accumulated depreciation of \$554.

There was a transfer of assets to the Utility Administration Fund from the Electric Fund. The Utility Administration Fund paid \$0 for the asset, which had an original acquisition cost of \$24,899 and accumulated depreciation of \$24,899.

There was a transfer of assets from culture and recreation, a governmental activity, to the Water and Wastewater Fund, a business-type activity. The Water and Wastewater Fund paid \$0 for the assets, which had an original acquisition cost of \$93,645 and accumulated depreciation of \$93,645.

There was a transfer of assets to highways and streets, a governmental activity, from the Natural Gas Fund, a business-type activity. The General Fund paid \$0 for the assets, which had an original acquisition cost of \$29,106 and accumulated depreciation of \$29,106.

There was a transfer of assets to the Stormwater Fund, a business-type activity, from the Natural Gas Fund, a business-type activity. The Stormwater Fund paid \$5,981 for the asset, which had an original acquisition cost of \$8,539 and accumulated depreciation of \$2,558.

There was a transfer of assets to culture and recreation, a governmental activity, from the Utility Administration Fund, an internal service fund reported as a business-type activity. The General Fund paid \$0 for the assets, which had an original acquisition cost of \$20,449 and accumulated depreciation of \$20,449.

There was a transfer of assets to the Fleet Management Fund, and internal service fund reported as a governmental activity, from the Utility Administration Fund, an internal service fund reported as a business-type activity. The Fleet Management Fund paid \$0 for the asset, which had an original acquisition cost of \$20,214 and accumulated depreciation of \$20,214.

b. Construction Commitments

The government has active construction projects as of June 30, 2022. At year-end, the government's remaining commitments for active projects are as follows:

	<u>Spent To Date</u>	<u>Remaining Commitments</u>
General Capital Projects Fund		
Recreation Improvements	\$ 650,000	\$ 250,000
Economic Development Improvements	<u>4,330,122</u>	<u>195,640</u>
Total General Capital Projects Fund	<u>\$ 4,980,122</u>	<u>\$ 445,640</u>
Enterprise Funds:		
Electric Fund		
System improvements	<u>\$ 2,688,638</u>	<u>\$ 2,615,362</u>
Total Electric Fund	<u>\$ 2,688,638</u>	<u>\$ 2,615,362</u>
Water and Wastewater Fund		
System improvements	<u>\$ 1,449,009</u>	<u>\$ 4,360,991</u>
Total Water and Wastewater Fund	<u>\$ 1,449,009</u>	<u>\$ 4,360,991</u>
Natural Gas Fund		
System improvements	<u>\$ 242,899</u>	<u>\$ 1,757,101</u>
Total Natural Gas Fund	<u>\$ 242,899</u>	<u>\$ 1,757,101</u>
Utility Administration Fund		
City Centre	\$ 1,132,420	\$ 12,867,580
Work Order System	<u>227,982</u>	<u>161,380</u>
Total Utility Administration Fund	<u>\$ 1,360,402</u>	<u>\$ 13,028,960</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2022 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities					
General	\$ 426,551	\$ 448,287	\$ 29,309	\$ 86,337	\$ 990,484
Other Governmental	197,966	-	-	-	197,966
Governmental Internal Service	171,095	22,050	-	517,234	710,379
Total - governmental activities	<u>\$ 795,612</u>	<u>\$ 470,337</u>	<u>\$ 29,309</u>	<u>\$ 603,571</u>	<u>\$ 1,898,829</u>
Business-type Activities					
Electric	\$ 4,228,553	\$ -	\$ 18,893	\$ 21,491	\$ 4,268,937
Water and Wastewater	323,404	104,783	9,396	1,383	438,966
Natural Gas	659,787	52,143	5,436	4,595	721,961
Stormwater	22,923	7,538	-	-	30,461
Golf	25,407	21,435	-	-	46,842
Business-type Internal Service	401,980	75,304	67,084	1,952	546,320
Total - business-type activities	<u>\$ 5,662,054</u>	<u>\$ 261,203</u>	<u>\$ 100,809</u>	<u>\$ 29,421</u>	<u>\$ 6,053,487</u>

2. Unearned Revenue

Unearned revenue represents transactions for which the City has received resources but has not yet earned. Unearned revenue on the fund statements and on the Government-wide statements at year-end is composed of the following:

Unassigned ARPA proceeds (ARPA Grant Project Fund)	\$ 3,016,949
Unearned rent (Nonmajor General Capital Projects Fund)	7,917
Total	<u>\$ 3,024,866</u>

3. 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, 2022, was 12.10% of compensation for law enforcement officers and 11.35% 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 \$1,929,730 for the year ended June 30, 2022.

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, 2022, the City reported a liability of \$3,291,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 (measurement date), the City's

proportion was 0.215%, which was a decrease of 0.018% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,296,467. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,047,065	\$ -
Changes of assumptions	2,067,746	-
Net difference between projected and actual earnings on pension plan investments	-	4,702,208
Changes in proportion and differences between City contributions and proportionate share of contributions	57,542	394,081
City contributions subsequent to the measurement date	<u>1,929,730</u>	<u>-</u>
Total	<u>\$ 5,102,083</u>	<u>\$ 5,096,289</u>

\$1,929,730 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, 2023. 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:

2023	\$ 191,993
2024	(220,843)
2025	(456,183)
2026	(1,438,903)
2027	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2020 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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, 2021 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%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Sensitive	<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 as part of a study conducted in 2016, and is part of the 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 3.05%. 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 6.5%. 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 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability (asset)	\$ 12,776,360	\$ 3,291,250	\$ 4,514,444

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, 2020, 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>53</u>
Total	<u><u>63</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, 2020 valuation. The total pension liability in the December 31, 2020 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	2.25 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 \$208,265 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, 2022, the City reported a total pension liability of \$3,149,295. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the City recognized pension expense of \$342,734.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,436	\$ 15,706
Changes of assumptions and other inputs	485,272	95,428
Benefit payments and administrative expenses subsequent to the measurement date	104,969	-
Total	<u>\$ 669,677</u>	<u>\$ 111,134</u>

The City paid \$104,969 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, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$	136,905
2024		118,864
2025		121,505
2026		87,304
2027		(11,004)
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 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total pension liability	\$ 3,405,179	\$ 3,149,295	\$ 2,916,952

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

	2022
Beginning balance	\$ 3,240,246
Service Cost	147,582
Interest on the total pension liability	60,599
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(19,098)
Changes of assumptions or other inputs	(79,236)
Benefit payments	(200,798)
Other changes	-
Ending balance of the total pension liability	<u>\$ 3,149,295</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, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Government 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability for LEOSSA was measured as of December 31, 2021, with an actuarial valuation date of December 31, 2020. 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	\$ 3,291,250	\$ -	\$ 3,291,250
Proportion of the Net Pension Liability	0.21461%	n/a	
Total Pension Liability	\$ -	\$ 3,149,295	\$ 3,149,295
Pension Expense	\$ 1,296,467	\$ 342,734	\$ 1,639,201

At June 30, 2022, 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	\$ 1,047,065	\$ 79,436	\$ 1,126,501
Changes of assumptions	2,067,746	485,272	2,553,018
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	57,542	-	57,542
City contributions (LGERS)/Benefit payments and administrative costs (LEOSSA) paid subsequent to the measurement date	1,929,730	104,969	2,034,699
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ -	\$ 15,706	\$ 15,706
Changes of assumptions	-	95,428	95,428
Net difference between projected and actual earnings on plan investments	4,702,208	-	4,702,208
Changes in proportion and differences between City contributions and proportionate share of contributions	394,081	-	394,081

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 \$155,674 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, 2021, were \$19,002,000. The City of Lexington's proportionate share of the State's contribution is \$26,802.

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

At June 30, 2022, 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 (asset) that was associated with the City and supported by the State was (\$39,397). The net pension liability (asset) was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability (asset) 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, 2021 and at June 30, 2020 was 0%.

For the year ended June 30, 2022, the City recognized pension expense (revenue) of (\$4,339) and revenue (expense) of (\$4,339) for support provided by the State. At June 30, 2022, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Not applicable
Investment rate of return	6.50 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 6.50%. 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, 2021, the date of the latest actuarial valuation:

	General Employees	Firefighters	Law Enforcement Officers	Total
Retirees and dependents receiving benefits	42	18	21	81
Active plan members	202	49	54	305
Total	<u>244</u>	<u>67</u>	<u>75</u>	<u>386</u>

Total OPEB Liability

The City's total OPEB liability of \$20,583,917 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2021, 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	0.75%
Wage inflation	3.25%
Salary increase, including wage inflation	
General Employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law Enforcement Officers	3.25% - 7.90%

Municipal Bond Index Rate	
Prior Measurement Date	2.21%
Measurement Date	2.16%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024
Dental	3.50%

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

Schedule of Changes in Total OPEB Liability

Total OPEB Liability as of June 30, 2021	<u>\$ 18,315,369</u>
Changes for the year:	
Service cost at the end of the year	856,914
Interest on TOL and cash flows	411,073
Change in benefit terms	-
Differences between expected and actual experience	172,571
Changes of assumptions or other inputs	1,977,668
Benefit payments	(1,149,678)
Other changes	<u>-</u>
Net changes	<u>2,268,548</u>
Total OPEB Liability as of June 30, 2022	<u>\$ 20,583,917</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increased used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, 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, 2021 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2021 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 (1.16 percent) or 1 percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 22,611,932	\$ 20,583,917	\$ 18,782,186

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:

	1% Decrease	Healthcare Cost Trend Rate (7.00% decreasing to 4.50%)	1% Increase
Total OPEB liability	\$ 18,431,570	\$ 20,583,917	\$ 23,141,060

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$1,495,054. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 313,241	\$ 1,013,438
Changes of assumptions and other inputs	3,316,516	646,889
Benefit payments and administrative expenses subsequent to the measurement date	<u>876,483</u>	<u>-</u>
Total	<u>\$ 4,506,240</u>	<u>\$ 1,660,327</u>

\$876,483 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, 2023. 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:	
2023	\$ 227,067
2024	227,067
2025	271,452
2026	358,623
2027	466,534
Thereafter	418,687

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 72 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, 2022, the City made contributions to the State for death benefits of \$12,569. 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.

4. Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>		<u>Balance Sheet -</u>
	<u>Deferred</u>	<u>Deferred</u>	<u>Governmental</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Funds</u>
	<u>Resources</u>	<u>Resources</u>	<u>Deferred</u>
			<u>Inflows of</u>
			<u>Resources</u>
(Pensions, OPEB) - difference between expected and actual experience	\$ 1,439,742	\$ 1,029,144	\$ -
(Pensions, OPEB) - changes of assumptions	5,869,534	742,317	-
(Pensions) - net difference between projected and actual investment earnings	-	4,702,208	-
(Pensions) - change in proportion and difference between employer contributions and proportionate share of contributions	57,542	394,081	-
Contributions to pension plan subsequent to the measurement date (LGERS)	1,929,730	-	-
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)	104,969	-	-
Benefit payments for the OPEB plan paid subsequent to measurement date	876,483	-	-
Deferred inflows - leases (General Fund)	-	59,544	59,544
Deferred inflows - leases (Capital Projects Fund)	-	156,428	156,428
Deferred inflows - leases (Water and Wastewater Fund)	-	347,104	-
Property taxes receivable, net (General Fund)	-	-	141,965
Property taxes receivable, net (Special Revenue Fund)	-	-	3,097
Unavailable revenue			
Miscellaneous receivables (General Fund)	-	-	38,955
Total	<u>\$ 10,278,000</u>	<u>\$ 7,430,826</u>	<u>\$ 399,989</u>

5. 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	\$ 180,459
Incurred claims	408,606
Claim payments	<u>(479,931)</u>
Unpaid claims, 6/30	<u>\$ 109,134</u>

6. 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	\$ 443,000
Incurred claims	3,285,358
Claim payments	<u>(3,332,358)</u>
Unpaid claims, 6/30	<u>\$ 396,000</u>

7. Claims, Judgments and Contingent Liabilities

At June 30, 2022, 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.

8. Long-Term Obligations

a. Leases

The City has entered into agreements to lease certain land and equipment. The lease agreements qualify as other than short-term leases under GASB 87, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On April 27, 2009, an agreement was executed to lease land for a fire station beginning on July 1, 2009 and requires 240 monthly payments that began at \$1,500, subject to adjustment once every three years based on changes in the consumer price index. The most recent adjustment occurred on July 1, 2021 resulting in monthly payments of \$1,601. An initial lease liability was recorded in the amount of \$145,227 on July 1, 2021. The lease liability is measured at a discount rate of 1.451%, which is the City's estimated incremental borrowing rate. As a result of the lease, the City has recorded a right to use asset with a net book value of \$127,074 at June 30, 2022. The right to use asset is discussed in more detail in the Right to Use Leased Asset section of this note.

On October 2, 2009, an agreement was executed to lease real property in the City's depot district area owned by North Carolina Railroad Company beginning on November 1, 2009 and requires 5 annual payments that began at \$1,000, subject to a 3% increase annually. The lease included two options to renew for 5 additional years at each renewal. Both of these options have been exercised. The most recent 3% increase occurred on November 1, 2021 resulting in an annual payment of \$1,426. An initial lease liability was recorded in the amount of \$4,364 on July 1, 2021. The lease liability is measured at a discount rate of 0.727%, which is the City's estimated incremental borrowing rate. As a result of the lease, the City has recorded a right to use asset with a net book value of \$3,055 at June 30, 2022. The right to use asset is discussed in more detail in the Right to Use Leased Asset section of this note.

On December 30, 2019, an agreement was executed to lease a postage machine beginning on January 22, 2020 and requires 20 quarterly payments of \$987. There are no variable payment components of

the lease. An initial lease liability was recorded in the amount of \$13,610 on July 1, 2021. The lease liability is measured at a discount rate of 0.893%, which is the City's estimated incremental borrowing rate. As a result of the lease, the City has recorded a right to use asset with a net book value of \$9,785 at June 30, 2022. The right to use asset is discussed in more detail in the Right to Use Leased Asset section of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest	Total
2023	\$ 18,923	\$ 1,760	\$ 20,683	\$ 3,873	\$ 74	\$ 3,947
2024	19,234	1,494	20,728	3,908	39	3,947
2025	17,990	1,225	19,215	1,967	7	1,974
2026	18,254	961	19,215	-	-	-
2027	18,520	695	19,215	-	-	-
2028-2032	37,855	575	38,430	-	-	-
	<u>\$ 130,776</u>	<u>\$ 6,710</u>	<u>\$ 137,486</u>	<u>\$ 9,748</u>	<u>\$ 120</u>	<u>\$ 9,868</u>

b. 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.

\$ 1,048,174

\$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.

2,305,327

\$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.

157,748

<p>\$7,527,000 direct placement installment purchase contract with Truist Bank 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>	4,516,200
<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>	103,553
<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>	874,000
<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>	260,571
<p>\$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.</p>	176,826
<p>\$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.</p>	717,500

\$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. 297,453

\$5,310,000 direct placement installment purchase contract with Truist Bank dated December 16, 2021 for Advanced Metering Infrastructure (AMI) Project due in semi-annual payments of \$290,210 including interest beginning on June 1, 2022 through December 1, 2031; interest at 1.740%; secured by a deed of trust on the equipment; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the equipment. 5,062,138

\$14,000,000 direct placement installment purchase contract with Webster Bank dated May 12, 2022 for City Centre Project due in semi-annual payments of \$460,838 including interest beginning on November 1, 2022 through May 1, 2042; interest at 2.840%; 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 take possession of or sell the property. 14,000,000

\$ 29,519,490

Annual debt service payments of installment purchase contracts as of June 30, 2022, including \$5,940,670 of interest, net of 35% federal credit, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 1,097,338	\$ 123,576	\$ 1,969,534	\$ 615,993
2024	906,643	99,129	1,836,834	575,718
2025	728,765	76,585	1,873,065	525,593
2026	466,344	57,257	1,614,499	477,693
2027	368,328	46,912	1,643,412	439,002
2028-2032	1,301,902	96,371	7,624,124	1,600,824
2033-2037	114,000	3,705	3,706,705	901,670
2038-2042	-	-	4,267,997	340,378
Total Principal & Interest	<u>\$ 4,983,320</u>	503,535	<u>\$ 24,536,170</u>	5,476,871
35% Federal Credit		<u>(17,976)</u>		<u>(21,760)</u>
Interest, Net of Credit		<u>\$ 485,559</u>		<u>\$ 5,455,111</u>

At June 30, 2022, the City of Lexington had a legal debt margin of \$114,455,041.

c. **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 2021-22 fiscal year due to the failure of the company to submit timely documentation. As of June 30, 2022, the City's remaining commitment under this contract totals \$72,917.
- 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 2021-22 fiscal year due to the failure of the company to submit timely documentation. As of June 30, 2022, the City's remaining commitment under this contract totals \$16,858.
- 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 up to \$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. For the 2021-22 fiscal year, the company was paid \$15,738 under this agreement. As of June 30, 2022, the City's remaining commitment under this contract totals \$93,600.

9. 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, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Governmental activities:</u>					
Lease liabilities	\$ -	\$ 149,591	\$ 18,815	\$ 130,776	\$ 18,923
Direct placement installment purchases	6,604,542	-	1,621,222	4,983,320	1,097,338
Compensated absences	1,312,513	1,011,275	815,185	1,508,603	682,000
Net pension liability (LGERS)	5,650,458	-	3,465,927	2,184,531	-
Total pension liability (LEO)	3,240,246	-	90,951	3,149,295	-
Total OPEB liability	<u>13,355,747</u>	<u>1,596,767</u>	<u>-</u>	<u>14,952,514</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 30,163,506</u>	<u>\$ 2,757,633</u>	<u>\$ 6,012,100</u>	<u>\$ 26,909,039</u>	<u>\$ 1,798,261</u>
<u>Electric Fund</u>					
Direct placement installment purchases	\$ 3,780,805	\$ -	\$ 649,744	\$ 3,131,061	\$ 499,458
Total OPEB liability	<u>984,979</u>	<u>-</u>	<u>30,901</u>	<u>954,078</u>	<u>-</u>
Electric Fund long-term liabilities	<u>4,765,784</u>	<u>-</u>	<u>680,645</u>	<u>4,085,139</u>	<u>499,458</u>
<u>Water and Wastewater Fund</u>					
Direct placement installment purchases	541,233	5,310,000	378,785	5,472,448	628,269
Compensated absences	312,316	224,823	180,758	356,381	171,000
Net pension liability (LGERS)	1,239,490	-	772,526	466,964	-
Total OPEB liability	<u>1,660,032</u>	<u>369,505</u>	<u>-</u>	<u>2,029,537</u>	<u>-</u>
Water and Wastewater Fund long-term liabilities	<u>3,753,071</u>	<u>5,904,328</u>	<u>1,332,069</u>	<u>8,325,330</u>	<u>799,269</u>
<u>Natural Gas Fund</u>					
Direct placement installment purchases	554,951	-	130,690	424,261	135,915
Compensated absences	116,916	119,609	85,140	151,385	84,000
Net pension liability (LGERS)	491,787	-	282,711	209,076	-
Total OPEB liability	<u>861,885</u>	<u>109,621</u>	<u>-</u>	<u>971,506</u>	<u>-</u>
Natural Gas Fund long-term liabilities	<u>2,025,539</u>	<u>229,230</u>	<u>498,541</u>	<u>1,756,228</u>	<u>219,915</u>
<u>Stormwater Fund</u>					
Compensated absences	15,696	31,166	36,481	10,381	10,381
Net pension liability (LGERS)	-	35,460	-	35,460	-
Total OPEB liability	<u>-</u>	<u>41,547</u>	<u>-</u>	<u>41,547</u>	<u>-</u>
Stormwater Fund long-term liabilities	<u>15,696</u>	<u>108,173</u>	<u>36,481</u>	<u>87,388</u>	<u>10,381</u>
<u>Golf Fund</u>					
Compensated absences	35,619	27,547	21,227	41,939	21,000
Net pension liability (LGERS)	200,824	-	120,503	80,321	-
Total OPEB liability	<u>268,799</u>	<u>61,793</u>	<u>-</u>	<u>330,592</u>	<u>-</u>
Golf Fund long-term liabilities	<u>505,242</u>	<u>89,340</u>	<u>141,730</u>	<u>452,852</u>	<u>21,000</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Utility Administration Fund</u>					
Lease liabilities	-	13,610	3,862	9,748	3,873
Direct placement installment purchases	1,756,000	14,000,000	247,600	15,508,400	705,892
Compensated absences	179,977	160,892	168,199	172,670	134,000
Net pension liability (LGRS)	743,524	-	428,626	314,898	-
Total OPEB liability	<u>1,183,927</u>	<u>120,216</u>	<u>-</u>	<u>1,304,143</u>	<u>-</u>
Utility Administration Fund long-term liabilities	<u>3,863,428</u>	<u>14,294,718</u>	<u>848,287</u>	<u>17,309,859</u>	<u>843,765</u>
Business activity long-term liabilities	<u>\$ 14,928,760</u>	<u>\$ 20,625,789</u>	<u>\$ 3,537,753</u>	<u>\$ 32,016,796</u>	<u>\$ 2,393,788</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, 2022 consist of the following:

Receivable Fund	Payable Fund	Current	Noncurrent	Total
General Fund	Grant Projects Fund	\$ 5,017	\$ -	\$ 5,017
Electric Fund	General Fund	106,497	325,990	432,487
Electric Fund	Golf Fund	24,476	49,699	74,175
Natural Gas Fund	Golf Fund	<u>16,572</u>	<u>-</u>	<u>16,572</u>
Total		<u>\$ 152,562</u>	<u>\$ 375,689</u>	<u>\$ 528,251</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 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, 2022 was \$16,572.

On November 1, 2021, the Golf Fund borrowed \$98,820 from the Electric Fund to fund the purchase of a new fleet of golf carts. The terms of the arrangement require the Golf Fund to repay the Electric Fund in eight semi-annual installments, plus interest at 1.01%, beginning on December 1, 2021. The outstanding balance of this arrangement at June 30, 2022 was \$74,175.

On December 1, 2021, the General Fund borrowed \$432,487 from the Electric Fund to refinance debt owed for a Motorola Flex System for the Lexington Police Department. The terms of the arrangement require the General Fund to repay the Electric Fund in four annual installments, plus interest at 1.01%, beginning on December 1, 2022. The outstanding balance of this arrangement at June 30, 2022 was \$432,487.

2. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2022 is as follows:

Transfers In	Transfers Out	Amount
General Fund	General Capital Projects Fund	\$ 442,806
General Fund	Electric Fund	1,200,000
General Fund	Natural Gas Fund	1,121,571
Governmental Capital Reserve Fund	General Fund	81,866
Grant Projects Fund	General Fund	16,485
Electric Capital Reserve Fund	Electric Fund	20,764
Water and Wastewater Fund	Water and Wastewater Capital Reserve Fund	711,764
Water and Wastewater Capital Reserve Fund	Water and Wastewater Fund	2,457,727
Natural Gas Projects Fund	Natural Gas Capital Reserve Fund	825,000
Natural Gas Capital Reserve Fund	Natural Gas Fund	24,189
Golf Fund	General Fund	450,000
Fleet Management Fund	Fleet Management Capital Reserve Fund	287,270
Fleet Management Capital Reserve Fund	Fleet Management Fund	468,133
Total		<u>\$ 8,107,575</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 General Capital Projects Fund made transfers to the General Fund in the total amount of \$442,806 to transfer residual balances for three completed projects: Skate/BMX Park Project, 2020 Recreation Facilities Improvements Project, and Lexington Business Park Project.

The Electric and Natural Gas Funds made transfers in the amounts of \$1,200,000 and \$1,121,571 as profit distributions to support General Fund services.

The General Fund transferred \$81,866 to the Governmental Capital Reserve Fund for future capital needs and \$16,485 to the Grants Project Fund (\$6,485 in matching funds for the Community Waste Reduction and Recycling Grant and \$10,000 in matching funds for the Halyard Health Grant Project).

The Electric Capital Reserve Fund received a transfer in the amount of \$20,764 from the Electric Fund for future capital needs.

The Water and Wastewater Fund received a transfer in the amount of \$711,764 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 \$2,457,727 from the Water and Wastewater Fund for system development fees collected and future capital needs.

The Natural Gas Projects Fund received a transfer in the amount of \$825,000 from the Natural Gas Capital Reserve Fund for Capital Project funding.

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 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 \$287,270 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 \$468,133 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 \$26,802 made by the State for the fifty-eight 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	\$ 36,953,025	\$ 105,455,497
Less: long-term debt on capital assets	(4,983,320)	(24,536,170)
Unexpended debt proceeds	-	16,800,926
Right to use leased assets	130,128	9,785
Less: lease liabilities	<u>(130,776)</u>	<u>(9,748)</u>
Net investment in capital assets	<u>\$ 31,969,057</u>	<u>\$ 97,720,290</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	\$ 13,841,458
Less:	
Prepaid Items	(131,091)
Leases	(29,772)
Stabilization by State Statute	<u>(6,085,456)</u>
Fund balance available for appropriation	7,595,139
Less: Restrictions, commitments, and assignments of fund balance available for appropriation	
Restricted for general government	(3,100)
Committed for general government	(169,551)
Appropriated fund balance in 2022-23 budget	<u>(2,453,719)</u>
Unassigned fund balance	<u>\$ 4,968,769</u>

Amounts classified as committed for general government at the end of the fiscal year include \$10,616 in Neighborhood Revitalization Funds and \$158,935 that has been set aside for ADA (American with Disabilities Act) Transition Plan funding. These funds may not be used without action being taken by City Council.

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	\$ 2,996,789	\$ -

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, 2022 were \$32,054,288. 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, 2022, and there are no bonds authorized but unissued. The cities' governing boards also have joint control over budgeting the operation.

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

Costs of operations are shared equally between the City of Lexington, the City of Thomasville, and Davidson County. The City of Thomasville maintains control over the financial records for assets and liabilities of the lake. Effective July 1, 2009 Davidson County began maintaining control over the financial records of the operation of the lake and bills the City of Lexington for its share of the costs. These costs are included as an operating expenditure in the Water Plant Department in the City's Water and Wastewater Fund. The City spent \$27,279 for the fiscal year ended June 30, 2022.

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, 2022 was \$295,068, 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, 2022. Lake Thom-A-Lex did not issue separate financial statements. The following condensed financial information as of and for the year ended June 30, 2022 has been provided by the City of Thomasville.

Assets	
Cash	\$ 314,084
Accounts receivable	28,115
Land	223,395
Buildings	15,000
Other improvements	1,190,537
Equipment	<u>87,018</u>
	1,858,149
Less: accumulated depreciation	<u>(1,268,013)</u>
Total assets	<u>\$ 590,136</u>
Net Position	<u>\$ 590,136</u>
Revenues	
Permits, rentals, concessions, etc.	\$ 61,619
Contributions	
City of Thomasville	27,279
City of Lexington	27,279
Davidson County	<u>53,104</u>
Total revenues	169,281
Expenditures	
Salaries and employee benefits	119,302
Operating expenditures	<u>33,885</u>
Total expenditures	<u>153,187</u>
Revenues over (under) expenditures	<u>16,094</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues over (under) expenditures	\$ 16,094
Reconciling items:	
Depreciation expense	<u>(33,126)</u>
Change in net position	(17,032)
Net position	
Beginning of year, July 1	<u>607,168</u>
End of year, June 30	<u>\$ 590,136</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, 2022 eleven loans had been made to local businesses totaling \$27,850. The outstanding unpaid loan receivable balances at June 30, 2022 totaled \$14,800.

The loan receivable activity for Uptown Lexington for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Emergency business assistance loans receivable	<u>\$ 18,600</u>	<u>\$ -</u>	<u>\$ (3,800)</u>	<u>\$ 14,800</u>	<u>\$ 14,800</u>

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 is net of a \$11,550 allowance for doubtful accounts.

Long-Term 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.

During the year ended June 30, 2022, Uptown Lexington received legal notification that its March 9, 2021 Paycheck Protection Program loan principle amount of \$17,082, along with interest of \$64.06, was wholly forgiven. The forgiveness has been reflected as a gain on extinguishment of debt.

The long-term debt activity for Uptown Lexington for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Direct placement installment purchase	<u>\$ 17,082</u>	<u>\$ -</u>	<u>\$ (17,082)</u>	<u>\$ -</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	\$ 81,221	\$ -	\$ 2,612,545

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, 2021 was \$2,076,588.

Required debt service payments for the base obligation as of December 31, 2021 are as follows:

Year Ending December 31	Principal
2022	\$ -
2023	-
2024	-
2025	400,000
2026	-
2027-2030	1,676,588
	<u>\$ 2,076,588</u>

The long-term debt activity for Front Street-Lexington for the year ended December 31, 2021 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. The second disbursement of \$3,016,950 was received on July 22, 2022.

On October 18, 2022, the City entered into a \$1,497,094 installment financing contract with HomeTrust Bank for an aerial fire truck due in semi-annual payments of \$118,452 including interest beginning on March 1, 2023 through September 1, 2029. Interest on this obligation is at 2.89%.

10. Change in Accounting Principles/Restatements

Change in Accounting Principle

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, effective July 1, 2021. This standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As part of implementing the statement, the City performed a comprehensive review of its lease arrangements and applied the criteria within the guidance. Implementation of this statement had no impact on fund balances or net position.

Prior Period Adjustment

On March 14, 2022 City Council adopted Resolution No. 25-22 – *Resolution Approving the Reclassification of Payment in Lieu of Taxes Transfers Made from the Water and Wastewater Fund to the General Fund, Treating the Transactions as Loans*. This resolution reclassified payments in lieu of taxes totaling \$2,090,365 made since July 1, 2014 by the Water and Wastewater Fund to the General Fund, treating the transactions as loans. In accordance with that resolution, repayment of the total outstanding amount was made effective March 1, 2022 with no interest. As a result of this reclassification, net position decreased \$2,090,365 for the governmental activities and increased \$2,090,365 for the business-type activities.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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

Exhibit A-1

Local Government Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
City of Lexington's proportion of the net pension liability (asset) (%)	0.21461%	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) (\$)	\$ 3,291,250	\$ 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	\$ 15,878,560	\$ 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	20.73%	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**	95.51%	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 Nine Fiscal Years**

Exhibit A-2

Local Government Employees' Retirement System

	<u>2022</u>	<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	\$ 1,929,730	\$ 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>1,929,730</u>	<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>	<u>\$ -</u>
City of Lexington's covered payroll	\$ 16,796,294	\$ 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	11.49%	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 Eight Fiscal Years *

Exhibit A-3

Firefighters' and Rescue Squad Workers' Pension

	<u>2022</u>	<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%	0.0000%
City of Lexington's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with City of Lexington	<u>(39,397)</u>	<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>\$ (39,397)</u>	<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	\$ 2,458,295	\$ 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 (asset) as a percentage of its covered payroll	-1.60%	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	105.58%	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 Six Fiscal Years

Exhibit A-4

Law Enforcement Officers' Special Separation Allowance

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 3,240,246	\$ 2,482,721	\$ 2,389,543	\$ 2,395,833	\$ 2,257,382	\$ 2,329,866
Service Cost	147,582	98,137	90,434	99,412	83,433	86,066
Interest on the total pension liability	60,599	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	(19,098)	84,143	7,862	61,214	396	-
Changes of assumptions or other inputs	(79,236)	659,467	70,836	(91,106)	130,799	(51,650)
Benefit payments	(200,798)	(162,510)	(160,021)	(149,162)	(160,220)	(186,743)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 3,149,295</u>	<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 Six Fiscal Years

Exhibit A-5

Law Enforcement Officers' Special Separation Allowance

	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 3,149,295	\$ 3,240,246	\$ 2,482,721	\$ 2,389,543	\$ 2,395,833	\$ 2,257,382
Covered-employee payroll*	2,952,728	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	106.66%	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 Five Fiscal Years

Exhibit A-6

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost at end of year	\$ 856,914	\$ 632,742	\$ 694,638	\$ 717,336	\$ 831,349
Interest	411,073	569,194	650,123	604,292	526,656
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	172,571	26,468	(1,674,374)	16,703	408,009
Changes of assumptions or other inputs	1,977,668	1,932,198	337,469	(515,457)	(1,189,400)
Benefit payments	(1,149,678)	(942,264)	(1,235,210)	(937,766)	(1,259,077)
Other	-	-	-	-	-
Net change in Total OPEB Liability	<u>2,268,548</u>	<u>2,218,338</u>	<u>(1,227,354)</u>	<u>(114,892)</u>	<u>(682,463)</u>
Total OPEB Liability - beginning	<u>18,315,369</u>	<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>\$ 20,583,917</u>	<u>\$ 18,315,369</u>	<u>\$ 16,097,031</u>	<u>\$ 17,324,385</u>	<u>\$ 17,439,277</u>
Covered-employee payroll	\$ 14,672,531	\$ 13,589,003	\$ 13,589,003	\$ 14,058,965	\$ 14,058,965
Total OPEB liability as a percentage of covered-employee payroll	140.29%	134.78%	118.46%	123.23%	124.04%

Notes to Schedule

The City of Lexington has no assets accumulated in a trust that meets the criteria in GASB Codification P22.101 or P52.101 to pay related benefits.

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.16%
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.

ARPA Grant Project Special Revenue Fund

The ARPA Grant Project Special Revenue Fund accounts for the receipt and expenditure of funds allocated to the City of Lexington under the American Rescue Plan Act. Projects are currently being planned but have not yet been approved by City Council. When City Council takes action to approve projects, the approval will include adoption of a grant project ordinance establishing the budgetary authority for the expenditure of these funds.



**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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Taxes	\$	\$ 11,736,779	\$
Interest		106,470	
Penalties		8,535	
Total	<u>11,151,500</u>	<u>11,851,784</u>	<u>700,284</u>
Other taxes and licenses			
Occupancy tax		475,411	
Municipal vehicle tax		438,480	
Total	<u>940,400</u>	<u>913,891</u>	<u>(26,509)</u>
Unrestricted intergovernmental			
Federal Build America Bond interest credit		11,766	
Utilities sales tax		1,887,295	
Piped natural gas sales tax		176,897	
Telecommunications tax		97,320	
Video franchise tax		140,852	
Payments in lieu of taxes		1,608	
Beer and wine tax		78,026	
Local option sales tax		6,568,929	
ABC revenues		378,000	
Total	<u>8,786,269</u>	<u>9,340,693</u>	<u>554,424</u>
Restricted intergovernmental			
ABC recreation		81,000	
ABC law enforcement		32,250	
Solid waste disposal tax		14,823	
Powell Bill allocation		643,744	
On-behalf of payments - fire		26,802	
Public safety		16,021	
Disaster assistance		13,026	
Carton Council of North America grant		2,000	
NCDOT reimbursement		30,900	
Total	<u>660,190</u>	<u>860,566</u>	<u>200,376</u>
Permits and fees			
Inspection fees and permits		280,228	
Total	<u>195,400</u>	<u>280,228</u>	<u>84,828</u>

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, 2022**

	Budget	Actual	Variance Positive (Negative)
Sales and services			
Property rental	\$	\$ 5,552	\$
Lease revenue		119,088	
Court cost and parking fees		3,445	
Public safety charges		121,920	
Cemetery fees		90,550	
Mowing and debris removal fees		54,577	
Demolition fees		611	
Recreation fees		42,134	
Waste collection fees		1,563,459	
Other charges		4,398	
Total	2,083,263	2,005,734	(77,529)
Investment earnings	5,800	24,191	18,391
Miscellaneous			
Sale of materials		4,335	
Interest on lease receivable		459	
Donations		15,305	
Other		20,074	
Total	83,936	40,173	(43,763)
Total revenues	23,906,758	25,317,260	1,410,502
Expenditures			
General government			
Governing board			
Salaries and employee benefits		102,771	
Operating expenses		41,015	
Cost redistribution		(112,045)	
Total governing board	75,658	31,741	43,917
City administration			
Salaries and employee benefits		711,510	
Operating expenses		50,696	
Capital outlay		33,197	
Cost redistribution		(483,593)	
City administration	396,918	311,810	85,108

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, 2022**

	Budget	Actual	Variance Positive (Negative)
Administrative - other			
Retiree benefits	\$	\$ 383,998	\$
Operating expenses		671,559	
Administrative charges risk management fund		821,437	
Administrative charges utility administration fund		514,083	
Grants to other agencies		62,914	
Payment to Davidson County School System(s) - ad valorem tax penalties		8,535	
Payment to Lexington Tourism Authority		461,150	
Cost redistribution		(304,499)	
Total administrative - other	2,809,336	2,619,177	190,159
Finance			
Salaries and employee benefits		778,729	
Operating expenses		38,105	
Capital outlay		7,177	
Cost redistribution		(486,336)	
Total finance	442,129	337,675	104,454
Legal			
Operating expenses		77,803	
Cost redistribution		(17,038)	
Total legal	60,765	60,765	-
Human resources			
Salaries and employee benefits		482,207	
Operating expenses		103,816	
Capital outlay		4,998	
Cost redistribution		(242,375)	
Total human resources	502,448	348,646	153,802
Information technologies			
Salaries and employee benefits		497,920	
Operating expenses		512,256	
Capital outlay		137,855	
Cost redistribution		(390,955)	
Total information technologies	868,286	757,076	111,210

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, 2022**

	Budget	Actual	Variance Positive (Negative)
Public buildings			
Salaries and employee benefits	\$	\$ 148,419	\$
Operating expenses		203,542	
Capital outlay		24,695	
Cost redistribution		(97,570)	
Total public buildings	300,772	279,086	21,686
Total general government	5,456,312	4,745,976	710,336
Public safety			
Police			
Salaries and employee benefits		5,491,925	
Operating expenses		1,012,879	
Capital outlay		405,579	
Total police	7,963,382	6,910,383	1,052,999
Fire			
Salaries and employee benefits		3,984,119	
Operating expenses		638,446	
Capital outlay		60,255	
Total fire	6,847,739	4,682,820	2,164,919
Business and community development			
Salaries and employee benefits		827,541	
Operating expenses		184,267	
Capital outlay		5,854	
Total business and community development	1,258,725	1,017,662	241,063
Total public safety	16,069,846	12,610,865	3,458,981
Highways and streets			
Public services administration			
Salaries and employee benefits		295,504	
Operating expenses		42,522	
Capital outlay		10,239	
Cost redistribution		(46,409)	
Total public services administration	591,994	301,856	290,138

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, 2022**

	Budget	Actual	Variance Positive (Negative)
Street			
Salaries and employee benefits	\$	\$ 620,949	\$
Operating expenses		1,439,038	
Capital outlay		79,709	
Cost redistribution		(265,401)	
Total street	2,432,198	1,874,295	557,903
Total highways and streets	3,024,192	2,176,151	848,041
Sanitation			
Recycling and waste collection services			
Salaries and employee benefits		742,317	
Operating expenses		947,736	
Tipping fees - landfill		392,314	
Capital outlay		396,640	
Total sanitation	3,284,669	2,479,007	805,662
Culture and recreation			
Spectator recreation			
Operating expenses		81,177	
Grants to other agencies		60,000	
Total spectator recreation	208,055	141,177	66,878
Parks and recreation			
Salaries and employee benefits		470,953	
Operating expenses		379,184	
Capital outlay		75,495	
Total parks and recreation	1,148,899	925,632	223,267
Public grounds			
Salaries and employee benefits		561,603	
Operating expenses		231,194	
Capital outlay		452,475	
Cost redistribution		(21,176)	
Total public grounds	1,584,085	1,224,096	359,989
Total culture and recreation	2,941,039	2,290,905	650,134

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, 2022**

	Budget	Actual	Variance Positive (Negative)
Economic and physical development			
Salaries and employee benefits	\$	\$ 93,618	\$
Operating expenses		215,317	
Grants to other agencies		106,986	
Capital outlay		7,657	
Total economic and physical development	577,178	423,578	153,600
Debt service			
Principal retirement	2,285,502	1,640,037	645,465
Interest and other charges	175,850	158,006	17,844
Total debt service	2,461,352	1,798,043	663,309
Total expenditures	33,814,588	26,524,525	7,290,063
Revenue over (under) expenditures	(9,907,830)	(1,207,265)	8,700,565
Other financing sources (uses)			
Installment purchase debt issued	2,616,487	-	(2,616,487)
Transfers from other funds			
General Capital Projects Fund	442,808	442,806	(2)
Electric Fund	1,200,000	1,200,000	-
Natural Gas Fund	1,121,571	1,121,571	-
Transfers to other funds			
Governmental Capital Reserve Fund	(81,866)	(81,866)	-
Grant Projects Fund	(18,985)	(16,485)	2,500
Golf Fund	(450,000)	(450,000)	-
Sale of capital assets	42,844	256,217	213,373
Total other financing sources (uses)	4,872,859	2,472,243	(2,400,616)
Revenues and other financing sources over (under) expenditures and other financing uses	(5,034,971)	1,264,978	6,299,949
Fund balance appropriated	5,034,971	-	(5,034,971)
Net change in fund balance	\$ -	1,264,978	\$ 1,264,978

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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, 2022**

	Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis to Modified Accrual Basis			
Initial implementation of lease standard			
Lease liabilities issued		\$ 149,591	
Capital outlay			
Fire		(145,227)	
Economic and physical development		(4,364)	
Net change in fund balance		1,264,978	
Fund balance - beginning, previously reported		14,507,910	
Restatement		(2,090,365)	
Fund balance - beginning, restated		12,417,545	
Fund balance - ending		\$ 13,682,523	

**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, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ -	\$ 267	\$ 267
Total	<u>\$ -</u>	<u>\$ 267</u>	<u>\$ 267</u>
Revenues over expenditures	-	267	267
Other financing sources			
Transfers from other funds			
General Fund	<u>81,866</u>	<u>81,866</u>	<u>-</u>
Total other financing sources	<u>81,866</u>	<u>81,866</u>	<u>-</u>
Revenues and other financing sources over expenditures	81,866	82,133	267
Addition to reserve for governmental capital requirements	<u>(81,866)</u>	<u>-</u>	<u>81,866</u>
Net change in fund balance	<u>\$ -</u>	82,133	<u>\$ 82,133</u>
Fund balance - beginning		<u>76,802</u>	
Fund balance - ending		<u>\$ 158,935</u>	

City of Lexington, North Carolina
ARPA Grant Project 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, 2022

Exhibit B-3

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ -	\$ -	\$ 5,073	\$ 5,073	\$ 5,073
Total revenues	<u>-</u>	<u>-</u>	<u>5,073</u>	<u>5,073</u>	<u>5,073</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>5,073</u>	<u>5,073</u>	<u>(5,073)</u>
Other financing uses					
Transfers to other funds					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>5,073</u>	<u>\$ 5,073</u>	<u>\$ (5,073)</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ 5,073</u>		

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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.
- *2021 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.
- *Internet Crimes Against Children Grant Project* – accounts for the receipt and expenditure of funds under a NC State Bureau of Investigation grant administered by the North Carolina Sheriffs’ Association for the purpose of assisting sheriffs’ offices and local law enforcement agencies to investigate reports of internet crimes against children.
- *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 Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.
- *Halyard Health Rural 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.
- *Tapped Tees 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.
- *Border Concepts, Inc./Project Garden Rural 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.

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

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, 2022

Exhibit C-1

	Special Revenue Funds				Capital Projects	Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants		
Assets						
Cash and cash equivalents	\$ -	\$ 144,384	\$ -	\$ -	\$ 568,778	\$ 713,162
Receivables (net)						
Taxes	-	-	3,097	-	-	3,097
Accounts - billed	-	4,050	-	-	-	4,050
Lease receivable	-	-	-	-	157,331	157,331
Due from other governments	5,147	203	89	-	1,864	7,303
Total assets	<u>\$ 5,147</u>	<u>\$ 148,637</u>	<u>\$ 3,186</u>	<u>\$ -</u>	<u>\$ 727,973</u>	<u>\$ 884,943</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 130	\$ 7,051	\$ -	\$ -	\$ 190,785	\$ 197,966
Due to other funds	5,017	-	-	-	-	5,017
Unearned revenue	-	-	-	-	7,917	7,917
Total liabilities	<u>5,147</u>	<u>7,051</u>	<u>-</u>	<u>-</u>	<u>198,702</u>	<u>210,900</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>3,097</u>	<u>-</u>	<u>156,428</u>	<u>159,525</u>

Continued on next page.

**City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2022**

Exhibit C-1
Continued

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants	Capital Projects	
Fund balances						
Nonspendable						
Leases	\$ -	\$ -	\$ -	\$ -	\$ 903	\$ 903
Restricted						
Stabilization by state statute	-	4,253	89	-	-	4,342
Law enforcement	-	137,333	-	-	-	137,333
Committed						
Recreation improvements	-	-	-	-	270,800	270,800
Depot District improvements	-	-	-	-	101,140	101,140
Total fund balances	-	141,586	89	-	372,843	514,518
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,147</u>	<u>\$ 148,637</u>	<u>\$ 3,186</u>	<u>\$ -</u>	<u>\$ 727,973</u>	<u>\$ 884,943</u>

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

Exhibit C-2

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2022**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants	Capital Projects	
Revenues						
Ad valorem taxes	\$ -	\$ -	\$ 90,774	\$ -	\$ -	\$ 90,774
Restricted intergovernmental	474,777	61,195	-	-	-	535,972
Sales and services	-	-	-	-	96,857	96,857
Investment earnings	-	247	-	-	1,123	1,370
Miscellaneous	-	25	-	-	1,379	1,404
Total revenues	474,777	61,467	90,774	-	99,359	726,377
Expenditures						
Public safety	59,931	49,295	-	-	-	109,226
Sanitation	20,485	-	-	-	-	20,485
Culture and recreation	-	-	-	-	21,617	21,617
Economic and physical development	410,846	-	92,372	-	497,449	1,000,667
Total expenditures	491,262	49,295	92,372	-	519,066	1,151,995
Revenues over (under) expenditures	(16,485)	12,172	(1,598)	-	(419,707)	(425,618)
Other financing sources (uses)						
Transfers from other funds						
General Fund	16,485	-	-	-	-	16,485
Transfers to other funds						
General Fund	-	-	-	-	(442,806)	(442,806)
Sale of capital assets	-	13,020	-	-	163,882	176,902
Total other financing sources (uses)	16,485	13,020	-	-	(278,924)	(249,419)
Net change in fund balances	-	25,192	(1,598)	-	(698,631)	(675,037)
Fund balances - beginning	-	116,394	1,687	-	1,071,474	1,189,555
Fund balances - ending	\$ -	\$ 141,586	\$ 89	\$ -	\$ 372,843	\$ 514,518

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, 2022

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	\$ 15,868	\$ 71,779	\$ (22,592)
Total	<u>94,371</u>	<u>55,911</u>	<u>15,868</u>	<u>71,779</u>	<u>(22,592)</u>
2021 Victim Assistant Grant					
Restricted intergovernmental	94,318	-	44,063	44,063	(50,255)
Total	<u>94,318</u>	<u>-</u>	<u>44,063</u>	<u>44,063</u>	<u>(50,255)</u>
Internet Crimes Against Children Grant					
Restricted intergovernmental	64,042	-	-	-	(64,042)
Total	<u>64,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,042)</u>
2020 Community Waste Reduction Grant					
Restricted intergovernmental	14,000	-	14,000	14,000	-
Total	<u>14,000</u>	<u>-</u>	<u>14,000</u>	<u>14,000</u>	<u>-</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	175,000	475,000	(25,000)
Total	<u>500,000</u>	<u>300,000</u>	<u>175,000</u>	<u>475,000</u>	<u>(25,000)</u>
Halyard Health Rural Building Reuse Grant					
Restricted intergovernmental	200,000	-	200,000	200,000	-
Total	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Tapped Tees Building Reuse Grant					
Restricted intergovernmental	300,000	-	25,846	25,846	(274,154)
Total	<u>300,000</u>	<u>-</u>	<u>25,846</u>	<u>25,846</u>	<u>(274,154)</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, 2022

Exhibit C-3
continued

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Border Concepts, Inc./Project Garden Rural Building Reuse Grant					
Restricted intergovernmental	\$ 50,000	\$ -	\$ -	\$ -	\$ (50,000)
Total	50,000	-	-	-	(50,000)
 Total revenues	 2,306,731	 922,750	 474,777	 1,397,527	 (909,204)
Expenditures					
Public Safety					
2020 Victim Assistant Grant	125,829	55,911	15,868	71,779	54,050
2021 Victim Assistant Grant	125,757	-	44,063	44,063	81,694
Internet Crimes Agraainst Children Grant	64,042	-	-	-	64,042
Total public safety	315,628	55,911	59,931	115,842	199,786
 Sanitation					
2020 Community Waste Reduction Grant	20,485	-	20,485	20,485	-
Total public safety	20,485	-	20,485	20,485	-
 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	175,000	475,000	25,000
Halyard Health Rural Building Reuse Grant	210,000	-	210,000	210,000	-
Tapped Tees Building Reuse Grant	300,000	-	25,846	25,846	274,154
Border Concepts, Inc./Project Garden Rural Building Reuse Grant	52,500	-	-	-	52,500
Total economic and physical development	2,052,500	866,839	410,846	1,277,685	774,815
 Total expenditures	 2,388,613	 922,750	 491,262	 1,414,012	 974,601
 Revenues over (under) expenditures	 (81,882)	 -	 (16,485)	 (16,485)	 65,397
 Other financing sources:					
2020 Victim Assistant Grant					
Transfers from other funds					
General Fund	31,458	-	-	-	(31,458)
Total	31,458	-	-	-	(31,458)

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, 2022

Exhibit C-3
continued

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
2021 Victim Assistant Grant					
Transfers from other funds					
General Fund	\$ 31,439	\$ -	\$ -	\$ -	\$ (31,439)
Total	<u>31,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,439)</u>
2020 Community Waste Reduction Grant					
Transfers from other funds					
General Fund	6,485	-	6,485	6,485	-
Total	<u>6,485</u>	<u>-</u>	<u>6,485</u>	<u>6,485</u>	<u>-</u>
Halyard Health Rural Building Reuse Grant					
Transfers from other funds					
General Fund	10,000	-	10,000	10,000	-
Total	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Border Concepts, Inc./Project Garden Rural Building Reuse Grant					
Transfers from other funds					
General Fund	2,500	-	-	-	(2,500)
Total	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,500)</u>
Total other financing sources	<u>81,882</u>	<u>-</u>	<u>16,485</u>	<u>16,485</u>	<u>(65,397)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ -</u>		

City of Lexington, North Carolina
Controlled Substance Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the fiscal year ended June 30, 2022

Exhibit C-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$	\$ 61,195	\$
Investment earnings		247	
Miscellaneous		25	
Total revenues	-	61,467	61,467
Expenditures			
Public safety			
Operations		49,295	
Capital outlay		-	
Total expenditures	59,531	49,295	10,236
Revenues over (under) expenditures	(59,531)	12,172	71,703
Other financing sources			
Sale of capital assets	-	13,020	13,020
Total other financing sources	-	13,020	13,020
Revenues and other financing sources over (under) expenditures	(59,531)	25,192	84,723
Fund balance appropriated	59,531	-	(59,531)
Net change in fund balance	\$ -	25,192	\$ 25,192
Fund balance - beginning		116,394	
Fund balance - ending		\$ 141,586	

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, 2022

Exhibit C-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Taxes	\$	\$ 90,328	\$
Interest		446	
Total revenues	93,000	90,774	(2,226)
Expenditures			
Economic and physical development			
Payment to Uptown Lexington, Inc.		92,372	
Total expenditures	93,000	92,372	628
Revenues over (under) expenditures	-	(1,598)	(1,598)
Net change in fund balance	\$ -	(1,598)	\$ (1,598)
Fund balance - beginning		1,687	
Fund balance - ending		\$ 89	

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, 2022

Exhibit C-6

	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	<u>2,541,152</u>	<u>2,541,151</u>	<u>-</u>	<u>2,541,151</u>	<u>1</u>
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	<u>157,600</u>	<u>157,600</u>	<u>-</u>	<u>157,600</u>	<u>-</u>
Total other financing sources	<u>157,600</u>	<u>157,600</u>	<u>-</u>	<u>157,600</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ -</u>		

City of Lexington, North Carolina
Nonmajor General Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2022

Exhibit C-7

	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	-	17,250	3,000	20,250	20,250
Investment earnings	-	-	550	550	550
Miscellaneous					
Donations	125,000	125,000	-	125,000	-
Total	<u>375,000</u>	<u>392,250</u>	<u>3,550</u>	<u>395,800</u>	<u>20,800</u>
Skate/BMX Park Project					
Investment earnings	12,145	12,145	-	12,145	-
Total	<u>12,145</u>	<u>12,145</u>	<u>-</u>	<u>12,145</u>	<u>-</u>
2020 Recreation Facilities Improvement Project					
Investment earnings	27	20	5	25	(2)
Total	<u>27</u>	<u>20</u>	<u>5</u>	<u>25</u>	<u>(2)</u>
Lexington Business Center Project					
Restricted intergovernmental	1,817,500	1,817,500	-	1,817,500	-
Investment earnings	170,011	169,943	68	170,011	-
Miscellaneous					
Reimbursement of costs	211,261	211,261	-	211,261	-
Donations	107,500	107,500	-	107,500	-
Total	<u>2,306,272</u>	<u>2,306,204</u>	<u>68</u>	<u>2,306,272</u>	<u>-</u>
Lexington Furniture Industries, Inc. Plant #1 Project					
Restricted intergovernmental	180,000	180,000	-	180,000	-
Sales and services					
Property rental	1,410,362	1,221,029	-	1,221,029	(189,333)
Lease revenue	-	-	93,857	93,857	93,857
Investment earnings	-	-	500	500	500
Miscellaneous					
Reimbursement of costs	1,467,000	1,467,000	-	1,467,000	-
Sale of materials	72,793	72,793	-	72,793	-
Interest on lease receivable	-	-	1,379	1,379	1,379
Total	<u>3,130,155</u>	<u>2,940,822</u>	<u>95,736</u>	<u>3,036,558</u>	<u>(93,597)</u>
Total revenues	<u>5,823,599</u>	<u>5,651,441</u>	<u>99,359</u>	<u>5,750,800</u>	<u>(72,799)</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, 2022

Exhibit C-7
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	1,308,167	1,308,167	-	1,308,167	-
2020 Recreation Facilities Improvement Project	987,907	966,290	21,617	987,907	-
Total culture and recreation	<u>3,196,074</u>	<u>2,924,457</u>	<u>21,617</u>	<u>2,946,074</u>	<u>250,000</u>
Economic and physical development					
Lexington Business Center Project	5,530,257	5,524,181	6,076	5,530,257	-
Lexington Furniture Industries, Inc. Plant #1 Project	4,525,762	3,838,749	491,373	4,330,122	195,640
Total economic and physical development	<u>10,056,019</u>	<u>9,362,930</u>	<u>497,449</u>	<u>9,860,379</u>	<u>195,640</u>
Total expenditures	<u>13,252,093</u>	<u>12,287,387</u>	<u>519,066</u>	<u>12,806,453</u>	<u>445,640</u>
Revenues over (under) expenditures	<u>(7,428,494)</u>	<u>(6,635,946)</u>	<u>(419,707)</u>	<u>(7,055,653)</u>	<u>372,841</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					
General Fund	1,140,000	1,140,000	-	1,140,000	-
Transfers from other funds					
General Fund	229,500	229,500	-	229,500	-
Transfers to other funds					
General Fund	(73,478)	-	(73,478)	(73,478)	-
Total	<u>1,296,022</u>	<u>1,369,500</u>	<u>(73,478)</u>	<u>1,296,022</u>	<u>-</u>
2020 Recreation Facilities Improvement Project					
Installment purchase obligations issued					
General Fund	1,025,000	1,025,000	-	1,025,000	-
Transfers to other funds					
General Fund	(37,120)	-	(37,118)	(37,118)	2
Total	<u>987,880</u>	<u>1,025,000</u>	<u>(37,118)</u>	<u>987,882</u>	<u>2</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, 2022

Exhibit C-7
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	(551,210)	(219,000)	(332,210)	(551,210)	-
Sale of capital assets	2,283,670	2,119,788	163,882	2,283,670	-
Total	<u>3,223,985</u>	<u>3,392,313</u>	<u>(168,328)</u>	<u>3,223,985</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>7,428,494</u>	<u>7,707,420</u>	<u>(278,924)</u>	<u>7,428,496</u>	<u>2</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,071,474</u>	<u>(698,631)</u>	<u>\$ 372,843</u>	<u>\$ 372,843</u>
Fund balance - beginning			1,071,474		
Fund balance - ending			<u>\$ 372,843</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, 2022

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 27,122,660	\$
Commercial		15,086,308	
Industrial		2,415,636	
Area lights		918,547	
Street lighting		413,954	
Traffic lights		22,372	
Cable amplifiers		170,813	
Renewable Energy Portfolio Standards		309,655	
Other operating		277,869	
Total operating revenues	48,809,195	46,737,814	(2,071,381)
Nonoperating revenues			
Investment earnings		26,044	
Sale of property		66,788	
Total nonoperating revenues	8,600	92,832	84,232
Total revenues	48,817,795	46,830,646	(1,987,149)

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, 2022

Exhibit D-1
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Electric operations			
Salaries and employee benefits	\$	\$ 71,901	\$
Maintenance		2,420,009	
Cost of sales and services		8,044,523	
Purchases for resale		32,054,288	
Administrative charges general fund		744,094	
Administrative charges risk management fund		94,946	
Administrative charges utility administration fund		1,830,226	
Capital outlay		651,420	
Total electric operations	47,850,612	45,911,407	1,939,205
Debt service			
Principal retirement		649,744	
Interest and other charges		89,162	
Total debt service	738,907	738,906	1
Total expenditures	48,589,519	46,650,313	1,939,206
Revenues over expenditures	228,276	180,333	(47,943)
Other financing sources (uses)			
Transfers to other funds			
General Fund	(1,200,000)	(1,200,000)	-
Electric Capital Reserve Fund	(20,764)	(20,764)	-
Total other financing sources (uses)	(1,220,764)	(1,220,764)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(992,488)	(1,040,431)	(47,943)
Appropriated net position	992,488	-	(992,488)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	(1,040,431)	\$ (1,040,431)

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, 2022

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		\$ (1,040,431)	
Reconciling items			
Principal retirement		649,744	
Capital outlay		651,420	
Depreciation		(1,353,136)	
Contracted labor and overhead charged to construction		581,795	
Materials charged to construction		353,725	
Gain (loss) on sale of property		(14,718)	
Increase (decrease) in inventory		1,050,043	
Provision for uncollectable accounts		(375,075)	
Change in accrued interest		2,571	
Increase (decrease) in deferred outflow of resources - OPEB		31,303	
(Increase) decrease in total OPEB liability		30,901	
(Increase) decrease in deferred inflows of resources - OPEB		36,293	
Items related to subfund - Electric Projects Fund			
Investment earnings		5,396	
Items related to subfund - Electric Capital Reserve Fund			
Investment earnings		21,039	
Transfer from Electric Fund		20,764	
Items related to subfund - Electric Rate Stabilization Fund			
Investment earnings		1,757	
 Total reconciling items		 1,693,822	
 Change in net position		 \$ 653,391	

City of Lexington, North Carolina

Exhibit D-2

Electric Projects Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

From inception and for the fiscal year ended June 30, 2022

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Electric Delivery Station No.3 Project					
Investment earnings	\$ -	\$ 1,299	\$ 5,396	\$ 6,695	\$ 6,695
Total	<u>-</u>	<u>1,299</u>	<u>5,396</u>	<u>6,695</u>	<u>6,695</u>
LexingtonStarbucks VW-DC Project					
Restricted intergovernmental	53,525	53,525	-	53,525	-
Total	<u>53,525</u>	<u>53,525</u>	<u>-</u>	<u>53,525</u>	<u>-</u>
Lexington Level II Charging Project					
Restricted intergovernmental	25,000	25,000	-	25,000	-
Total	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total revenues	<u>78,525</u>	<u>79,824</u>	<u>5,396</u>	<u>85,220</u>	<u>6,695</u>
Expenditures					
Electric Delivery Station No.3 Project	5,304,000	196,967	2,491,671	2,688,638	2,615,362
LexingtonStarbucks VW-DC Project	68,719	68,719	-	68,719	-
Lexington Level II Charging Project	33,763	33,763	-	33,763	-
Total expenditures	<u>5,406,482</u>	<u>299,449</u>	<u>2,491,671</u>	<u>2,791,120</u>	<u>2,615,362</u>
Revenues over (under) expenditures	<u>(5,327,957)</u>	<u>(219,625)</u>	<u>(2,486,275)</u>	<u>(2,705,900)</u>	<u>2,622,057</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>5,304,000</u>	<u>-</u>	<u>5,304,000</u>	<u>-</u>
LexingtonStarbucks VW-DC Project					
Transfers from other funds					
Operating fund	15,194	15,194	-	15,194	-
Lexington Level II Charging Project					
Transfers from other funds					
Operating fund	8,763	8,763	-	8,763	-
Total	<u>8,763</u>	<u>8,763</u>	<u>-</u>	<u>8,763</u>	<u>-</u>
Total other financing sources (uses)	<u>5,327,957</u>	<u>5,327,957</u>	<u>-</u>	<u>5,327,957</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 5,108,332</u>	<u>\$ (2,486,275)</u>	<u>\$ 2,622,057</u>	<u>\$ 2,622,057</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, 2022

Exhibit D-3

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 4,100	\$ 21,039	\$ 16,939
Revenues over expenditures	4,100	21,039	16,939
Other financing sources			
Transfers from other funds			
Electric Fund	20,764	20,764	-
Total other financing sources	20,764	20,764	-
Revenues and other financing sources over (under) expenditures	24,864	41,803	16,939
Addition to reserve for electric capital requirements	(24,864)	-	24,864
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	\$ -	\$ 41,803	\$ 41,803

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, 2022

Exhibit D-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 500	\$ 1,757	\$ 1,257
Revenues over expenditures	500	1,757	1,257
Revenues and other financing sources over (under) expenditures	500	1,757	1,257
Addition to reserve for electric rate stabilization requirements	(500)	-	500
Revenues and other financing sources over (under) expenditures and addition to net position	\$ -	\$ 1,757	\$ 1,757

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, 2022

Exhibit D-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services - Water			
Residential	\$	\$ 2,703,771	\$
Commercial		1,356,957	
Industrial		994,135	
Other water charges		62,241	
Charges for sales and services - Wastewater			
Residential		3,282,588	
Commercial		2,668,469	
Industrial		365,648	
Other wastewater charges		55,486	
Other operating		625,968	
Total operating revenues	11,595,287	12,115,263	519,976
Nonoperating revenues			
Federal Build America Bond interest credit		3,716	
Investment earnings		11,355	
Disaster assistance		919	
Sale of property		161,674	
Total nonoperating revenues	152,907	177,664	24,757
Total revenues	11,748,194	12,292,927	544,733

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, 2022

Exhibit D-5
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Water and wastewater operations			
Water and wastewater administration			
Salaries and employee benefits	\$	\$ 395,428	\$
Cost of sales and services		328,142	
Administrative charges general fund		901,561	
Administrative charges risk management fund		169,439	
Administrative charges utility administration fund		789,186	
Capital outlay		33,829	
Total water and wastewater administration	2,753,029	2,617,585	135,444
Water plant			
Salaries and employee benefits		855,210	
Maintenance		321,033	
Cost of sales and services		744,104	
Capital outlay		110,218	
Total water plant	2,533,180	2,030,565	502,615
Wastewater plant			
Salaries and employee benefits		1,107,135	
Maintenance		778,109	
Cost of sales and services		1,396,069	
Capital outlay		4,314	
Total wastewater plant	4,565,598	3,285,627	1,279,971
Water resources maintenance & construction			
Salaries and employee benefits		1,090,354	
Maintenance		772,303	
Cost of sales and services		775,299	
Capital outlay		388,350	
Total water resources maintenance & construction	3,805,600	3,026,306	779,294
Total water and wastewater operations	13,657,407	10,960,083	2,697,324

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, 2022

Exhibit D-5
continued

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	\$	\$ 378,785	\$
Interest and other charges		57,478	
Total debt service	436,293	436,263	30
Total expenditures	14,093,700	11,396,346	2,697,354
Revenue over expenditures	(2,345,506)	896,581	3,242,087
Other financing sources (uses)			
Transfers from other funds			
Water and Wastewater Capital Reserve Fund	1,591,304	711,764	(879,540)
Transfers to other funds			
Water and Wastewater Capital Reserve Fund	(2,825,846)	(2,457,727)	368,119
Total other financing sources (uses)	(1,234,542)	(1,745,963)	(511,421)
Revenues and other financing sources over (under) expenditures and other financing uses	(3,580,048)	(849,382)	2,730,666
Appropriated net position	3,580,048	-	(3,580,048)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	(849,382)	\$ (849,382)

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, 2022

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		\$ (849,382)	
Reconciling items			
Principal retirement		378,785	
Capital outlay		536,711	
Depreciation		(1,469,398)	
Wages and overhead charged to construction		65,000	
Materials charged to construction		34,514	
Gain (loss) on sale of property		(1,000)	
Contributions of capital assets		209,739	
Increase (decrease) in inventory		165,656	
Provision for uncollectable accounts		(116,317)	
Change in accrued interest		(6,545)	
(Increase) decrease in compensated absences payable		(44,065)	
Increase (decrease) in deferred outflow of resources - pensions		44,037	
(Increase) decrease in net pension liability		772,526	
(Increase) decrease in deferred inflows of resources - pensions		(699,331)	
Increase (decrease) in deferred outflow of resources - OPEB		145,047	
(Increase) decrease in total OPEB liability		(369,505)	
(Increase) decrease in deferred inflows of resources - OPEB		27,161	
Change in equity interest in joint venture		(8,516)	
Items related to subfund - Water and Wastewater Projects Fund			
Investment earnings		259	
Items related to subfund - Water and Wastewater Capital Reserve Fund			
Investment earnings		8,643	
Transfer from Water and Wastewater Fund		2,457,727	
Transfer to Water and Wastewater Fund		(711,764)	
Total reconciling items		1,419,364	
Change in net position		\$ 569,982	

City of Lexington, North Carolina
Water and Wastewater Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2022

Exhibit D-6

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Advanced Metering Infrastructure (AMI) Project					
Investment earnings	\$ -	\$ -	\$ 259	\$ 259	\$ 259
Total	<u>-</u>	<u>-</u>	<u>259</u>	<u>259</u>	<u>259</u>
 Total revenues	<u>-</u>	<u>-</u>	<u>259</u>	<u>259</u>	<u>259</u>
Expenditures					
Advanced Metering Infrastructure (AMI) Project					
Solids Handling Facility Project	5,310,000	-	1,449,009	1,449,009	3,860,991
Total expenditures	<u>5,310,000</u>	<u>-</u>	<u>1,449,009</u>	<u>1,449,009</u>	<u>4,360,991</u>
Revenues over (under) expenditures	<u>(5,810,000)</u>	<u>-</u>	<u>(1,448,750)</u>	<u>(1,448,750)</u>	<u>4,361,250</u>
Other financing sources					
Advanced Metering Infrastructure (AMI) Project					
Installment purchase obligations issued	5,310,000	-	5,310,000	5,310,000	-
Total	<u>5,310,000</u>	<u>-</u>	<u>5,310,000</u>	<u>5,310,000</u>	<u>-</u>
Solids Handling Facility Project					
Transfers from other funds					
Water and Wastewater Capital Reserve Fund	500,000	-	-	-	(500,000)
Transfers to other funds					
Water and Wastewater Fund	-	-	-	-	-
Total	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Total other financing sources	<u>5,810,000</u>	<u>-</u>	<u>5,310,000</u>	<u>5,310,000</u>	<u>(500,000)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,861,250</u>	<u>\$ 3,861,250</u>	<u>\$ 3,861,250</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, 2022

Exhibit D-7

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 1,900	\$ 8,643	\$ 6,743
Revenues over expenditures	1,900	8,643	6,743
Other financing sources			
Transfers from other funds			
Water and Wastewater Fund	2,825,846	2,457,727	(368,119)
Transfers to other funds			
Water and Wastewater Fund	(1,591,304)	(711,764)	879,540
Water and Wastewater Projects Fund	(500,000)	-	500,000
Total other financing sources	734,542	1,745,963	1,011,421
Revenues and other financing sources over (under) expenditures	736,442	1,754,606	1,018,164
Addition to reserve for water and wastewater capital requirements	(736,442)	-	736,442
Revenues, other financing sources, and appropriated net position over (under) expenditures	\$ -	\$ 1,754,606	\$ 1,754,606

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, 2022

Exhibit D-8

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 5,463,898	\$
Commercial		4,008,550	
Industrial		4,424,182	
Other operating		62,448	
Total operating revenues	14,863,224	13,959,078	(904,146)
Nonoperating revenues			
Federal Build America Bond interest credit		10,528	
Investment earnings		10,579	
Sale of property		85,951	
Total nonoperating revenues	82,990	107,058	24,068
Total revenues	14,946,214	14,066,136	(880,078)

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, 2022

Exhibit D-8
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Natural gas operations			
Salaries and employee benefits	\$	\$ 1,566,901	\$
Maintenance		216,487	
Cost of sales and services		1,273,407	
Purchases for resale		6,981,626	
Administrative charges general fund		666,781	
Administrative charges risk management fund		80,918	
Administrative charges utility administration fund		1,216,820	
Capital outlay		308,950	
Total natural gas operations	14,674,079	12,311,890	2,362,189
Debt service			
Principal retirement		130,690	
Interest and other charges		31,826	
Total debt service	162,517	162,516	1
Total expenditures	14,836,596	12,474,406	2,362,190
Revenues over expenditures	109,618	1,591,730	1,482,112
Other financing sources (uses)			
Transfers to other funds			
General Fund	(1,121,571)	(1,121,571)	-
Natural Gas Capital Reserve Fund	(24,189)	(24,189)	-
Total other financing uses	(1,145,760)	(1,145,760)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(1,036,142)	445,970	1,482,112
Appropriated net position	1,036,142	-	(1,036,142)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	445,970	\$ 445,970

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, 2022

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		\$ 445,970	
Reconciling items:			
Principal retirement		130,690	
Capital outlay		308,950	
Depreciation		(670,848)	
Wages and overhead charged to construction		381,938	
Materials charged to construction		258,665	
Gain (loss) on sale of property		(8,874)	
Increase (decrease) in inventory		243,176	
Provision for uncollectable accounts		(35,879)	
Change in accrued interest		1,674	
(Increase) decrease in compensated absences payable		(34,469)	
Increase (decrease) in deferred outflow of resources - pensions		54,368	
(Increase) decrease in net pension liability		282,711	
(Increase) decrease in deferred inflows of resources - pensions		(314,325)	
Increase (decrease) in deferred outflow of resources - OPEB		57,307	
(Increase) decrease in total OPEB liability		(109,621)	
(Increase) decrease in deferred inflows of resources - OPEB		20,734	
Items related to subfund - Natural Gas Projects Fund			
Investment earnings		1,110	
Transfer from Natural Gas Capital Reserve Fund		825,000	
Items related to subfund - Natural Gas Capital Reserve Fund			
Investment earnings		1,705	
Transfer from Natural Gas Fund		24,189	
Transfer to Natural Gas Projects Fund		(825,000)	
Items related to subfund - Natural Gas Stabilization Fund			
Investment earnings		1,394	
Total reconciling items		594,595	
Change in net position		\$ 1,040,565	

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, 2022

Exhibit D-9

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Transco Interconnect and Distribution Pipeline Project					
Investment earnings	\$ -	\$ -	\$ 1,110	\$ 1,110	\$ 1,110
Total revenues	<u>-</u>	<u>-</u>	<u>1,110</u>	<u>1,110</u>	<u>1,110</u>
Expenditures					
Transco Interconnect and Distribution Pipeline Project	2,000,000	15,046	227,853	242,899	1,757,101
Total expenditures	<u>2,000,000</u>	<u>15,046</u>	<u>227,853</u>	<u>242,899</u>	<u>1,757,101</u>
Revenues over (under) expenditures	<u>(2,000,000)</u>	<u>(15,046)</u>	<u>(226,743)</u>	<u>(241,789)</u>	<u>1,758,211</u>
Other financing sources (uses)					
Transco Interconnect and Distribution Pipeline Project					
Installment purchase obligations issued	1,175,000	-	-	-	(1,175,000)
Transfers from other funds					
Natural Gas Capital Reserve Fund	<u>825,000</u>	<u>-</u>	<u>825,000</u>	<u>825,000</u>	<u>-</u>
Total other financing sources	<u>2,000,000</u>	<u>-</u>	<u>825,000</u>	<u>825,000</u>	<u>(1,175,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (15,046)</u>	<u>\$ 598,257</u>	<u>\$ 583,211</u>	<u>\$ 583,211</u>

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, 2022

Exhibit D-10

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 800	\$ 1,705	\$ 905
Revenues over expenditures	800	1,705	905
Other financing sources			
Transfers from other funds			
Natural Gas Fund	24,189	24,189	-
Transfers to other funds			
Natural Gas Projects Fund	(825,000)	(825,000)	-
Total other financing sources (uses)	(800,811)	(800,811)	-
Revenues and other financing sources over expenditures	(800,011)	(799,106)	905
Net position appropriated	800,011	-	(800,011)
Revenues over expenditures and addition to net position	\$ -	\$ (799,106)	\$ (799,106)

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, 2022

Exhibit D-11

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 400	\$ 1,394	\$ 994
Revenues over expenditures	400	1,394	994
Addition to reserve for natural gas rate stabilization requirements	(400)	-	400
Revenues over expenditures and addition to net position	\$ -	\$ 1,394	\$ 1,394



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, 2022

Exhibit E-1

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 271,922	\$ 659,530	\$ 931,452
Receivables (net)			
Accounts - billed	53,831	-	53,831
Accounts - unbilled	85,455	-	85,455
Due from other governments	6,524	26,139	32,663
Restricted cash and cash equivalents			
Customer deposits	-	2,000	2,000
Total current assets	417,732	687,669	1,105,401
Noncurrent assets			
Capital assets			
Land and other non-depreciable assets	-	40,728	40,728
Other capital assets, net of accumulated depreciation	273,260	841,788	1,115,048
Total capital assets	273,260	882,516	1,155,776
Total noncurrent assets	273,260	882,516	1,155,776
Total assets	690,992	1,570,185	2,261,177
Deferred outflows of resources	64,065	196,887	260,952
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 30,461	\$ 46,842	\$ 77,303
Due to other funds	-	41,048	41,048
Compensated absences	10,381	21,000	31,381
Liabilities payable from restricted assets			
Customer deposits	-	2,000	2,000
Total current liabilities	40,842	110,890	151,732
Noncurrent liabilities			
Compensated absences	-	20,939	20,939
Net pension liability	35,460	80,321	115,781
Total OPEB liability	41,547	330,592	372,139
Advances from other funds	-	49,699	49,699
Total noncurrent liabilities	77,007	481,551	558,558
Total liabilities	117,849	592,441	710,290
Deferred inflows of resources	58,260	151,038	209,298
Net position			
Net investment in capital assets	273,260	882,516	1,155,776
Unrestricted	305,688	141,077	446,765
Total net position	\$ 578,948	\$ 1,023,593	\$ 1,602,541

City of Lexington, North Carolina
Nonmajor Enterprise Funds

Exhibit E-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the fiscal year ended June 30, 2022

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Operating revenues			
Charges for sales and services	\$ 1,052,345	\$ 834,312	\$ 1,886,657
Other operating	19,072	160,932	180,004
Total operating revenues	1,071,417	995,244	2,066,661
Operating expenses			
Cost of sales and services	555,801	1,004,704	1,560,505
Administration	312,269	15,932	328,201
Depreciation	49,022	179,859	228,881
Total operating expenses	917,092	1,200,495	2,117,587
Operating income (loss)	154,325	(205,251)	(50,926)
Nonoperating revenues (expenses)			
Investment earnings	397	1,189	1,586
Restricted intergovernmental	-	193	193
Gain (loss) on sale of property	1,016	-	1,016
Interest and other charges	-	(1,567)	(1,567)
Total nonoperating revenues (expenses)	1,413	(185)	1,228
Income (loss) before transfers	155,738	(205,436)	(49,698)
Transfers from other funds			
General Fund	-	450,000	450,000
Change in net position	155,738	244,564	400,302
Net position - beginning	423,210	779,029	1,202,239
Net position - ending	\$ 578,948	\$ 1,023,593	\$ 1,602,541

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2022

Exhibit E-3

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 1,033,007	\$ 834,312	\$ 1,867,319
Cash received (paid) for interfund services provided (used)	(312,269)	(15,932)	(328,201)
Cash paid for goods and services	(207,361)	(304,480)	(511,841)
Cash paid to employees	(268,996)	(672,441)	(941,437)
Other operating income	19,072	160,932	180,004
Net cash provided (used) by operating activities	263,453	2,391	265,844
Cash flows from noncapital financing activities			
Operating grants	-	193	193
Advances from (to) other funds	-	46,022	46,022
Transfers from other funds	-	450,000	450,000
Net cash provided (used) by noncapital financing activities	-	496,215	496,215
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(107,255)	(297,124)	(404,379)
Interest and other charges paid on debt	-	(1,567)	(1,567)
Proceeds from the sale of assets	4,987	-	4,987
Net cash provided (used) by capital and related financing activities	(102,268)	(298,691)	(400,959)
Cash flows from investing activities			
Receipts of investment earnings	397	1,189	1,586
Net cash provided by investing activities	397	1,189	1,586
Net increase (decrease) in cash and cash equivalents	161,582	201,104	362,686
Cash and cash equivalents - beginning	110,340	460,426	570,766
Cash and cash equivalents - ending	\$ 271,922	\$ 661,530	\$ 933,452

Continued on next page.

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2022

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)	\$ 154,325	\$ (205,251)	\$ (50,926)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	49,022	179,859	228,881
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(19,338)	-	(19,338)
(Increase) decrease in intergovernmental receivable	(3,940)	(13,482)	(17,422)
(Increase) decrease in deferred outflows of resources - pensions	(54,970)	(14,362)	(69,332)
(Increase) decrease in deferred outflows of resources - OPEB	(9,095)	(23,917)	(33,012)
Increase (decrease) in accounts payable and accrued liabilities	17,497	14,147	31,644
Increase (decrease) in customer deposits	-	1,500	1,500
Increase (decrease) in compensated absences	(5,315)	6,320	1,005
Increase (decrease) in net pension liability	35,460	(120,503)	(85,043)
Increase (decrease) in total OPEB liability	41,547	61,793	103,340
Increase (decrease) in deferred inflows of resources - pensions	54,908	120,527	175,435
Increase (decrease) in deferred inflows of resources - OPEB	3,352	(4,240)	(888)
Total adjustments	109,128	207,642	316,770
Net cash provided (used) by operating activities	\$ 263,453	\$ 2,391	\$ 265,844

City of Lexington, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2022

Exhibit E-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services	\$	\$ 1,056,536	\$
Other operating		19,072	
Total operating revenues	1,006,769	1,075,608	68,839
Nonoperating revenues			
Investment earnings		397	
Sale of property		4,987	
Total nonoperating revenues	-	5,384	5,384
Total revenues	1,006,769	1,080,992	74,223
Expenditures			
Stormwater operations			
Salaries and employee benefits		270,097	
Maintenance		107,159	
Cost of sales and services		112,658	
Administrative charges general fund		108,552	
Administrative charges risk management fund		2,724	
Administrative charges utility administration fund		200,993	
Capital outlay		107,255	
Total expenditures	1,104,022	909,438	194,584
Revenues over (under) expenditures	(97,253)	171,554	268,807
Appropriated net position	97,253	-	(97,253)
Revenues and other financing sources over (under) expenditures	\$ -	171,554	\$ 171,554

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, 2022

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		\$ 171,554	
Reconciling items:			
Capital outlay		107,255	
Depreciation		(49,022)	
Gain (loss) on sale of property		(3,971)	
Provision for uncollectable accounts		(4,191)	
(Increase) decrease in compensated absences payable		5,315	
Increase (decrease) in deferred outflow of resources - pensions		54,970	
(Increase) decrease in net pension liability		(35,460)	
(Increase) decrease in deferred inflows of resources - pensions		(54,908)	
Increase (decrease) in deferred outflow of resources - OPEB		9,095	
(Increase) decrease in total OPEB liability		(41,547)	
(Increase) decrease in deferred inflows of resources - OPEB		(3,352)	
Total reconciling items		(15,816)	
Change in net position		\$ 155,738	

City of Lexington, North Carolina
Golf Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2022

Exhibit E-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Golf course	\$	\$ 459,125	\$
Golf cart rentals		364,254	
Municipal club rental		10,933	
Other operating		160,932	
Total operating revenues	817,881	995,244	177,363
Nonoperating revenues			
Investment earnings		1,189	
Disaster assistance		193	
Total nonoperating revenues	200	1,382	1,182
Total revenues	818,081	996,626	178,545
Expenditures			
Golf operations			
Salaries and employee benefits		674,873	
Cost of sales and services		304,213	
Administrative charges risk management fund		15,932	
Capital outlay		297,124	
Total operating expenditures	1,420,766	1,292,142	128,624
Debt service			
Interest and other charges		1,567	
Total debt service	66,388	1,567	64,821
Total expenditures	1,487,154	1,293,709	193,445
Revenues over (under) expenditures	(669,073)	(297,083)	371,990
Other financing sources			
Installment purchase debt issued	144,000	-	(144,000)
Transfers from other funds			
General Fund	450,000	450,000	-
Total other financing sources	594,000	450,000	(144,000)
Revenues and other financing sources over (under) expenditures	(75,073)	152,917	227,990
Appropriated net position	75,073	-	(75,073)
Revenues, other financing sources, and appropriated net position over (under) expenditures	\$ -	152,917	\$ 152,917

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, 2022

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		\$ 152,917	
Reconciling items:			
Capital outlay		297,124	
Depreciation		(179,859)	
(Increase) decrease in compensated absences payable		(6,320)	
Increase (decrease) in deferred outflows of resources - pensions		14,362	
(Increase) decrease in net pension liability		120,503	
(Increase) decrease in deferred inflows of resources - pensions		(120,527)	
Increase (decrease) in deferred outflows of resources - OPEB		23,917	
(Increase) decrease in total OPEB liability		(61,793)	
(Increase) decrease in deferred inflows of resources - OPEB		4,240	
Total reconciling items		91,647	
Change in net position		\$ 244,564	



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. 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. 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. In recent years the City has begun to phase out its motor pool operations. 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, 2022

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	1,066,235	\$ 2,393,924	\$ 2,308,745	\$ 2,944,285	\$ 8,713,189
Receivables (net)					
Accounts - billed	25,918	-	-	136,437	162,355
Due from other governments	38,829	162	3,894	46,759	89,644
Inventories	172,594	-	-	-	172,594
Prepaid items	-	-	-	17,000	17,000
Restricted cash and cash equivalents	-	-	-	12,939,676	12,939,676
Total current assets	<u>1,303,576</u>	<u>2,394,086</u>	<u>2,312,639</u>	<u>16,084,157</u>	<u>22,094,458</u>
Noncurrent assets					
Designated cash and cash equivalents					
Capital reserve	862,434	-	-	-	862,434
Group insurance reserve	-	8,379,335	-	-	8,379,335
Right to use leased assets, net of amortization	-	-	-	9,785	9,785
Capital assets					
Land and other non-depreciable assets	15,000	-	-	1,805,832	1,820,832
Other capital assets, net of accumulated depreciation	506,711	-	21,494	2,608,567	3,136,772
Total capital assets	<u>521,711</u>	<u>-</u>	<u>21,494</u>	<u>4,414,399</u>	<u>4,957,604</u>
Total noncurrent assets	<u>1,384,145</u>	<u>8,379,335</u>	<u>21,494</u>	<u>4,424,184</u>	<u>14,209,158</u>
Total assets	<u>2,687,721</u>	<u>10,773,421</u>	<u>2,334,133</u>	<u>20,508,341</u>	<u>36,303,616</u>
Deferred outflows of resources	<u>156,456</u>	<u>-</u>	<u>68,390</u>	<u>773,655</u>	<u>998,501</u>

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2022

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	\$ 148,329	\$ 26,228	\$ 30,688	\$ 489,699	\$ 694,944
Unpaid claims costs	-	396,000	109,134	-	505,134
Compensated absences	30,000	-	9,000	134,000	173,000
Lease liabilities	-	-	-	3,873	3,873
Installment purchases payable	-	-	-	705,892	705,892
Liabilities payable from restricted assets					
Accounts payable and accrued liabilities	-	-	-	56,621	56,621
Total current liabilities	<u>178,329</u>	<u>422,228</u>	<u>148,822</u>	<u>1,390,085</u>	<u>2,139,464</u>
Noncurrent liabilities					
Compensated absences	21,412	-	10,641	38,670	70,723
Net pension liability	78,070	-	25,440	314,898	418,408
Total OPEB liability	161,846	-	132,253	1,304,143	1,598,242
Lease liabilities	-	-	-	5,875	5,875
Installment purchases payable	-	-	-	14,802,508	14,802,508
Total noncurrent liabilities	<u>261,328</u>	<u>-</u>	<u>168,334</u>	<u>16,466,094</u>	<u>16,895,756</u>
Total liabilities	<u>439,657</u>	<u>422,228</u>	<u>317,156</u>	<u>17,856,179</u>	<u>19,035,220</u>
Deferred inflows of resources	<u>133,942</u>	<u>-</u>	<u>50,059</u>	<u>592,792</u>	<u>776,793</u>
Net position					
Net investment in capital assets	521,711	-	21,494	1,845,712	2,388,917
Unrestricted	1,748,867	10,351,193	2,013,814	987,313	15,101,187
Total net position	<u>\$ 2,270,578</u>	<u>\$ 10,351,193</u>	<u>\$ 2,035,308</u>	<u>\$ 2,833,025</u>	<u>\$ 17,490,104</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, 2022

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
Operating revenues					
Charges for services	\$ 2,178,824	\$ 5,254,093	\$ 1,390,661	\$ 4,551,308	\$ 13,374,886
Other operating	14,182	112,030	206,036	1,211,649	1,543,897
Total operating revenues	<u>2,193,006</u>	<u>5,366,123</u>	<u>1,596,697</u>	<u>5,762,957</u>	<u>14,918,783</u>
Operating expenses					
Cost of sales and services	1,909,052	-	-	-	1,909,052
Administration	-	281,223	323,598	4,337,886	4,942,707
Premiums	-	713,149	763,387	-	1,476,536
Claims	-	3,285,358	408,606	-	3,693,964
Depreciation and amortization	266,594	-	11,206	589,447	867,247
Total operating expenses	<u>2,175,646</u>	<u>4,279,730</u>	<u>1,506,797</u>	<u>4,927,333</u>	<u>12,889,506</u>
Operating income (loss)	<u>17,360</u>	<u>1,086,393</u>	<u>89,900</u>	<u>835,624</u>	<u>2,029,277</u>
Nonoperating revenues (expenses)					
Investment earnings	2,591	17,960	3,643	18,904	43,098
Restricted intergovernmental	387	-	49,629	311	50,327
Gain (loss) on sale of property	42,323	-	-	-	42,323
Interest and other charges	-	-	-	(94,346)	(94,346)
Total nonoperating revenues (expenses)	<u>45,301</u>	<u>17,960</u>	<u>53,272</u>	<u>(75,131)</u>	<u>41,402</u>
Change in net position	62,661	1,104,353	143,172	760,493	2,070,679
Net position - beginning	<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>
Net position - ending	<u>\$ 2,270,578</u>	<u>\$ 10,351,193</u>	<u>\$ 2,035,308</u>	<u>\$ 2,833,025</u>	<u>\$ 17,490,104</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2022

Exhibit F-3

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
Cash flows from operating activities					
Cash received from services provided	\$ 2,152,906	\$ 5,254,093	\$ 1,390,661	\$ 4,531,284	\$ 13,328,944
Cash paid for goods and services	(1,306,959)	(4,330,180)	(1,357,589)	(2,998,395)	(9,993,123)
Cash paid to employees	(574,337)	-	(203,850)	(1,263,816)	(2,042,003)
Other operating income	14,182	112,030	206,036	1,211,649	1,543,897
Net cash provided (used) by operating activities	<u>285,792</u>	<u>1,035,943</u>	<u>35,258</u>	<u>1,480,722</u>	<u>2,837,715</u>
Cash flows from noncapital financing activities					
Operating grants	387	-	49,629	311	50,327
Net cash provided (used) by noncapital financing activities	<u>387</u>	<u>-</u>	<u>49,629</u>	<u>311</u>	<u>50,327</u>
Cash flows from capital and related financing activities					
Lease liabilities issued	-	-	-	13,610	13,610
Installment purchase debt issued	-	-	-	14,000,000	14,000,000
Acquisition of right to use leased assets	-	-	-	(13,610)	(13,610)
Acquisition and construction of capital assets	(287,270)	-	-	(1,329,101)	(1,616,371)
Principal paid on lease liabilities and debt	-	-	-	(237,852)	(237,852)
Interest and other charges paid on lease liabilities and debt	-	-	-	(41,264)	(41,264)
Proceeds from the sale of assets	374,797	-	-	(13,610)	361,187
Net cash provided (used) by capital and related financing activities	<u>87,527</u>	<u>-</u>	<u>-</u>	<u>12,378,173</u>	<u>12,465,700</u>
Cash flows from investing activities					
Receipts of investment earnings	2,591	17,960	3,643	18,904	43,098
Net cash provided by investing activities	<u>2,591</u>	<u>17,960</u>	<u>3,643</u>	<u>18,904</u>	<u>43,098</u>
Net increase (decrease) in cash and cash equivalents	376,297	1,053,903	88,530	13,878,110	15,396,840
Cash and cash equivalents - beginning	<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>
Cash and cash equivalents - ending	<u>\$ 1,928,669</u>	<u>\$ 10,773,259</u>	<u>\$ 2,308,745</u>	<u>\$ 15,883,961</u>	<u>\$ 30,894,634</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, 2022

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)	\$ 17,360	\$ 1,086,393	\$ 89,900	\$ 835,624	\$ 2,029,277
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	266,594	-	11,206	589,447	867,247
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources					
(Increase) decrease in accounts receivable	(25,918)	-	-	(20,024)	(45,942)
(Increase) decrease in intergovernmental receivable	3,579	111	(2,867)	(11,323)	(10,500)
(Increase) decrease in inventory	(15,363)	-	-	-	(15,363)
(Increase) decrease in deferred outflows of resources - pensions	(15,387)	1,668	(4,215)	(80,337)	(98,271)
(Increase) decrease in deferred outflows of resources - OPEB	(8,773)	936	(5,750)	(72,068)	(85,655)
Increase (decrease) in accounts payable and accrued liabilities	39,197	2,726	14,613	165,770	222,306
(Increase) decrease in amounts accrued related to interest on capital debt	-	-	-	(53,082)	(53,082)
Increase (decrease) in unpaid claims cost	-	(47,000)	(71,325)	-	(118,325)
Increase (decrease) in compensated absences	11,805	-	4,899	(7,307)	9,397
Increase (decrease) in net pension liability	(114,526)	(3,042)	(38,776)	(428,626)	(584,970)
Increase (decrease) in total OPEB liability	13,971	(5,194)	3,543	120,216	132,536
Increase (decrease) in deferred inflows of resources - pensions	117,199	(58)	38,162	473,362	628,665
Increase (decrease) in deferred inflows of resources - OPEB	(3,946)	(597)	(4,132)	(30,930)	(39,605)
Total adjustments	<u>268,432</u>	<u>(50,450)</u>	<u>(54,642)</u>	<u>645,098</u>	<u>808,438</u>
Net cash provided (used) by operating activities	<u>\$ 285,792</u>	<u>\$ 1,035,943</u>	<u>\$ 35,258</u>	<u>\$ 1,480,722</u>	<u>\$ 2,837,715</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, 2022

Exhibit F-4

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services	\$	\$ 2,178,824	\$
Other operating		14,182	
Total operating revenues	2,117,995	2,193,006	75,011
Nonoperating revenues			
Investment earnings		1,669	
Disaster assistance		387	
Sale of property		374,797	
Total nonoperating revenues	344,300	376,853	32,553
Total revenues	2,462,295	2,569,859	107,564
Expenditures			
Salaries and employee benefits		576,879	
Cost of sales and services		276,095	
Purchases for resale		1,071,098	
Capital outlay		287,270	
Total expenditures	2,576,231	2,211,342	364,889
Revenues over (under) expenditures	(113,936)	358,517	472,453
Other financing sources (uses)			
Transfers from other funds			
Fleet Management Capital Reserve Fund	520,835	287,270	(233,565)
Transfers to other funds			
Fleet Management Capital Reserve Fund	(474,659)	(468,133)	6,526
Total other financing sources (uses)	46,176	(180,863)	(227,039)
Revenues and other financing sources over (under) expenditures and other financing uses	(67,760)	177,654	245,414
Appropriated net position	67,760	-	(67,760)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	177,654	\$ 177,654

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, 2022

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		\$ 177,654	
Reconciling items			
Capital outlay		287,270	
Depreciation		(266,594)	
Gain (loss) on sale of property		(332,474)	
Increase (decrease) in inventory		15,363	
(Increase) decrease in compensated absences payable		(11,805)	
Increase (decrease) in deferred outflows of resources - pensions		15,387	
(Increase) decrease in net pension liability		114,526	
(Increase) decrease in deferred inflows of resources - pensions		(117,199)	
Increase (decrease) in deferred outflows of resources - OPEB		8,773	
(Increase) decrease in total OPEB liability		(13,971)	
(Increase) decrease in deferred inflows of resources - OPEB		3,946	
Items related to subfund - Fleet Management Capital Reserve Fund			
Investment earnings		922	
Transfer from Fleet Management Fund		468,133	
Transfer to Fleet Management Fund		(287,270)	
Total reconciling items		(114,993)	
Change in net position		\$ 62,661	

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, 2022

Exhibit F-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 400	\$ 922	\$ 522
Revenues over (under) expenditures	400	922	522
Other financing sources (uses)			
Transfers from other funds			
Fleet Management Fund	474,659	468,133	(6,526)
Transfers to other funds			
Fleet Management Fund	(520,835)	(287,270)	233,565
Total other financing sources (uses)	(46,176)	180,863	227,039
Revenues and other financing sources over (under) expenditures and other financing uses	(45,776)	181,785	227,561
Net position appropriated	45,776	-	(45,776)
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	\$ -	\$ 181,785	\$ 181,785

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, 2022

Exhibit F-6

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Premium charges to departments	\$	\$ 4,337,848	\$
Premium charges to employees/retirees		906,401	
Premium charges for COBRA		9,844	
Other operating		112,030	
Total operating revenues	6,308,673	5,366,123	(942,550)
Nonoperating revenues			
Investment earnings		17,960	
Total nonoperating revenues	4,800	17,960	13,160
Total revenues	6,313,473	5,384,083	(929,390)
Expenditures			
Administration		287,510	
Premiums		713,149	
Claims		3,285,358	
Total expenditures	6,845,155	4,286,017	2,559,138
Revenues over (under) expenditures	(531,682)	1,098,066	1,629,748
Appropriated net position	531,682	-	(531,682)
Revenues and appropriated net position over (under) expenditures and other financing uses	\$ -	1,098,066	\$ 1,098,066
Reconciliation from financial plan basis (modified accrual) to full accrual			
Reconciling items			
Increase (decrease) in deferred outflows of resources - pensions		(1,668)	
(Increase) decrease in net pension liability		3,042	
(Increase) decrease in deferred inflows of resources - pensions		58	
Increase (decrease) in deferred outflows of resources - OPEB		(936)	
(Increase) decrease in total OPEB liability		5,194	
(Increase) decrease in deferred inflows of resources - OPEB		597	
Total reconciling items		6,287	
Change in net position		\$ 1,104,353	

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, 2022

Exhibit F-7

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Premium charges to departments	\$	\$ 1,386,996	\$
Premium charges to employees		3,665	
Other operating		206,036	
Total operating revenues	<u>1,609,089</u>	<u>1,596,697</u>	<u>(12,392)</u>
Nonoperating revenues			
Investment earnings		3,643	
Disaster assistance		49,629	
Total nonoperating revenues	<u>1,100</u>	<u>53,272</u>	<u>52,172</u>
Total revenues	<u>1,610,189</u>	<u>1,649,969</u>	<u>39,780</u>
Expenditures			
Salaries and employee benefits		205,136	
Administration		124,731	
Premiums		763,387	
Claims		408,606	
Total expenditures	<u>2,002,189</u>	<u>1,501,860</u>	<u>500,329</u>
Revenues over (under) expenditures	(392,000)	148,109	540,109
Appropriated net position	<u>392,000</u>	<u>-</u>	<u>(392,000)</u>
Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>148,109</u>	<u>\$ 148,109</u>

Continued on next page.

City of Lexington, North Carolina
Risk Management Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2022

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		\$ 148,109	
Reconciling items			
Depreciation		(11,206)	
(Increase) decrease in compensated absences payable		(4,899)	
Increase (decrease) in deferred outflows of resources - pensions		4,215	
(Increase) decrease in net pension liability		38,776	
(Increase) decrease in deferred inflows of resources - pensions		(38,162)	
Increase (decrease) in deferred outflows of resources - OPEB		5,750	
(Increase) decrease in total OPEB liability		(3,543)	
(Increase) decrease in deferred inflows of resources - OPEB		4,132	
Total reconciling items		(4,937)	
Change in net position		\$ 143,172	

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, 2022

Exhibit F-8

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Administrative charges general fund	\$	\$ 514,083	\$
Administrative charges electric fund		1,830,226	
Administrative charges water/wastewater fund		789,186	
Administrative charges natural gas fund		1,216,820	
Administrative charges stormwater fund		200,993	
Other operating		1,267,159	
Total operating revenues	5,414,458	5,818,467	404,009
Nonoperating revenues			
Investment earnings		3,295	
Disaster assistance		311	
Total nonoperating revenues	600	3,606	3,006
Total revenues	5,415,058	5,822,073	407,015
Expenditures			
Utility administration			
Salaries and employee benefits		30,989	
Administration		93,557	
Total utility administration	155,019	124,546	30,473
Utility services			
Salaries and employee benefits		1,141,488	
Administration		576,429	
Capital outlay		65,231	
Total utility administration	2,346,647	1,783,148	563,499
Customer service			
Salaries and employee benefits		779,172	
Administration		872,762	
Capital outlay		31,371	
Total customer service	2,051,681	1,683,305	368,376
Warehousing			
Salaries and employee benefits		142,834	
Administration		31,780	
Total warehousing	189,478	174,614	14,864

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, 2022

Exhibit F-8
continued

	Financial Plan	Actual	Variance Positive (Negative)
Meter reading			
Salaries and employee benefits	\$	\$ 220,944	\$
Administration		53,736	
Capital outlay		58,390	
Total meter reading	421,660	333,070	88,590
Marketing			
Salaries and employee benefits		109,591	
Administration		310,294	
Total marketing	668,148	419,885	248,263
Debt service			
Principal retirement		251,462	
Interest and other charges		41,264	
Total debt service	292,728	292,726	2
Total expenditures	6,125,361	4,811,294	1,314,067
Revenues over (under) expenditures	(710,303)	1,010,779	1,721,082
Appropriated net position	710,303	-	(710,303)
Revenues and appropriated net position over (under) expenditures	\$ -	1,010,779	\$ 1,010,779
Reconciliation from financial plan basis to modified accrual basis			
Initial implementation of lease standard			
Lease liabilities issued		13,610	
Capital outlay		(13,610)	
Revenues and appropriated net position over (under) expenditures		1,010,779	

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, 2022

Exhibit F-8
continued

	Financial Plan	Actual	Variance Positive (Negative)
Reconciliation from modified accrual basis to full accrual			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 1,010,779	
Reconciling items			
Principal retirement		251,462	
Lease liabilities issued		(13,610)	
Capital outlay		168,602	
Depreciation - capital assets		(585,622)	
Amortization - right to use leased assets		(3,825)	
Provision for uncollectable accounts		(55,510)	
Change in accrued interest		(53,082)	
(Increase) decrease in compensated absences payable		7,307	
Increase (decrease) in deferred outflows of resources - pensions		80,337	
(Increase) decrease in net pension liability		428,626	
(Increase) decrease in deferred inflows of resources - pensions		(473,362)	
Increase (decrease) in deferred outflows of resources - OPEB		72,068	
(Increase) decrease in total OPEB liability		(120,216)	
(Increase) decrease in deferred inflows of resources - OPEB		30,930	
Items related to subfund - Utility Administration Projects Fund			
Investment earnings		15,609	
Total reconciling items		(250,286)	
Change in net position		\$ 760,493	

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, 2022

Exhibit F-9

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
City Centre Project					
Investment earnings	\$ -	\$ -	\$ 15,475	\$ 15,475	\$ 15,475
Total	<u>-</u>	<u>-</u>	<u>15,475</u>	<u>15,475</u>	<u>15,475</u>
Workorder System Project					
Investment earnings	14,362	14,316	134	14,450	88
Total	<u>14,362</u>	<u>14,316</u>	<u>134</u>	<u>14,450</u>	<u>88</u>
Total revenues	<u>14,362</u>	<u>14,316</u>	<u>15,609</u>	<u>29,925</u>	<u>15,563</u>
Expenditures					
City Centre Project	14,000,000	-	1,132,420	1,132,420	12,867,580
Work Order System Project	389,362	186,293	41,689	227,982	161,380
Total expenditures	<u>14,389,362</u>	<u>186,293</u>	<u>1,174,109</u>	<u>1,360,402</u>	<u>13,028,960</u>
Revenues over (under) expenditures	<u>(14,375,000)</u>	<u>(171,977)</u>	<u>(1,158,500)</u>	<u>(1,330,477)</u>	<u>13,044,523</u>
Other financing sources					
City Centre Project					
Installment purchase debt issued	14,000,000	-	14,000,000	14,000,000	-
Total	<u>14,000,000</u>	<u>-</u>	<u>14,000,000</u>	<u>14,000,000</u>	<u>-</u>
Workorder System Project					
Transfers from other funds					
Utility Administration Fund	375,000	375,000	-	375,000	-
Total	<u>375,000</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>	<u>-</u>
Total other financing sources	<u>14,375,000</u>	<u>375,000</u>	<u>14,000,000</u>	<u>14,375,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 203,023</u>	<u>\$ 12,841,500</u>	<u>\$ 13,044,523</u>	<u>\$ 13,044,523</u>

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SUPPLEMENTAL FINANCIAL DATA

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SUPPLEMENTAL FINANCIAL DATA

This section includes additional information on property taxes.

Schedule of Ad Valorem Taxes Receivable – General Fund

Analysis of Current Tax Levy – City-Wide Levy



City of Lexington, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2022

Exhibit G-1

Fiscal Year	Uncollected Balance June 30, 2020	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2021
2021-22	\$ -	\$ 11,712,927	\$ 11,451,149	\$ 261,778
2020-21	254,074	-	136,022	118,052
2019-20	147,143	-	64,538	82,605
2018-19	94,145	-	27,611	66,534
2017-18	75,608	-	18,416	57,192
2016-17	56,113	-	12,833	43,280
2015-16	43,302	-	8,543	34,759
2014-15	42,059	-	9,750	32,309
2013-14	48,954	-	7,239	41,715
2012-13	52,998	-	6,748	46,250
Prior	230,361	-	12,870	217,491
	<u>\$ 1,044,757</u>	<u>\$ 11,712,927</u>	<u>\$ 11,755,719</u>	<u>1,001,965</u>

Less: allowance for uncollectible accounts:
General Fund

860,000

Ad valorem taxes receivable - net

\$ 141,965

Reconciliation to revenues

Ad valorem taxes - General Fund

\$ 11,851,784

Reconciling items

Interest collected (106,470)

Amounts refunded - prior years 1,720

Abatements and releases - prior years 8,685

Total reconciling items (96,065)

Total collections and credits

\$ 11,755,719

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2022

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	\$ 1,799,690,495	\$ 0.650	\$ 11,698,008	\$ 10,741,597	\$ 956,411
Penalties	-		8,917	8,917	-
Total	<u>1,799,690,495</u>		<u>11,706,925</u>	<u>10,750,514</u>	<u>956,411</u>
Discoveries					
Current year taxes	5,597,791	0.650	36,386	36,386	-
Prior year taxes	-		8,954	8,954	-
Penalties	-		265	265	-
Total	<u>5,597,791</u>		<u>45,605</u>	<u>45,605</u>	<u>-</u>
Abatements	<u>(5,606,652)</u>		<u>(39,603)</u>	<u>(39,603)</u>	<u>-</u>
Total property valuation	<u>\$ 1,799,681,634</u>				
Net levy			11,712,927	10,756,516	956,411
Uncollected taxes at June 30			<u>(261,778)</u>	<u>(261,778)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 11,451,149</u>	<u>\$ 10,494,738</u>	<u>\$ 956,411</u>
Current levy collection percentage			<u>97.77%</u>	<u>97.57%</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, 2022

Exhibit G-2
continued

Secondary Market Disclosures

Assessed Valuation	
Assessment Ratio ¹	100%
Real Property	\$ 1,373,531,029
Personal Property	258,016,769
Public Service Company Property ²	20,993,744
Registered Motor Vehicles	147,140,092
Total Assessed Valuation	1,799,681,634
City-wide Tax Rate	0.650
Levy (includes discoveries, releases and abatements) ³	\$ 11,712,927

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

Municipal Service District	
Total Assessed Valuation	\$ 45,920,488
Additional District Tax Rate	0.200
Additional District Levy (includes discoveries, releases and abatements) ³	\$ 91,913

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, 2022

Exhibit H-1

	ABC Board	Tourism Authority	Uptown Lexington	Front Street- Lexington	Totals
Assets					
Current assets					
Cash and cash equivalents	\$ 65,835	\$ 682,843	\$ 113,223	\$ 48,392	\$ 910,293
Due from primary government	-	47,847	-	-	47,847
Loans receivable	-	-	3,250	-	3,250
Inventories	948,702	-	-	2,612,545	3,561,247
Deposits and prepaid items	7,769	-	-	217	7,986
Total current assets	<u>1,022,306</u>	<u>730,690</u>	<u>116,473</u>	<u>2,661,154</u>	<u>4,530,623</u>
Noncurrent assets					
Right to use leased assets, net of amortization	-	68,866	-	-	68,866
Capital assets					
Land and other non-depreciable assets	253,386	-	-	-	253,386
Other capital assets, net of accumulated depreciation	702,577	-	-	-	702,577
Total capital assets	<u>955,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955,963</u>
Total noncurrent assets	<u>955,963</u>	<u>68,866</u>	<u>-</u>	<u>-</u>	<u>1,024,829</u>
Total assets	<u>1,978,269</u>	<u>799,556</u>	<u>116,473</u>	<u>2,661,154</u>	<u>5,555,452</u>
Deferred outflows of resources	<u>101,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,305</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	325,056	2,520	2,535	-	330,111
Due to primary government	66,780	-	-	-	66,780
Compensated absences	-	2,788	-	-	2,788
Lease liabilities	-	15,024	-	-	15,024
Installment purchases payable	35,485	-	-	-	35,485
Total current liabilities	<u>427,321</u>	<u>20,332</u>	<u>2,535</u>	<u>-</u>	<u>450,188</u>
Noncurrent liabilities					
Net pension liability	35,273	-	-	-	35,273
Lease liabilities	-	54,443	-	-	54,443
Installment purchases payable	120,853	-	-	2,076,588	2,197,441
Total noncurrent liabilities	<u>156,126</u>	<u>54,443</u>	<u>-</u>	<u>2,076,588</u>	<u>2,287,157</u>
Total liabilities	<u>583,447</u>	<u>74,775</u>	<u>2,535</u>	<u>2,076,588</u>	<u>2,737,345</u>
Deferred inflows of resources	<u>50,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,394</u>

Continued on next page.

City of Lexington, North Carolina
Nonmajor Component Units
Combining Statement of Net Position
June 30, 2022

Exhibit H-1
continued

	<u>ABC Board</u>	<u>Tourism Authority</u>	<u>Uptown Lexington</u>	<u>Front Street- Lexington</u>	<u>Totals</u>
Net position					
Net investment in capital assets	\$ 799,625	\$ -	\$ -	\$ -	\$ 799,625
Restricted for					
Stabilization by state statute	-	47,847	-	-	47,847
Tourism promotion	-	676,934	-	-	676,934
Uptown revitalization	-	-	113,938	-	113,938
Economic development, nonexpendable	-	-	-	286,437	286,437
Working capital	226,835	-	-	-	226,835
Unrestricted	<u>419,273</u>	<u>-</u>	<u>-</u>	<u>298,129</u>	<u>717,402</u>
Total net position	<u>\$ 1,445,733</u>	<u>\$ 724,781</u>	<u>\$ 113,938</u>	<u>\$ 584,566</u>	<u>\$ 2,869,018</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, 2022

	ABC Board	Tourism Authority	Uptown Lexington	Front Street- Lexington	Totals
Operating revenues					
Sales and services	\$ 7,641,865	\$ 68,778	\$ -	\$ -	\$ 7,710,643
Payment from City of Lexington	-	461,150	158,358	-	619,508
Other grants and donations	-	-	54,196	-	54,196
Total operating revenues	<u>7,641,865</u>	<u>529,928</u>	<u>212,554</u>	<u>-</u>	<u>8,384,347</u>
Operating expenses					
Cost of sales and services	5,780,196	-	-	-	5,780,196
Other operating expenses	995,240	351,292	235,348	8,502	1,590,382
Total operating expenses	<u>6,775,436</u>	<u>351,292</u>	<u>235,348</u>	<u>8,502</u>	<u>7,370,578</u>
Operating income (loss)	<u>866,429</u>	<u>178,636</u>	<u>(22,794)</u>	<u>(8,502)</u>	<u>1,013,769</u>
Nonoperating revenues (expenses)					
Investment earnings	172	899	71	-	1,142
Gain on extinguishment of debt	-	-	17,146	-	17,146
Other nonoperating revenues	-	125	350	-	475
Interest and other charges	(6,311)	(639)	(14)	-	(6,964)
Required distributions	(617,400)	-	-	-	(617,400)
Total nonoperating revenues (expenses)	<u>(623,539)</u>	<u>385</u>	<u>17,553</u>	<u>-</u>	<u>(605,601)</u>
Income (loss) before capital contributions	242,890	179,021	(5,241)	(8,502)	408,168
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Change in net position	242,890	179,021	(5,241)	91,498	508,168
Net position - beginning	1,202,843	545,760	119,179	493,068	2,360,850
Net position - ending	<u>\$ 1,445,733</u>	<u>\$ 724,781</u>	<u>\$ 113,938</u>	<u>\$ 584,566</u>	<u>\$ 2,869,018</u>

Uptown Lexington, Inc.
(A component unit of the City of Lexington, North Carolina)
Balance Sheet
June 30, 2022

Exhibit H-3

Assets

Cash and cash equivalents	\$ 113,223
Emergency business assistance loans receivable	<u>3,250</u>
Total assets	<u><u>\$ 116,473</u></u>

Liabilities

Accounts payable and accrued liabilities	<u>\$ 2,535</u>
Total liabilities	<u>2,535</u>

Fund balance

Restricted	
Uptown revitalization	<u>113,938</u>
Total fund balance	<u><u>113,938</u></u>

Total liabilities and fund balance	<u><u>\$ 116,473</u></u>
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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, 2022

Exhibit H-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Contribution from City of Lexington			
Special district property tax	\$ 90,000	\$ 92,372	\$ 2,372
Other grants from City of Lexington	80,000	65,986	(14,014)
Donations/fund raisers	56,500	54,196	(2,304)
Investment earnings	100	71	(29)
Miscellaneous	-	350	350
Total revenues	226,600	212,975	(13,625)
Expenditures			
Salaries and employee benefits	108,930	105,255	3,675
Operations	143,221	118,543	24,678
Bad debt expense	-	11,550	(11,550)
Total expenditures	252,151	235,348	16,803
Revenues over (under) expenditures	(25,551)	(22,373)	3,178
Appropriated fund balance	25,551	-	(25,551)
Net change in fund balance	\$ -	(22,373)	\$ (22,373)
Fund balance - beginning		136,311	
Fund balance - ending		\$ 113,938	
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		\$ (22,373)	
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.			
Interest expense recognized on extinguished debt		(64)	
Decrease (increase) in accrued interest payable		50	
Gain on extinguishment of debt under Payroll Protection Program		17,146	
Change in net position reported on the combining statement of revenues, expenses, and changes in net position (Exhibit H-2)		\$ (5,241)	

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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	215-226
<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	227-236
<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	237-243
<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	244-245
<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	246-249
<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.

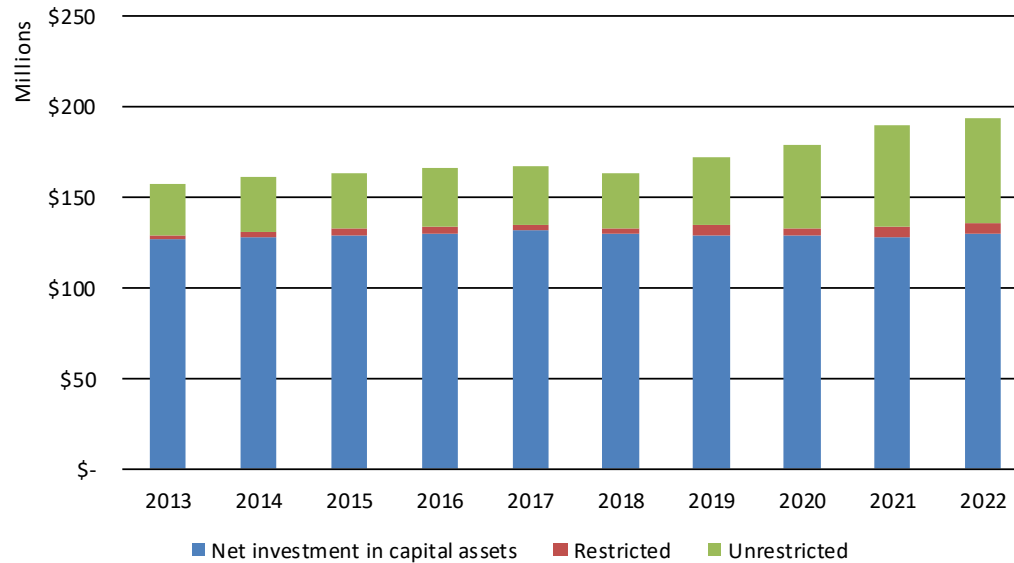


City of Lexington, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 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	\$ 31,969,057
Restricted	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	6,230,231
Unrestricted	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	641,702
Total governmental activities net position	<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>	<u>\$ 38,840,990</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 97,720,290
Unrestricted	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	56,772,328
Total business-type activities net position	<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>	<u>\$154,492,618</u>
Primary government										
Net investment in capital assets	\$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	\$129,689,347
Restricted	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	6,230,231
Unrestricted	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	57,414,030
Total primary government net position	<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>	<u>\$193,333,608</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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities										
General government	\$ 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	\$ 4,599,821
Public safety	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	12,515,442
Highways and streets	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	3,099,029
Sanitation	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	2,599,340
Culture and recreation	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	2,215,386
Economic and physical development	184,060	143,139	73,939	1,380,493	835,883	514,067	1,938,504	1,346,325	838,166	2,457,306
Interest on long-term debt	153,788	141,426	183,188	179,867	194,869	186,736	191,366	192,520	176,099	152,248
Total governmental activities expenses	<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>	<u>27,638,572</u>
Business-type activities										
Electric	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	45,025,677
Water and Wastewater	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	11,838,419
Natural Gas	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	12,073,469
Stormwater	-	-	-	-	-	-	-	50,162	315,219	954,143
Golf	1,037,258	809,312	815,233	871,926	944,635	1,129,231	909,770	1,033,354	1,024,420	1,162,440
Total business-type activities expenses	<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>	<u>71,054,148</u>
Total primary government expenses	<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>	<u>\$ 98,692,720</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 152,683	\$ 241,521	\$ 88,413	\$ 15,021	\$ 11,799	\$ 18,397	\$ 3,914	\$ 2,463	\$ 7,970	\$ 4,298
Public safety	293,915	194,359	305,823	382,193	330,857	436,522	478,041	514,218	376,824	472,025
Highways and streets	12,110	4,406	2,009	290	1,599	3,183	23,549	4,024	2,265	1,867
Sanitation	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	1,565,590
Culture and recreation	98,914	84,643	85,667	106,829	295,567	134,419	206,565	94,278	122,094	142,589
Economic and physical development	175,741	170,481	232,908	200,114	89,775	212,290	214,482	199,271	183,116	214,328
Operating grants and contributions	1,151,258	1,049,845	830,907	2,035,092	968,124	962,406	2,306,497	1,246,636	1,522,514	1,382,085
Capital grants and contributions	946,861	714,152	25,000	578,556	89,591	128,393	405,590	-	-	-
Total governmental activities program revenues	<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>	<u>3,782,782</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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Business-type activities										
Charges for services										
Electric	\$ 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	\$ 47,197,149
Water and Wastewater	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	12,500,677
Natural Gas	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	14,530,940
Stormwater	-	-	-	-	-	-	-	5,007	415,909	1,158,348
Golf	780,138	646,750	648,358	653,191	628,632	729,107	635,234	528,856	713,688	995,244
Operating grants and contributions	20,344	614,114	46,368	823,343	445,525	139,919	448,776	7,508,462	9,287,751	1,423
Capital grants and contributions	352,407	633,527	-	-	24,000	-	-	-	78,525	209,739
Total business-type activities program revenues	<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>	<u>76,593,520</u>
Total primary government program revenues	<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>	<u>\$ 80,376,302</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (23,855,790)
Business-type activities	<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>	<u>5,539,372</u>
Total primary government net expense	<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>	<u>\$ (18,316,418)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 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	\$ 11,832,251
Other taxes	265,420	265,561	314,466	318,347	320,251	327,810	367,932	675,730	783,490	913,891
Unrestricted intergovernmental revenues	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	9,340,693
Unrestricted investment earnings	31,238	27,417	27,756	53,649	77,321	195,401	515,476	367,621	13,523	53,712
Unrestricted miscellaneous	-	-	5,881	4,988	4,233	4,318	974	37,159	63,723	16,774
Transfers	<u>2,508,479</u>	<u>2,322,130</u>	<u>1,902,390</u>	<u>2,182,526</u>	<u>2,046,943</u>	<u>1,868,825</u>	<u>2,838,056</u>	<u>1,982,947</u>	<u>1,531,917</u>	<u>1,871,571</u>
Total governmental activities	<u>17,180,556</u>	<u>17,649,230</u>	<u>17,667,119</u>	<u>18,194,013</u>	<u>19,410,647</u>	<u>19,552,712</u>	<u>21,239,563</u>	<u>21,097,133</u>	<u>21,226,601</u>	<u>24,028,892</u>
Business-type activities										
Unrestricted investment earnings	43,309	41,360	44,803	94,784	120,279	292,858	700,319	581,368	59,329	109,771
Transfers	<u>(2,508,479)</u>	<u>(2,322,130)</u>	<u>(1,902,390)</u>	<u>(2,182,526)</u>	<u>(2,046,943)</u>	<u>(1,868,825)</u>	<u>(2,838,056)</u>	<u>(1,982,947)</u>	<u>(1,531,917)</u>	<u>(1,871,571)</u>
Total business-type activities	<u>(2,465,170)</u>	<u>(2,280,770)</u>	<u>(1,857,587)</u>	<u>(2,087,742)</u>	<u>(1,926,664)</u>	<u>(1,575,967)</u>	<u>(2,137,737)</u>	<u>(1,401,579)</u>	<u>(1,472,588)</u>	<u>(1,761,800)</u>
Total primary government	<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>	<u>\$ 22,267,092</u>
Change in Net Position										
Governmental activities	\$ (145,920)	\$ (1,063,803)	\$ (222,840)	\$ 750,104	\$ 368,891	\$ 644,870	\$ 2,719,681	\$ (2,610,237)	\$ (279,194)	\$ 173,102
Business-type activities	<u>2,499,719</u>	<u>4,302,921</u>	<u>4,460,015</u>	<u>1,817,779</u>	<u>2,885,681</u>	<u>6,310,558</u>	<u>5,950,207</u>	<u>8,857,670</u>	<u>11,285,199</u>	<u>3,777,572</u>
Total primary government	<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>	<u>\$ 3,950,674</u>

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

Table 3

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 58,814	\$ 12,698	\$ 3,920	\$ 3,329	\$ 3,329	\$ 15,829	\$ 3,789	\$ 4,000	\$ 169,605	\$ 160,863
Spendable										
Restricted	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	6,088,556
Committed	15,105	15,939	13,902	15,329	13,524	13,691	14,034	9,370	82,306	169,551
Assigned	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	2,453,719
Unassigned	6,068,607	5,176,348	4,416,639	5,241,371	5,215,913	6,126,212	5,549,442	5,934,876	6,891,327	4,968,769
Total General Fund	<u>\$ 8,158,879</u>	<u>\$ 8,650,812</u>	<u>\$ 9,042,500</u>	<u>\$ 9,325,701</u>	<u>\$ 9,143,611</u>	<u>\$ 9,962,747</u>	<u>\$ 11,959,778</u>	<u>\$ 11,332,302</u>	<u>\$ 14,584,712</u>	<u>\$ 13,841,458</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 903
Spendable										
Restricted	1,088,754	656,816	1,523,329	1,875,021	346,882	320,030	611,533	317,060	589,569	141,675
Committed	273,971	290,250	267,921	269,596	208,761	656,308	813,053	853,781	599,986	371,940
Unassigned	(46,525)	(14)	(227,371)	(292,943)	(89,750)	-	(31,934)	-	-	5,073
Total all other governmental funds	<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>	<u>\$ 519,591</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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Ad valorem taxes	\$ 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	\$ 11,942,558
Other taxes and licenses	264,915	264,000	316,532	318,347	320,251	327,810	367,932	675,730	783,490	913,891
Unrestricted intergovernmental	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	9,340,693
Restricted intergovernmental	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	1,396,538
Permits and fees	183,454	168,223	225,193	212,467	181,616	221,521	300,901	352,071	264,636	280,228
Sales and services	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	2,102,591
Investment earnings	22,357	18,763	19,054	36,776	50,371	109,056	280,167	187,694	6,699	30,901
Miscellaneous	233,561	157,656	230,437	281,403	231,006	687,928	1,223,092	77,204	42,834	41,577
Total revenues	18,104,613	18,863,460	18,568,847	20,520,575	20,159,513	21,430,676	23,322,311	22,589,260	23,591,581	26,048,977
Expenditures										
General government	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	4,538,054
Public safety	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	12,393,630
Highways and streets	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	2,086,203
Sanitation	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	2,102,852
Culture and recreation	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	1,762,935
Economic and physical development	265,183	223,608	194,250	1,504,578	639,316	514,989	1,937,769	1,313,160	859,590	1,420,952
Capital outlay	591,277	1,099,879	441,262	1,770,495	720,952	1,152,229	107,332	2,705,025	1,476,103	1,701,825
Construction in progress	973,349	511,556	2,058,881	2,170,011	2,003,650	37,141	1,111,483	167,775	966,290	21,617
Debt service:										
Principal	540,183	586,744	623,053	681,960	699,790	816,723	848,132	844,229	918,074	1,640,037
Interest and other charges	153,788	141,426	154,414	168,945	197,772	184,812	185,040	198,871	179,724	158,006
Total expenditures	20,505,155	21,865,587	22,240,261	24,571,105	24,150,447	23,564,007	24,565,185	26,034,584	24,568,709	27,826,111
Excess of revenues over (under) expenditures	(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)	(1,777,134)

Continued on next page.

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

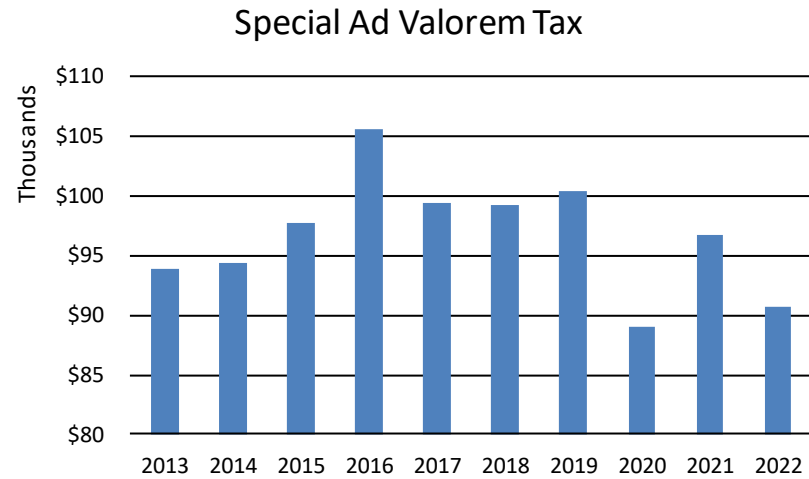
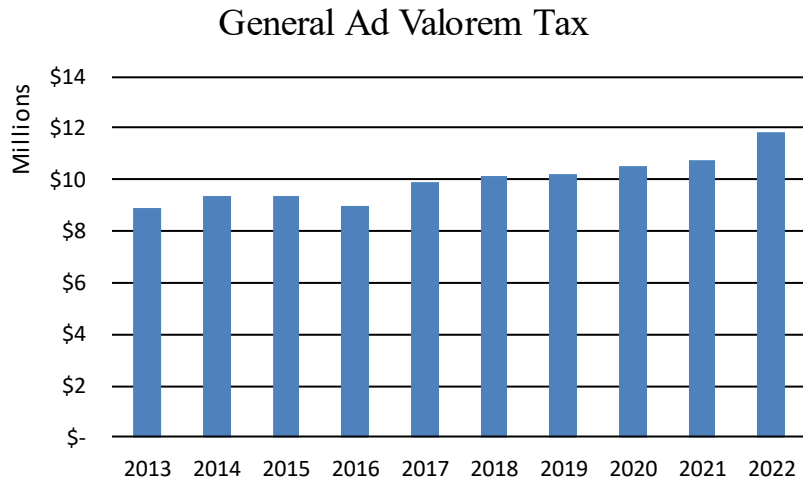
Table 4
continued

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Other financing sources (uses)										
Installment purchase debt issued	\$ -	\$ 582,807	\$ 2,410,000	\$ 2,084,980	\$ -	\$ 1,035,527	\$ 1,140,000	\$ -	\$ 2,302,487	\$ 149,591
Transfers from other funds	2,854,724	2,998,881	2,820,528	2,950,357	3,034,505	2,870,789	2,686,547	2,532,654	2,256,917	2,780,862
Transfers to other funds	(223,650)	(456,674)	(568,584)	(802,174)	(945,757)	(804,389)	(575,192)	(549,707)	(725,000)	(909,291)
Sale of capital assets	-	-	18,607	61,575	2,295	4,442	47,388	253,457	56,534	433,119
Total other financing sources (uses)	<u>2,631,074</u>	<u>3,125,014</u>	<u>4,680,551</u>	<u>4,294,738</u>	<u>2,091,043</u>	<u>3,106,369</u>	<u>3,298,743</u>	<u>2,236,404</u>	<u>3,890,938</u>	<u>2,454,281</u>
Net change in fund balances	<u>\$ 230,532</u>	<u>\$ 122,887</u>	<u>\$ 1,009,137</u>	<u>\$ 244,208</u>	<u>\$ (1,899,891)</u>	<u>\$ 973,038</u>	<u>\$ 2,055,869</u>	<u>\$ (1,208,920)</u>	<u>\$ 2,913,810</u>	<u>\$ 677,147</u>
Debt service as a percentage of noncapital expenditures	3.7%	3.6%	3.9%	4.1%	4.2%	4.5%	4.4%	4.5%	5.0%	6.9%
Debt service as a percentage of total expenditures	3.4%	3.3%	3.5%	3.5%	3.7%	4.3%	4.2%	4.0%	4.5%	6.5%
Capital outlay as a percentage of total expenditures	7.6%	7.4%	11.2%	16.0%	11.3%	5.0%	5.0%	11.0%	9.9%	6.2%

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

Table 5

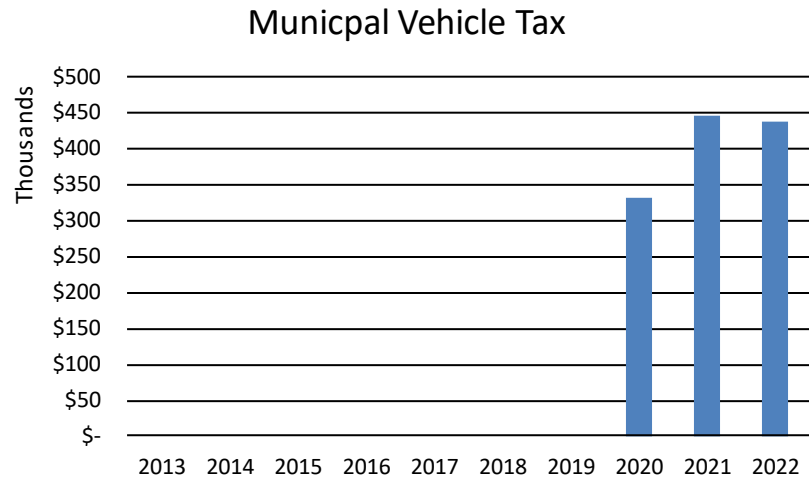
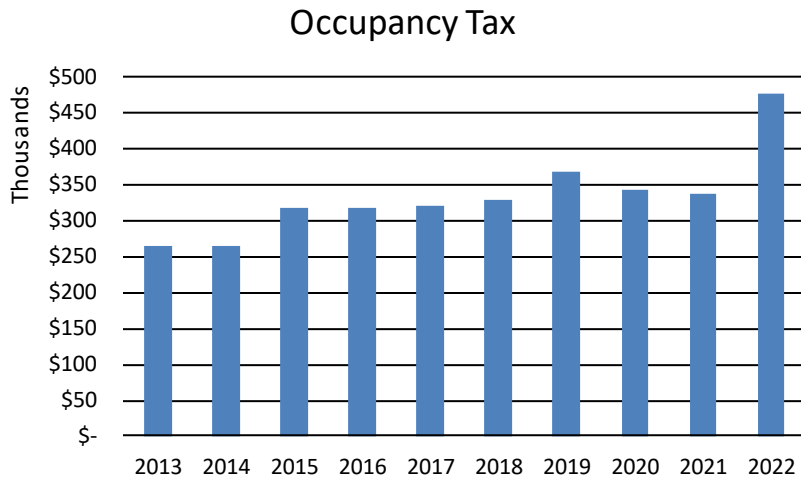
Fiscal Year	General Ad Valorem Tax	Special Ad Valorem Tax	Total
2013	\$ 8,925,727	\$ 93,791	\$ 9,019,518
2014	9,390,723	94,355	9,485,078
2015	9,362,764	97,777	9,460,541
2016	8,989,843	105,524	9,095,367
2017	9,880,081	99,406	9,979,487
2018	10,122,823	99,196	10,222,019
2019	10,254,723	100,370	10,355,093
2020	10,504,426	89,027	10,593,453
2021	10,760,803	96,707	10,857,510
2022	11,851,784	90,774	11,942,558



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
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
2022	475,411	-	438,480	913,891



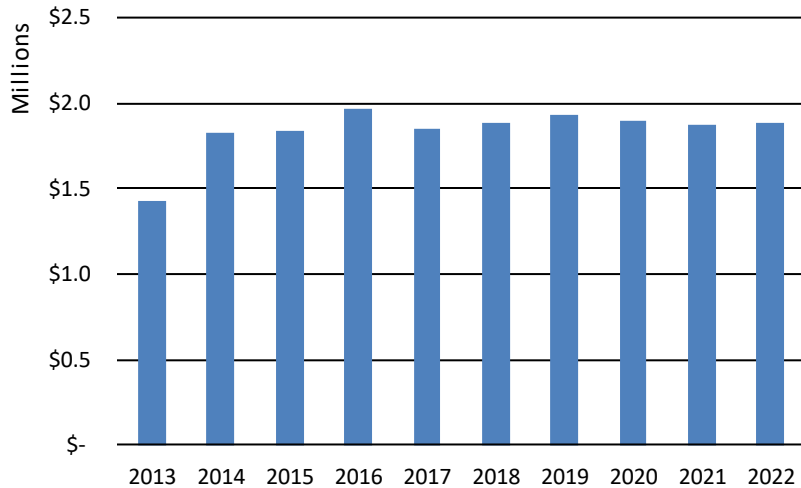
City of Lexington, North Carolina
Unrestricted Intergovernmental Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 7

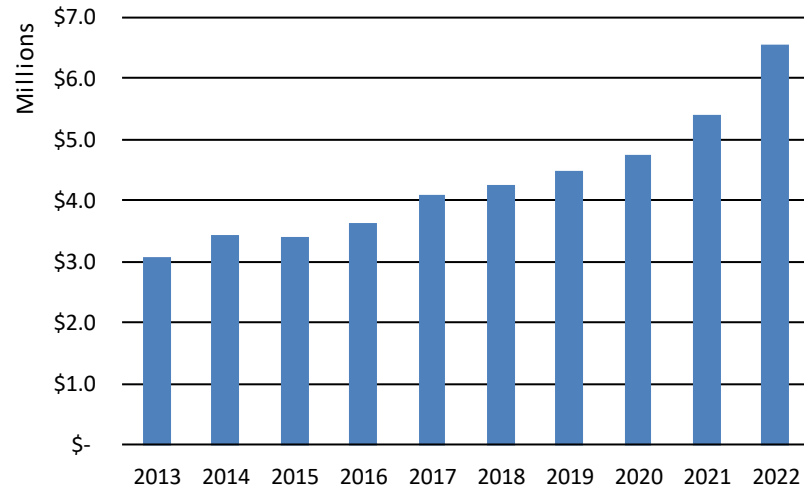
Fiscal Year	Build America Bond Interest Credit	Utilities Sales Tax	Piped Natural Gas Tax	Telecom-munications Tax	Video Franchise Tax	Payments in Lieu of Tax	Beer and Wine Tax	Local Option Sales Tax	ABC Revenues	Total
2013	\$ 35,830	\$ 1,430,901	\$ 1,601	\$ 283,274	\$ 143,785	\$ 8,154	\$ 75,937	\$ 3,083,691	\$ 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
2022	11,766	1,887,295	176,897	97,320	140,852	1,608	78,026	6,568,929	378,000	9,340,693

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues										
Charges for service	\$ 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	\$ 46,084,870
Other operating revenues	1,574,156	2,396,323	273,825	915,867	666,864	443,691	685,451	378,660	330,110	277,869
Total operating revenues	49,921,330	54,320,797	53,679,028	51,300,549	50,797,110	51,546,031	50,877,723	47,178,992	47,055,769	46,362,739
Operating expenses										
Salaries and benefits	1,372,491	1,466,247	1,302,963	1,479,210	1,595,559	1,751,140	109,651	-	-	-
Operating expenses	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	11,121,639
Purchases of power for resale	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	32,054,288
Depreciation	922,514	949,226	956,873	998,503	1,048,465	1,033,041	1,081,713	1,329,794	1,281,967	1,353,136
Total operating expenses	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	44,529,063
Operating income (loss)	2,046,551	2,668,207	2,768,060	1,956,268	3,166,541	5,597,319	4,273,536	3,379,745	3,776,318	1,833,676
Non-operating revenues (expenses)										
Investment earnings	19,060	16,136	16,907	37,028	48,105	128,915	346,784	323,224	16,256	54,236
Working capital refund	-	-	-	-	-	-	-	7,505,400	9,287,751	-
Interest and other charges	(170,698)	(152,401)	(189,818)	(141,749)	(180,709)	(155,722)	(131,967)	(115,060)	(100,755)	(86,591)
Other	(48,761)	61,532	(15,964)	(5,698)	(9,157)	(37,982)	(99,316)	(15,569)	24,745	52,070
Total non-operating revenues (expenses)	(200,399)	(74,733)	(188,875)	(110,419)	(141,761)	(64,789)	115,501	7,697,995	9,227,997	19,715
Income before transfers	1,846,152	2,593,474	2,579,185	1,845,849	3,024,780	5,532,530	4,389,037	11,077,740	13,004,315	1,853,391
Capital contributions	-	-	-	-	24,000	-	2,466,547	-	78,525	-
Transfers from (to) other funds	(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)	(1,200,000)
Change in net position	\$ 507,371	\$ 2,073,270	\$ (194,969)	\$ (325,312)	\$ 1,596,266	\$ 4,098,842	\$ 5,428,591	\$ 9,646,634	\$ 11,882,840	\$ 653,391

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

Table 9

Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues										
Water charges for service	\$ 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	\$ 5,062,435
Wastewater charges for service	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	6,310,543
Other operating revenues	166,534	209,105	177,518	188,028	215,264	181,570	440,280	375,112	637,548	625,968
Total operating revenues	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	11,998,946
Operating expenses										
Water plant	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	1,953,235
Waste treatment plant	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	3,316,826
Water and wastewater	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	5,020,787
Depreciation	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	1,469,398
Total operating expenses	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	11,760,246
Operating income (loss)	1,089,608	608,744	1,132,657	669,704	65,721	337,604	1,279,622	(494,950)	(1,827,397)	238,700
Non-operating revenues (expenses)										
Investment earnings	11,507	11,693	12,480	25,440	32,864	77,212	169,334	133,319	15,888	20,257
Interest and other charges	(162,232)	(139,249)	(124,747)	(60,462)	(45,310)	(30,334)	(17,219)	(10,589)	(13,206)	(60,307)
Other	258	(1,069)	(17,379)	-	(39,873)	-	(2,067)	-	39,239	161,593
Total non-operating revenues (expenses)	(150,467)	(128,625)	(129,646)	(35,022)	(52,319)	46,878	150,048	122,730	41,921	121,543
Income before contributions and transfers	939,141	480,119	1,003,011	634,682	13,402	384,482	1,429,670	(372,220)	(1,785,476)	360,243
Capital contributions	82,471	633,527	-	-	-	-	-	-	-	209,739
Transfers from (to) other funds	(778,351)	(511,795)	553,776	127,090	(75,000)	36,000	3,511,968	-	-	-
Change in net position	\$ 243,261	\$ 601,851	\$ 1,556,787	\$ 761,772	\$ (61,598)	\$ 420,482	\$ 4,941,638	\$ (372,220)	\$ (1,785,476)	\$ 569,982

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

Table 10

Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating revenues										
Charges for service	\$ 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	\$ 13,860,751
Other operating revenues	<u>19,294</u>	<u>248,463</u>	<u>46,018</u>	<u>246,147</u>	<u>61,395</u>	<u>206,424</u>	<u>35,312</u>	<u>55,615</u>	<u>61,281</u>	<u>62,448</u>
Total operating revenues	<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>	<u>13,923,199</u>
Operating expenses										
Salaries and benefits	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	1,566,901
Operating expenses	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	2,613,929
Purchases of natural gas for resale	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	6,981,626
Depreciation	<u>573,748</u>	<u>584,781</u>	<u>561,669</u>	<u>561,600</u>	<u>580,694</u>	<u>537,604</u>	<u>528,377</u>	<u>654,821</u>	<u>640,805</u>	<u>670,848</u>
Total operating expenses	<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>	<u>11,833,304</u>
Operating income (loss)	<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>	<u>2,089,895</u>
Non-operating revenues (expenses)										
Investment earnings	8,390	9,997	12,018	25,085	28,956	62,180	160,744	100,484	26,194	14,788
Interest and other charges	(174,536)	(158,855)	(176,581)	(121,392)	(60,592)	(39,677)	(34,925)	(30,005)	(24,937)	(19,624)
Other	<u>(11,726)</u>	<u>232</u>	<u>(3,736)</u>	<u>(12,944)</u>	<u>(9,064)</u>	<u>(122,337)</u>	<u>(13,429)</u>	<u>(6,350)</u>	<u>13,776</u>	<u>77,077</u>
Total nonoperating revenues (expenses)	<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>	<u>72,241</u>
Income before contributions and transfers	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	2,162,136
Capital contributions	269,936	-	-	-	-	-	-	-	-	-
Transfers from (to) other funds	<u>(1,100,646)</u>	<u>(1,408,915)</u>	<u>(926,267)</u>	<u>(881,812)</u>	<u>(1,049,818)</u>	<u>(1,072,046)</u>	<u>406,953</u>	<u>(1,101,548)</u>	<u>(1,056,917)</u>	<u>(1,121,571)</u>
Change in net position	<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>	<u>\$ 1,040,565</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	Less: Tax	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
						Exempt Personal Property			
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	1,437,966,450	215,077,030	31,017,106	113,262,846	278,771,800	39,210	1,518,512,422	0.600	1,518,512,422
2017	1,431,803,614	238,111,832	29,398,521	111,949,987	280,913,965	37,170	1,530,312,819	0.650	1,530,312,819
2018	1,448,481,340	237,456,094	27,979,820	114,956,319	283,245,240	334,664	1,545,293,669	0.650	1,545,293,669
2019	1,448,060,688	246,357,106	28,066,558	119,903,441	279,441,075	313,306	1,562,633,412	0.650	1,562,633,412
2020	1,473,992,835	282,459,605	24,239,209	121,091,712	287,079,250	224,047	1,614,480,064	0.650	1,614,480,064
2021	1,487,862,831	281,467,000	24,018,586	136,108,464	290,624,655	224,473	1,638,607,753	0.650	1,638,607,753
2022	1,704,344,898	259,021,693	20,993,744	147,140,092	330,813,869	1,004,924	1,799,681,634	0.650	1,799,681,634

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	
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
2022	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, 2022 and June 30, 2013

Table 13

Taxpayer	Type of Business	2022				2013			
		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	\$ 130,694,862	1	\$ 849,516	7.26%	\$ 77,928,894	1	\$ 467,573	5.19%
Moran Foods Inc.	Food Distributor	25,134,874	2	163,376	1.40%	-	-	-	-
Wal-Mart	Retail	21,758,202	3	141,427	1.21%	14,987,898	5	89,927	1.00%
Masterbrand Cabinets	Wood Kitchen Cabinets	16,129,128	4	104,838	0.90%	-	-	-	-
Vitacost.com Inc.	Online Retail	13,332,402	5	86,659	0.74%	17,891,227	3	107,347	1.19%
MPS HRL LLC dba Lexington Cartons (2)	Printing	12,733,993	6	82,770	0.71%	8,456,820	7	50,741	0.56%
First National Bank (3)	Banking	9,993,912	7	64,959	0.56%	15,063,585	4	90,381	1.00%
Ameg Holdings USA LLC	Refrigeration Equipment	9,254,826	8	60,155	0.51%	8,107,849	9	48,647	0.54%
Childress Winery & Vineyards	Viniculture	8,657,493	9	56,272	0.48%	8,140,954	8	48,846	0.54%
Spectrum Southeast LLC	Communications	6,750,551	10	43,625	0.38%	-	-	-	-
Jeld-Wen Inc.	Windows and Doors	-	-	-	-	18,121,387	2	108,728	1.21%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	-	-	-	-	9,845,467	6	59,072	0.66%
Parkdale Mills Inc.	Textiles	-	-	-	-	7,869,382	10	47,216	0.52%
Total		<u>\$ 254,440,243</u>		<u>\$ 1,653,597</u>	<u>14.15%</u>	<u>\$ 186,413,463</u>		<u>\$ 1,118,478</u>	<u>12.41%</u>

Source:

Davidson County Tax Department

Note:

- (1) Formerly Kimberly Clark Corp
- (2) Chesapeake Pharmaceutical Pkg
- (3) 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
2013	\$ 8,987,527	\$ 8,447,008	93.99%	\$ 494,269	\$ 8,941,277	99.49%
2014	9,477,350	9,027,238	95.25%	408,397	9,435,635	99.56%
2015	9,267,995	8,943,133	96.49%	292,553	9,235,686	99.65%
2016	9,128,784	8,811,858	96.53%	282,167	9,094,025	99.62%
2017	9,963,786	9,602,457	96.37%	318,049	9,920,506	99.57%
2018	10,060,422	9,763,912	97.05%	239,318	10,003,230	99.43%
2019	10,163,290	9,843,256	96.85%	253,500	10,096,756	99.35%
2020	10,509,312	10,200,591	97.06%	226,116	10,426,707	99.21%
2021	10,676,169	10,422,095	97.62%	136,022	10,558,117	98.89%
2022	11,712,927	11,451,149	97.77%	-	11,451,149	97.77%

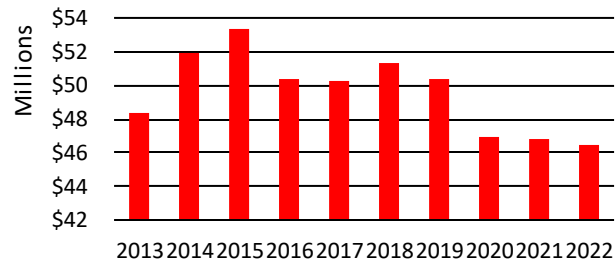
Source:
Davidson County Tax Department

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

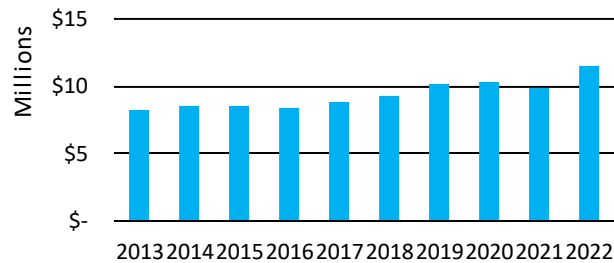
Table 15

Fiscal Year	Electric	Water & Wastewater	Natural Gas	Total
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
2022	46,459,945	11,489,295	13,896,630	71,845,870

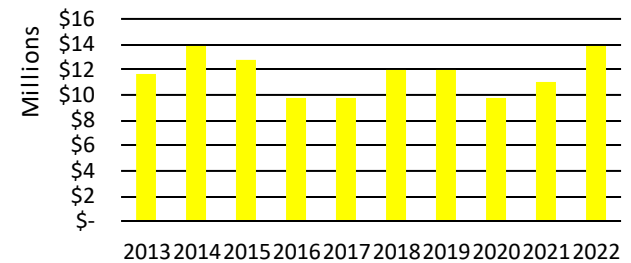
Electric Fund
Charges for Sales and Services



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
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
2022	28,041,207	15,693,447	2,415,636	309,655	46,459,945

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

Fiscal Year	Residential	Commercial	Industrial	Total
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
2022	2,766,012	1,356,957	994,135	5,117,104

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 15c
Wastewater Fund Charges for Sales and Services
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Total
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
2022	3,338,074	2,668,469	365,648	6,372,191

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

Fiscal Year	Residential	Commercial	Industrial	Total
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
2022	5,463,898	4,008,550	4,424,182	13,896,630

City of Lexington, North Carolina
Schedule of Top Ten Electric Customers
Fiscal Year Ended June 30, 2022

Table 16

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	8,881,778	\$ 1,358,874	2.92%
Davidson County Schools	Public School System	6,018,105	821,278	1.77%
Lexington Memorial Hospital	Hospital	7,903,934	757,663	1.63%
Lexington City Schools	Public School System	4,876,965	533,693	1.15%
Food Lion	Grocery Store Chain	5,792,510	520,793	1.12%
Davidson County	Government	4,429,558	508,917	1.10%
Cardinal Container	Corrugated Fiber Boxes	5,412,701	463,702	1.00%
Paris Food Corp	Frozen Fruit and Vegetables	2,836,696	240,532	0.52%
United Furniture Industries	Upholstery Furniture	2,268,301	225,621	0.49%
Wal-Mart	Retail	4,125,003	221,155	0.48%
		<u>52,545,551</u>	<u>\$ 5,652,228</u>	<u>12.18%</u>

City of Lexington, North Carolina
Schedule of Top Ten Water Customers
Fiscal Year Ended June 30, 2022

Table 17

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Electric Glass Fiber America (1)	Glass Products	171,659	\$ 559,506	4.87%
City of Lexington	Government	43,069	128,232	1.12%
Halyard North Carolina	Healthcare Products	41,826	108,497	0.94%
Parkdale Mills, Inc.	Textiles	39,489	95,798	0.83%
Lexington Memorial Hospital	Hospital	21,591	56,352	0.49%
Davidson County	Government	12,643	51,533	0.45%
Cardinal Container	Corrugated Fiber Boxes	8,280	48,482	0.42%
Lexington City Schools	Public School System	5,351	41,627	0.36%
NC Department of Public Safety	Prison	16,317	39,906	0.35%
Lexington Home Brands	Upholstery Furniture	1,018	26,129	0.23%
		<u>361,243</u>	<u>\$ 1,156,062</u>	<u>10.06%</u>

Notes:

(1) Formerly PPG Industries

City of Lexington, North Carolina
Schedule of Top Ten Wastewater Customers
Fiscal Year Ended June 30, 2022

Table 18

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	20,995	\$ 218,621	1.90%
Atrium Companies Inc.	Vinyl Windows & Doors	11,223	99,512	0.87%
Lexington Memorial Hospital	Hospital	27,508	95,694	0.83%
Davidson County	Government	12,809	75,746	0.66%
Halyard North Carolina	Healthcare Products	14,488	74,211	0.61%
Cardinal Container	Corrugated Fiber Boxes	7,293	70,541	0.60%
NC Department of Public Safety	Prison	16,317	69,297	0.42%
Matcore Metal Fabrication	Machine Tools	5,519	48,403	0.42%
Egger Wood Products	Particleboard Manufacturer	5,236	45,618	0.40%
Brookstone Rest Home	Residential Care	5,139	44,150	0.38%
		<u>126,527</u>	<u>\$ 841,793</u>	<u>7.09%</u>

City of Lexington, North Carolina
Schedule of Top Ten Natural Gas Customers
Fiscal Year Ended June 30, 2022

Table 19

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Wilderness, NC	Hardwood Products	127,179	\$ 943,628	6.79%
Egger Wood Products	Particleboard Manufacturer	629,884	551,225	3.97%
Electric Glass Fiber America (1) (2)	Glass Products	587,335	522,751	3.76%
Kurz Transfer Products LP	Stamping Technology	51,514	408,291	2.94%
Matcor Metal Fabrication	Machine Tools	48,748	378,116	2.72%
Lexington Memorial Hospital	Hospital	39,106	305,155	2.20%
Hanes Construction Company	Paving	36,271	282,303	2.03%
Halyard North Carolina (2)	Healthcare Products	119,819	225,422	1.62%
Kepley Frank Hardwood Company	Hardwood Products	27,720	209,961	1.51%
United Furniture Industries	Upholstery Furniture	<u>15,443</u>	<u>177,748</u>	<u>1.28%</u>
		<u>1,683,019</u>	<u>\$ 4,004,600</u>	<u>28.82%</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 Outstanding Debt	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds	Installment Purchases	Lease Liabilities	General Obligation Bonds	Revenue Bonds	Installment Purchases	Lease Liabilities			
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	1.59%	689
2021	-	6,604,542	-	-	-	6,632,989	-	13,237,531	NA	674
2022	-	4,983,320	130,776	-	-	24,536,170	9,748	29,660,014	NA	1,509

Notes:

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

(1) Personal income and population data can be found in the Demographic and Economic Statistics table.

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)
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%	-
2022	-	-	-	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 of both governmental and business-type activities.

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

(3) Population data can be found in the Demographic and Economic Statistics table.

City of Lexington, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2022

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	\$ 98,465,391	10.20%	\$ 10,043,470
Subtotal, overlapping debt			10,043,470
City of Lexington, direct debt			5,114,096
Total direct and overlapping debt			<u>\$ 15,157,566</u>

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 \$1,799,681,634 divided by the County's assessed valuation of \$17,650,191,485.

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
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%
2022	143,974,531	29,519,490	114,455,041	20.50%

Legal Debt Margin Calculation for Fiscal Year 2022

Total Assessed Valuation	\$ 1,799,681,634
Debt limit (8 percent of total assessed value)	143,974,531
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	-
Outstanding debt not evidenced by bonds	
Direct placement installment purchases	29,519,490
Less: Statutory deductions for electric bonds	-
Total net debt applicable to limit	<u>29,519,490</u>
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 114,455,041</u>

Note:

Under state finance law, the City of Lexington's outstanding general obligation debt and installment purchase 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	
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
2022	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	
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
2022	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	
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
2022	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)	Median Age (1)	Personal Income	Per Capita Personal Income (2)	Unemployment Rate (3)
2013	18,628	42.4	\$ 607,161,032	\$ 32,594	9.4%
2014	18,655	42.7	643,093,815	34,473	6.6%
2015	18,730	42.9	668,754,650	35,705	5.8%
2016	18,528	43.0	678,754,752	36,634	5.1%
2017	18,532	43.1	706,513,968	38,124	4.6%
2018	18,179	43.2	718,215,932	39,508	4.0%
2019	18,149	43.2	741,858,524	40,876	3.7%
2020	18,172	43.2	787,719,856	43,348	5.6%
2021	19,632	43.3	NA	NA	5.7%
2022	19,650	43.3	NA	NA	3.6%

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:

Median Age and Per Capita Personal Income is information for Davidson County.
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	2022			2013		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.28%+	1000+	1	1.37%+
Atrium Corporation	1000+	2	1.28%+	500-999	3	0.68%-1.37%
County of Davidson	500-999	3	0.64%-1.28%	500-999	2	0.68%-1.37%
Old Dominion Freight Line	500-999	4	0.64%-1.28%	500-999	5	0.68%-1.37%
Wal-Mart Associates Inc.	500-999	5	0.64%-1.28%	500-999	4	0.68%-1.37%
Bradley Personnel Inc.	500-999	6	0.64%-1.28%	NA	NA	NA
Jeld-Wen	500-999	7	0.64%-1.28%	250-499	16	0.34%-0.68%
Food Lion	500-999	8	0.64%-1.28%	500-999	9	0.68%-1.37%
Pergo LLC	500-999	9	0.64%-1.28%	NA	NA	NA
Asco Power Technologies LP	500-999	10	0.64%-1.28%	250-499	18	0.34%-0.68%
Novant Health Thomasville Medical	500-999	11	0.64%-1.28%	500-999	8	0.68%-1.37%
Wake Forest University Baptist Medical	500-999	12	0.64%-1.28%	500-999	7	0.68%-1.37%
Davidson-Davie County Community College	500-999	13	0.64%-1.28%	500-999	6	0.68%-1.37%
Lexington City Schools	250-499	14	0.32%-0.64%	500-999	10	0.68%-1.37%
Egger Wood Products LLC	250-499	15	0.32%-0.64%	NA	NA	NA
Ennis Flint, Inc.	250-499	16	0.32%-0.64%	NA	NA	NA
Thomasville City Schools	250-499	17	0.32%-0.64%	250-499	12	0.34%-0.68%
City of Lexington	250-499	18	0.32%-0.64%	250-499	15	0.34%-0.68%
Cook Out Office	250-499	19	0.32%-0.64%	NA	NA	NA
Aristofraft/Decora/Schrock	250-499	20	0.32%-0.64%	NA	NA	NA
City of Thomasville	250-499	21	0.32%-0.64%	250-499	21	0.34%-0.68%
United Church Homes and Services	250-499	22	0.32%-0.64%	NA	NA	NA
RCR Race Operations LLC	250-499	23	0.32%-0.64%	250-499	17	0.34%-0.68%
Matcor Metal Fabrication	100-249	24	0.13%-0.32%	250-499	22	0.34%-0.68%
Lowes Home Centers Inc.	100-249	25	0.13%-0.32%	250-499	20	0.34%-0.68%

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	24	26	25	24	25	27	28	27	28	26
Public safety										
Police										
Officers	65	65	64	61	62	62	57	62	62	62
Civilians	10	9	9	10	10	10	10	10	10	10
Fire										
Firefighters and officers	47	50	50	50	51	51	51	51	52	52
Civilians	1	1	1	1	1	1	1	1	1	1
Business & community development	9	9	9	9	8	9	9	9	9	11
Highways and streets										
Engineering (1)	4	4	2	-	-	-	-	-	-	-
Public services administration (2)	-	-	-	4	4	4	4	4	5	5
Street	15	15	15	13	13	13	13	13	11	10
Sanitation	18	18	17	14	14	14	14	14	13	13
Culture and recreation	18	18	18	18	18	18	18	18	18	18
Electric (3)	23	21	23	23	24	25	-	-	-	-
Water & Wastewater	43	43	43	44	44	44	45	45	45	46
Natural Gas	21	21	20	20	20	20	20	20	20	20
Stormwater (4)	-	-	-	-	-	-	-	-	3	4
Golf	5	5	5	5	6	6	7	8	8	8
Fleet Management	7	7	7	5	6	6	6	7	7	7
Group Insurance	-	-	-	1	1	1	1	1	1	1
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	24	24	24	25	25	25	32	34	34	37
Total	336	338	334	329	334	338	318	326	329	333

Source:

City of Lexington Budget Office

Notes:

- (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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Governmental Activities</i>										
Public safety										
Police										
Physical arrests	3,242	2,532	3,132	3,058	2,709	2,653	2,359	2,284	1,922	1,990
Parking tickets	1,320	1,656	1,644	1,188	1,324	1,658	1,040	147	-	-
Calls for service	53,312	47,125	46,531	48,421	49,649	48,116	47,483	56,420	50,690	48,366
Citations	2,866	1,604	1,101	1,435	2,365	1,889	1,676	2,246	1,849	1,811
Fire										
Number of calls answered	1,013	1,181	1,181	1,237	1,066	1,164	1,288	1,165	1,208	1,548
Inspections	739	831	789	909	798	773	658	481	754	1,907
Business & community development										
Number of minimum housing inspections	2,600	2,494	1,977	2,901	1,444	1,080	1269 (4)	1,290	1,297	1,650
Number of building inspections	1,318	1,582	2,456	2,507	2,554	2,702	3,373	3,501	3,367	4,886
Number of nuisance complaints	2,405	2,405	2,048	2,143	2,252	2,306	2,902	2,318	2,145	2,586
Highways and streets										
Street resurfacing (miles)	5.76	4.12	3.67	0.00	2.85	2.29	0.00	2.32	0.00	5.13
Feet of sidewalk replaced/repared	990	384	527	1,532	759	1,611	1,074	1,761	721	556
Sanitation										
Refuse collected (tons/year)	6,590	7,036	6,884	7,386	7,240	7,152	8,240	8,237	8,726	8,843
Recyclables collected (tons/year)	580	568	634	755	918	957	268	797	1,045	991
Yard waste collected (tons/year)	4,550	7,151 (1)	3,965	3,731	3,561	3,448	1,540	1,576	1,608	1,954
Culture and recreation										
Athletic program enrollment	905	1,185	1,072	967	904	757	364	198	165	228
Park reservations	357	342	394	415	410	432	323	154	369	457
Pool admissions	4,609	3,295	9,322 (2)	17,879 (3)	12,635	10,767	10,703	6,273	4,901	11,708
Recreational program enrollment	1,135	523	948	969	1,738	1,009	1,220	922	358	813

Continued on next page.

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

Table 30
continued

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Business-type activities</i>										
Electric										
kWh sold	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	386,292,097
Number of customers	18,331	18,445	18,515	18,593	18,589	18,704	18,940	19,133	19,838	19,382
Water										
ccf sold	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	1,004,687
Number of customers	8,257	8,252	8,272	8,304	8,377	8,381	8,409	8,450	8,585	8,495
Wastewater										
ccf sold	822,187	824,727	810,697	798,931	819,071	814,118	821,675	826,148	793,241	809,962
Number of customers	7,954	7,988	8,022	8,082	8,262	8,377	8,441	8,629	8,816	8,809
Natural gas										
dt sold	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	2,400,014
Number of customers	9,054	9,093	9,224	9,276	9,355	9,467	9,502	9,573	9,707	10,607
Golf course										
Rounds sold	30,808	28,574	28,429	26,928	25,576	24,494	25,364	23,160	28,314	32,671
Number of passholders	110	100	94	73	76	67	65	51	58	81

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Governmental Activities</i>										
General Government										
Motor pool vehicles	85	86	80	85	90	90	96	48	41	4
Motor pool equipment	48	49	51	47	47	49	49	22	18	1
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	72	71	70	72	77	78	81	90	75	78
Fire										
Fire stations	3	3	3	3	3	3	3	3	4	4
Fire trucks	9	8	8	9	9	9	9	9	9	7
Highways and streets										
Streets (miles)	125.3	125.3	125.3	125.3	125.4	125.4	125.2	125.2	125.6	125.6
Sanitation										
Collection trucks and equipment	25	25	22	22	24	26	25	31	29	32
Culture and recreation										
Parks	20	20	20	20	20	20	20	21	21	21
Swimming pools	2	2	2	1	1	1	2	2	2	2
Tennis courts	15	15	15	15	15	15	15	15	15	15
Basketball courts	13	13	13	13	13	13	13	16	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

Continued on next page.

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

Table 31
continued

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<i>Business-type activities</i>										
Electric										
Distribution overhead lines (miles)	616	616	620	716	716	716	863	930	930	930
Distribution underground lines (miles)	-	-	-	-	-	-	352	374	383	396
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	192.9	192.9	192.9	192.9	192.9	193.0
Wastewater lines (miles)	214.0	216.0	216.0	247.0	248.6	248.6	248.6	248.6	216.0	225.0
Maximum daily treatment capacity water (millions of gallons)	7.2	7.2	7.2	7.2	7.2	9.3	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)	674	673	704	715	731	731	752	761	758	764

Source:

Various city departments and city capital asset records.

Note:

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

COMPLIANCE SECTION



MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2022 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 28, 2022. 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.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 City'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 City'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 28, 2022

MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by 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 State Program

Opinion on Each Major State Program

We have audited the City of Lexington, North Carolina's compliance, with the types of compliance requirements identified as subject to audit 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 state programs for the year ended June 30, 2022. The City of Lexington's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 28, 2022

CITY OF LEXINGTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

State Awards

Internal control over state programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?	No

Identification of major state programs:

Program Name

Powell Bill

2. Financial Statement Findings

None reported.

3. State Award Findings and Questioned Cost

None reported.

CITY OF LEXINGTON, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

None reported.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

<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	\$ 175,000	\$ -	\$ -	\$ 175,000
Community Development Block Program/Economic Development	14.228	16-E-2935	25,846	-	-	25,846
<i>U.S. Department of Justice</i>						
Direct Programs						
Bulletproof Vest Partnership Program	16.607	2020BUBX20022096	5,172	-	-	5,172
Equitable Sharing Program	16.922	NC0290100	34,448	-	-	-
Passed-through N.C. Department of Public Safety						
Violence Against Women Formula Grants Program	16.588	2020-WF-AX-0013	15,912	-	-	-
Violence Against Women Formula Grants Program	16.588	15JOVW-21-GG-00533- STOP	50,558	-	-	31,439
<i>U.S. Department of Treasury</i>						
Direct Programs						
Equitable Sharing	21.016	NC0290100	1,554	-	-	-
<i>U.S. Department of Homeland Security</i>						
Passed-through N.C. Department of Public Safety						
Disaster Grants - Public Assistance (Presidentially Declared Diasters)	97.036	FEMA-4487-DR-NC	64,465	-	-	-
Total assistance - federal programs			<u>372,955</u>	<u>-</u>	<u>-</u>	<u>237,457</u>

Continued on next page.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

<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 Commerce</i>						
Direct Program						
Rural Building Reuse Program		2021-005-3201-2587	\$ -	\$ 200,000	\$ -	\$ 10,000
<i>N.C. Department of Environmental Quality</i>						
Direct Program						
Solid Waste Management Outreach Program		8188	-	14,000	-	6,485
<i>N.C. Department of Transportation</i>						
Direct Program						
Powell Bill, DOT-4		32570	-	952,928	-	-
<i>N.C. Department of Revenue</i>						
Direct Program						
Unauthorized Substance Tax			-	13,293	-	-
Total assistance - state programs			<u>-</u>	<u>1,180,221</u>	<u>-</u>	<u>16,485</u>
Total assistance			<u>\$ 372,955</u>	<u>\$ 1,180,221</u>	<u>\$ -</u>	<u>\$ 253,942</u>

Continued on next page.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2022

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, 2022. 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.