

# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**



**FISCAL YEAR ENDED**

**June 30, 2023**



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## **City of Lexington**

**Fiscal Year Ended June 30, 2023**



**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  
Johnnie F. Taylor**

**Finance Director  
John M. Overton**



**City of Lexington, North Carolina  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2023**

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# **INTRODUCTORY SECTION**





LEXINGTON  
NORTH CAROLINA  
FINANCE DEPARTMENT  
INTEGRITY FIRST

October 30, 2023

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, 2023. 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, 2023.

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. Compliance audits on federal and state financial assistance may also be 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, 2023. 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. 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 and leveled off in 2022 with \$33.8 million. Most recently, a few approved projects have experienced delays due to supply chain issues and inflation. Unemployment for the area is in step with state and national trends. The current unemployment rate for the county is 3.5, compared to 4.0 for the region, 3.3% in North Carolina and 3.8% nationally. (US Bureau of Labor Statistics) The current growth is expected to continue as a result of ongoing initiatives such as: 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. Confidence in growth is demonstrated by the number of applications submitted for new commercial and residential development. 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 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 Lexington is \$19,175, compared to \$31,596 in Davidson County, \$38,701 in North Carolina, and \$41,804 in the US. Further, Median Household Income is \$32,698 in Lexington, compared with \$63,741 in Davidson County, \$67,481 in North Carolina, and \$74,755 in the US. Therefore, new job investment and growth will continue to be critical to this community. (censusreporter.org)

The vibrant Lexington community is swiftly establishing itself as a prominent nucleus for employment opportunities in the heart of the Piedmont Triad Region. Strategically positioned at a central nexus, the subject site enjoys the advantage of being just a mere 15-minute drive away from numerous significant employment hubs. A testament to its rising stature, the City of Lexington has garnered attention by securing the prestigious selection from [Siemens Mobility](#) to house an international train manufacturing facility. This landmark decision not only underscores the city's prowess but also promises a boost to the local economy and job market. Adding to its momentum, the City has further expanded its horizons by annexing an expansive 768-acre tract of land that is currently undergoing intensive development for industrial purposes, spearheaded by the acclaimed [Samet Construction](#). 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. This progressive step is set to enhance the city's industrial landscape and provide a fertile ground for economic growth. Within the vicinity, two prominent industrial players are shaping the employment landscape. [Egger Wood Products](#) and the current construction of [Nucor](#) not only stand as industrial powerhouses but also represent a wellspring of job opportunities, collectively contributing to the generation of hundreds of jobs. In essence, the Lexington community is not merely evolving; it is emerging as a dynamic force within the region, fostering economic advancement, job proliferation, and a future brimming with potential. Outside of the forementioned, many of the City's vacant industrial buildings have been filled by new industrial users of various scales in recent years.

Halyard North Carolina (formerly Kimberly-Clark Health Care), a global healthcare products company, continues to be the City's largest taxpayer, with 6.25% of the City's assessed valuation. Moran Foods, Wal-Mart, Masterbrand Cabinets, and Vitacost.com round out the top five at 1.39%, 1.19%, 0.93%, 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 partners with the County 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](http://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 Breeden Insurance Amphitheater, the Richard Childress Winery, the Lexington Skate Park, the Richard Childress Racing Museum, the Bob Timberlake Gallery, the annual Barbecue Festival, the annual Lexington Music Festival, several local wineries and venues, events at the nearby Denton Farm Park, the Bass Masters Tournament at High Rock Lake, and many more. COVID-19 and 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.

The Annual Lexington Barbecue Festival has been recognized nationally, regionally, and statewide for its excellence. The event has been recognized as one of the “Top Ten Food Festival in America” by Travel & Leisure Magazine, designated as a Top Twenty October Event by the Southeast Tourism Society, is a part of the Library of Congress’ Local Legacy Event, and has received won more than fifty awards through The N.C. Association of Festivals and Events Excellence Awards program. The festival was also named “One of Ten Great Places to Celebrate Food” by USA Today.

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 \$41.0 million in 2022.

Childress Vineyards Winery and Bistro 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 as the Census Bureau 2022 estimates reflect growth.

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 due to industrial growth and demand.

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. Newly appointed City Manager Johnnie Taylor is committed supporting staff levels and developing the structure necessary to meet expectations of the community.

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](http://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 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. 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. 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. The project is scheduled to be complete in 2028.

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 and branded it and the surrounding area as "The Depot District." All 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. One building was recently re-obtained by the City and is the subject of a request for proposals with selection of a developer expected within the next couple of months. The Depot District is an emerging activity center, situated adjacent to the historic Uptown. Rich with historical significance in furniture manufacturing, this district has become a focal point for redevelopment initiatives, with ongoing projects that emphasize community-oriented spaces and commercial ventures. The City of Lexington has committed significant resources to revitalize the Depot District, making it a priority for sustainable growth and community enhancement. The area presents an exceptional canvas for developers to create a landmark project that complements the existing amenities while contributing to the overall vitality of the community. Key features and attractions within the Depot District include:

- Bull City Ciderworks: Renowned for its handcrafted ciders and welcoming atmosphere, Bull City Ciderworks has become a cherished establishment in the Depot District, attracting patrons seeking a unique beverage experience.
- Goose and The Monkey Brewhouse Brewery: Known for its craft beers and inviting ambiance, Goose and The Monkey Brewhouse Brewery is a local favorite that adds character to the Depot District. Its presence has contributed to making the area a vibrant social hub.
- The Railroad Street Market: The Railroad Street Market is an ambitious mixed-use development project that is currently underway. It aims to transform an abandoned industrial building into a dynamic and lively destination that caters to a diverse range of interests and activities. Key components of The Railroad Street Market include a distillery, a barcade, an event venue, a music venue, an upscale restaurant, and rooftop gathering space.
- The Breeden Insurance Amphitheater: A state-of-the-art outdoor venue, The Breeden Insurance Amphitheater hosts a variety of cultural events, concerts, and community gatherings. It serves as an essential cultural and recreational focal point for the district.
- New and Coming Apartments: As part of the ongoing redevelopment initiatives, new and modern apartments have been introduced to the area, catering to the housing needs of a diverse community.
- Future Passenger Rail Station: An exciting prospect for the Depot District is the planned future passenger rail station, which will connect the area to neighboring cities and create new opportunities for economic growth and tourism.
- Proximity to Historic Uptown: The Depot District is located within walking distance of the charming and well-preserved historic uptown. Lined with quaint shops, cafes, and restaurants, this lively thoroughfare is a center of community life and a popular destination for residents and visitors alike.

*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 67% 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 financial report (ACFR) for the fiscal year ended June 30, 2022. This was the thirty-first 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,



John M. Overton  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Lexington  
North Carolina**

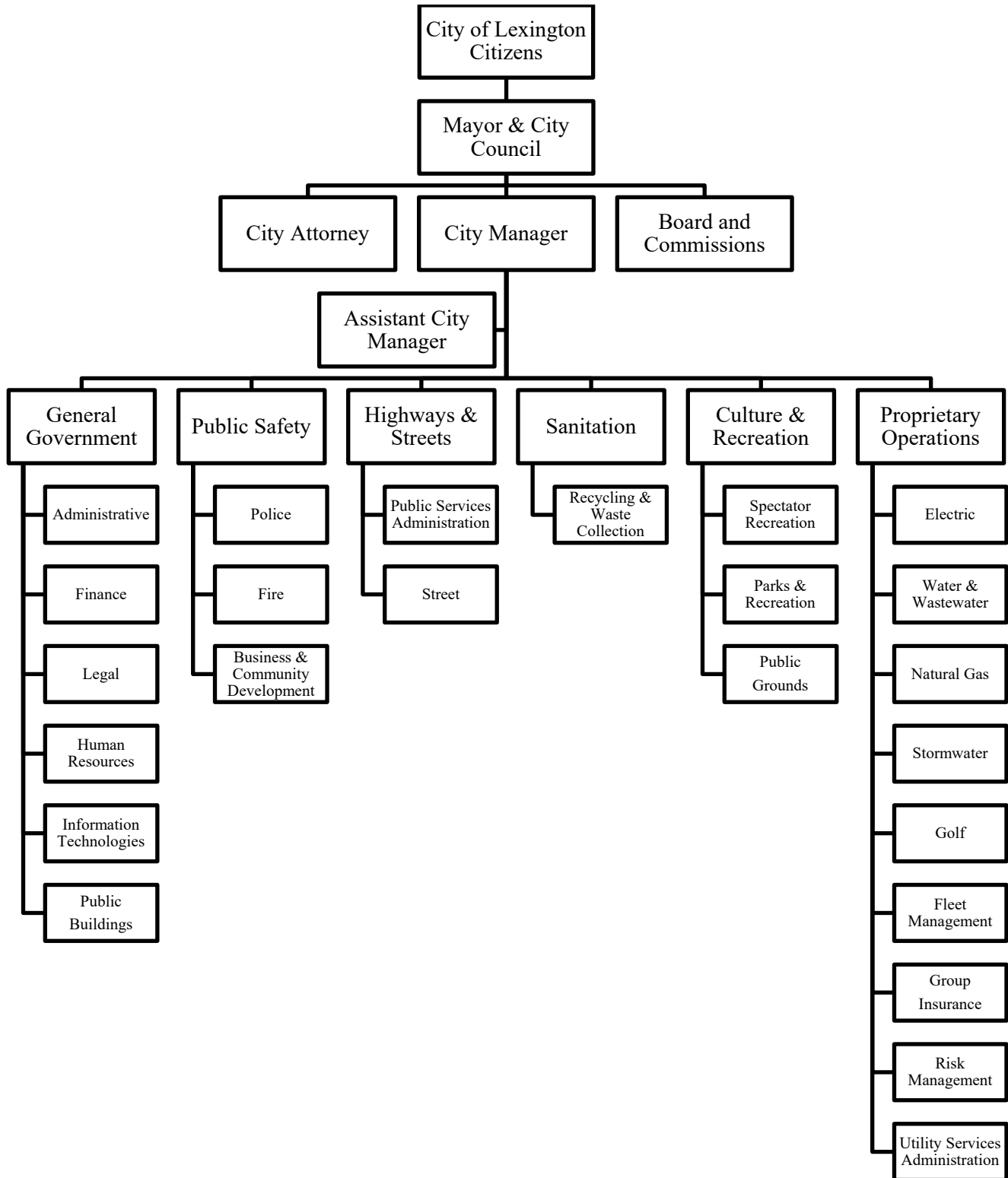
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO

# City of Lexington, North Carolina Organizational Chart



# **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, 2023, 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, 2023, 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 40%, 54% and 91%, respectively, of the assets, net position, and revenues of the discretely presented component units as of June 30, 2023, 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 43%, 16%, and 1% of the assets, net position, and revenues of the discretely presented component units as of June 30, 2023, 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 City of Lexington ABC Board, Front Street-Lexington, LLC, and the Lexington Tourism Authority were not audited in accordance with *Government Auditing Standards*.

### ***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, 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 30, 2023 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 30, 2023

## 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, 2023. 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

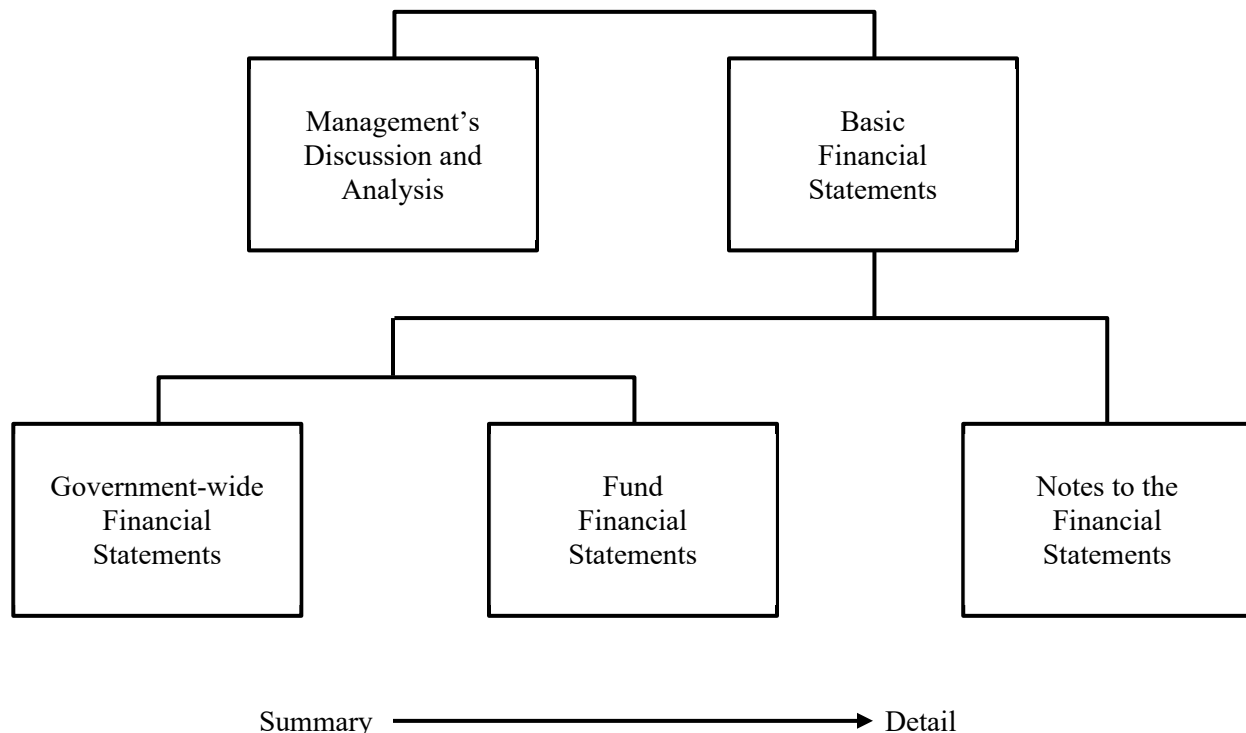
- The assets and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$218,212,376 (*net position*).
- The government's total net position increased by \$24,878,768, primarily due to a \$5,000,000 capital contribution from Davidson County for an allocation of wastewater capacity, an \$837,204 gain recognized on the sale of a leasehold improvement (fire station building), recognition of \$6,033,899 restricted ARPA fund revenue (transferred to business-type activities for revenue replacement), and a \$4,562,661 special item – net income on distribution from Front Street-Lexington, as well as increases in unrestricted intergovernmental revenues such as sales taxes, increases in investment earnings, 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 \$23,366,340, which is an increase of \$9,005,291 in comparison with the prior year. Approximately 28.4% of this total amount, or \$6,632,982, is non spendable or restricted. The increase is primarily driven by a \$2,000,000 sale of a leasehold improvement (fire station building) and a \$4,856,097 distribution from Front Street-Lexington which is reported as a special item. Increased sales tax revenues and investment earnings also had a positive impact on governmental funds, although these increases were largely offset by increases in operational spending.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,193,517, or 25.6% of total General Fund expenditures for the fiscal year. Unassigned fund balance represents a traditional fund balance reserve maintained for emergencies, liquidity and overall financial strength.
- The City of Lexington's total debt is \$28,054,222, which decreased by \$1,605,792 (5.4%) during the current fiscal year. This includes lease liabilities totaling \$117,728 and subscription liabilities of \$89,239. The City issued installment purchase debt in the amount of \$1,497,094 for an aerial fire truck. Other factors in the overall change include the payment of scheduled principal payments.
- The City of Lexington continues to maintain its Aa3 bond rating by Moody's, which has been in place since May 2016. In addition, the City continues to maintain its AA- bond rating by Standard and Poor's, which has been in place since June 2010.
- For 31 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 for major annually budgeted governmental funds, 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 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.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Lexington's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 37,972,356	\$ 31,326,754	\$ 96,552,865	\$ 87,546,027	\$ 134,525,221	\$ 118,872,781
Capital assets	35,279,585	37,083,153	114,283,284	105,465,282	149,562,869	142,548,435
Total assets	<u>73,251,941</u>	<u>68,409,907</u>	<u>210,836,149</u>	<u>193,011,309</u>	<u>284,088,090</u>	<u>261,421,216</u>
Deferred outflows of resources	<u>8,796,817</u>	<u>7,329,540</u>	<u>4,096,998</u>	<u>2,948,460</u>	<u>12,893,815</u>	<u>10,278,000</u>
Current liabilities	2,042,383	6,871,878	7,746,588	9,329,118	9,788,971	16,200,996
Long-term liabilities outstanding	<u>31,343,575</u>	<u>25,110,778</u>	<u>33,124,440</u>	<u>29,623,008</u>	<u>64,468,015</u>	<u>54,733,786</u>
Total liabilities	<u>33,385,958</u>	<u>31,982,656</u>	<u>40,871,028</u>	<u>38,952,126</u>	<u>74,256,986</u>	<u>70,934,782</u>
Deferred inflows of resources	<u>3,161,821</u>	<u>4,915,801</u>	<u>1,350,722</u>	<u>2,515,025</u>	<u>4,512,543</u>	<u>7,430,826</u>
Net position						
Net investment in capital assets	29,870,284	31,904,622	102,040,289	97,535,227	131,910,573	129,439,849
Restricted	6,542,298	6,230,231	-	-	6,542,298	6,230,231
Unrestricted	<u>9,088,397</u>	<u>706,137</u>	<u>70,671,108</u>	<u>56,957,391</u>	<u>79,759,505</u>	<u>57,663,528</u>
Total net position	<u>\$ 45,500,979</u>	<u>\$ 38,840,990</u>	<u>\$ 172,711,397</u>	<u>\$ 154,492,618</u>	<u>\$ 218,212,376</u>	<u>\$ 193,333,608</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 \$218,212,376 as of June 30, 2023. The City's net position increased by \$24,878,768 for the fiscal year ended June 30, 2023. However, the largest portion (60.45%) 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, \$6,542,298, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$79,759,505 is unrestricted.

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

- Received a \$5,000,000 capital contribution from Davidson County for an allocation of wastewater capacity.
- Sold a leasehold improvement (fire station building) to Davidson County Airport Authority, recognizing a gain of \$837,204.
- Recognized \$6,033,899 in restricted ARPA funds that were transferred to business-type activities for revenue replacement and used for funding Water and Wastewater personnel costs.
- Recognized \$4,562,661 in net income on distribution from Front Street-Lexington.
- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 97.50%. The statewide average in fiscal year 2020-21 was 99.13%.
- Increased sales tax revenues of approximately \$605,000 due to continued economic growth in the City.
- Increased unrestricted investment earnings of approximately \$3,556,000 due to a sharply rising interest rate environment.
- Vacancies and delays in hiring resulting in approximately \$1,991,000 in unspent budgetary appropriations for personnel cost in governmental activities, including \$663,000 in unspent budgetary appropriations for health insurance cost.
- Decreased revenues for electricity sales of approximately \$1,670,000, or 3.6%, primarily due to a 1.2% decrease in overall consumption and the continuing impact of average rate decreases of 5.0% for residential rates in July 2022.
- Increased revenues for water and wastewater charges of approximately \$1,371,000, primarily due to 2.6% decrease in customer water consumption and a 6.1% increase in wastewater consumption, along with rate increases of 12% for water and wastewater that went into effect on July 1, 2022.
- Continued investment in plant and infrastructure maintenance for the electric, water and wastewater, and natural gas systems.
- Increased revenues for natural gas sales of approximately \$585,000, or 4.2%, due to both a 4.8% increase in consumption and continued market-driven volatility in the variable “cost of gas” component, along with an average rate increase of 8.6% for residential base rates in July 2022.
- Increased cost of gas purchased for resale of approximately \$611,000, or 8.7%, due primarily to continued market-driven commodity price volatility.
- 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	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 2,533,499	\$ 2,400,697	\$ 77,708,949	\$ 76,382,358	\$ 80,242,448	\$ 78,783,055
Operating grants and contributions	1,578,280	1,382,085	183,416	1,423	1,761,696	1,383,508
Capital grants and contributions	-	-	5,000,000	209,739	5,000,000	209,739
General revenues						
Property taxes	11,980,395	11,832,251	-	-	11,980,395	11,832,251
Other taxes	959,025	913,891	-	-	959,025	913,891
Other general revenues	18,233,688	9,411,179	2,347,494	109,771	20,581,182	9,520,950
Total revenues	<u>35,284,887</u>	<u>25,940,103</u>	<u>85,239,859</u>	<u>76,703,291</u>	<u>120,524,746</u>	<u>102,643,394</u>

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

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Expenses</b>						
General government	\$ 5,143,326	\$ 4,599,821	\$ -	\$ -	\$ 5,143,326	\$ 4,599,821
Public safety	15,043,883	12,515,442	-	-	15,043,883	12,515,442
Highways and streets	2,447,632	3,099,029	-	-	2,447,632	3,099,029
Sanitation	2,587,139	2,599,340	-	-	2,587,139	2,599,340
Culture and recreation	2,406,899	2,215,386	-	-	2,406,899	2,215,386
Economic and physical development	1,073,204	2,457,306	-	-	1,073,204	2,457,306
Interest on long-term debt	153,994	152,248	-	-	153,994	152,248
Electric	-	-	42,089,910	45,025,677	42,089,910	45,025,677
Water and Wastewater	-	-	13,355,496	11,838,419	13,355,496	11,838,419
Natural gas	-	-	13,355,743	12,073,469	13,355,743	12,073,469
Stormwater	-	-	1,223,335	954,143	1,223,335	954,143
Golf	-	-	1,328,078	1,162,440	1,328,078	1,162,440
Total expenses	<u>28,856,077</u>	<u>27,638,572</u>	<u>71,352,562</u>	<u>71,054,148</u>	<u>100,208,639</u>	<u>98,692,720</u>
Increase (decrease) in net position before transfers	6,428,810	(1,698,469)	13,887,297	5,649,143	20,316,107	3,950,674
Special items	4,562,661	-	-	-	4,562,661	-
Transfers	<u>(4,331,482)</u>	<u>1,871,571</u>	<u>4,331,482</u>	<u>(1,871,571)</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net position</b>	<u>6,659,989</u>	<u>173,102</u>	<u>18,218,779</u>	<u>3,777,572</u>	<u>24,878,768</u>	<u>3,950,674</u>
Net position, beginning, previously reported	38,840,990	40,758,253	154,492,618	148,624,681	193,333,608	189,382,934
Restatement	<u>-</u>	<u>(2,090,365)</u>	<u>-</u>	<u>2,090,365</u>	<u>-</u>	<u>-</u>
Net position, beginning	<u>38,840,990</u>	<u>38,667,888</u>	<u>154,492,618</u>	<u>150,715,046</u>	<u>193,333,608</u>	<u>189,382,934</u>
Net position, ending	<u>\$ 45,500,979</u>	<u>\$ 38,840,990</u>	<u>\$ 172,711,397</u>	<u>\$ 154,492,618</u>	<u>\$ 218,212,376</u>	<u>\$ 193,333,608</u>

**Governmental activities** - Governmental activities increased the City's net position by \$6,659,989. Key elements of this increase are as follows:

- Special item of \$4,562,661 for net income on distribution from Front Street-Lexington. This special item accounted for 68.5% of the total increase in governmental activity net position.
- \$6,033,899 in restricted ARPA fund revenues were transferred, along with related investment earnings, to business-type activities for revenue replacement and did not increase governmental activity net position.
- Gain recognized on the sale of a leasehold improvement (Fire Station Building) totaled \$837,204.
- Operating grants and contributions increased by approximately \$196,000, primarily due to public safety grants.
- Property taxes increased by only a modest amount of approximately \$148,000, inclusive of the impact of losing approximately \$149,000 of annual property tax revenue from aircraft due to a de-annexation of property owned by the Davidson County Airport Authority.
- Retail sales continued to see a growth trend that began several years ago, driving a \$575,000 increase in unrestricted intergovernmental revenues.
- Unrestricted investment earnings increased by approximately \$1,319,000 due to a sharply rising interest rate environment.
- Personnel costs, particularly in public safety, increased by approximately \$1,513,000 as the City continues to try to remain competitive in the labor market.
- Pension and OPEB expense increased by approximately \$1,133,000.



- Paving expenses for streets decreased by approximately \$788,000.
- Economic development expenses decreased by approximately \$1,384,102, primarily related to losses that were recognized in the prior year on disposal of properties held for economic development purposes.

**Business-type activities** - Business-type activities increased the City of Lexington’s net position by \$18,218,779. Key elements of the business-type increase are as follows:

- A \$5,000,000 capital contribution from Davidson County for an allocation of wastewater capacity. This accounted for 29.6% of the total increase business-type activity net position.
- Transfer of \$6,226,854 from ARPA Grant Project Fund representing \$6,033,899 in restricted ARPA funds along with \$195,955 in related investment earnings that were transferred to business-type activities for revenue replacement and used for funding Water and Wastewater personnel costs. This transfer accounted for 36.9% of the total increase business-type activity net position.
- Continuing benefits from decreased rates paid for purchased electric power, a 12% increase in water and wastewater rates, increases in DT of natural gas sold, an 8.59% average residential natural gas base rate increase, an increase in investment earnings of approximately \$1,671,000, 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 \$5,829,609 in net position related to these three utilities.
- Nonmajor utility funds and internal service funds contributed an aggregate positive change of \$1,162,316 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 \$14,489,479, while total fund balance reached \$20,257,108. 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 48.92% of General Fund expenditures, while total fund balance represents 68.39% of the same amount. Of the fund balance available, \$588,443 is restricted in what it can be used for and \$4,339,933 has been committed for specific purposes. The City Council has appropriated \$2,367,586 of the fund balance available for use in the year ended June 30, 2023.

At June 30, 2023, the governmental funds of the City of Lexington reported a combined fund balance of \$23,366,340, with a net increase in fund balance of \$9,005,291. Included in this change in fund balance is an increase of \$6,415,650 in the General Fund and an increase of \$2,129,858 in the BUILD Grant Project Fund. Much of the increase in the General Fund is due to the sale of a leasehold improvement (Fire Station Building) to Davidson County Airport Authority for \$2,000,000 and a \$4,856,097 distribution from Front Street-Lexington. The increase in the BUILD Grant Project Fund was due to a \$2,400,000 transfer from the General Fund to provide some of the funding that will be required for matching funds. Increases in unrestricted intergovernmental revenues resulted from a continued improving economy. Investment earnings increased by approximately \$848,000 due to a sharply rising interest rate environment. 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 \$8,085,250, representing a 24.6 percent increase from the original budget. These included the following significant amendments: 1) \$4,856,000 related to use of funds distributed to the City by Front Street-Lexington, including \$206,000 additional budgetary authority for street paving, budgetary authority to transfer \$1,000,000 to the Governmental Capital Reserve Fund for fire facilities and equipment, budgetary authority to transfer \$1,250,000 to the Governmental Capital Reserve Fund for recreation facilities and equipment, and budgetary authority to transfer \$2,400,000 to the BUILD Grant Project Fund; 2) \$2,000,000 budgetary authority to transfer funds to the Governmental Capital Reserve Fund for fire facilities and equipment, representing the use of proceeds from the sale of a leasehold improvement (Fire Station Building) to Davidson County Airport Authority; 3) \$376,000 related to a vehicle acquisition for the Recycling & Waste Collection department; and 4) \$281,900 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.

Revenues were \$1,157,405 higher than the final budgeted amounts. Ad valorem tax revenues exceeded those amounts estimated with the budget by \$207,029. Taxable property values were approximately \$17,940,000 less than values estimated with the budget, primarily due to the loss of \$22,926,800 in taxable value of aircraft due to a de-annexation of property owned by the Davidson County Airport Authority (representing a loss of approximately \$149,000 in tax revenues). The collection rate and collections on past due taxes exceeded the original estimates used in the budget and positively impacted tax revenues by approximately \$314,000. Unrestricted intergovernmental revenues exceeded budgeted amounts by \$364,027. Included in this category is the local option sales tax with revenues exceeding budgeted amounts by \$377,961. Retail sales continued seeing a growth trend that began in previous years and sales tax collections ended up being stronger than anticipated. Permits and fees exceeded budgeted amounts by \$142,491, reflecting continuing economic development activity. Investment earnings exceeded budgeted amounts by \$595,396, reflecting a sharply higher interest rate environment.

Expenditures were \$5,528,173, or 16.5%, lower than the final budgeted amounts. Personnel costs were \$1,991,005 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 \$663,765. Another significant part of this variance is represented by outstanding encumbrances at June 30, 2023, which totaled \$2,556,511 for the General Fund. These purchase and contractual commitments, although originally authorized under budgetary appropriations for the year ended June 30, 2023, will be reflected as expenditures in the subsequent fiscal year. These purchase commitments include \$1,187,702 an outstanding encumbrance for a paving resurfacing contract and \$863,151 in outstanding encumbrances for capital items that had not been delivered by fiscal year end. Debt service was \$149,568 lower than budget amounts, primarily because \$144,079 in repayments on internal borrowings were budgeted as debt service. 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 \$65,581,466, including \$36,235,373 in Electric, \$22,800,523 in Water and Wastewater, and \$6,545,570 in Natural Gas. Unrestricted net position of the City's nonmajor enterprise funds (Stormwater and Golf) totaled \$648,303 at the end of the fiscal year. Total unrestricted net position for all enterprise funds amounted to \$66,229,769.

The change in net position for the City's major enterprise funds totaled \$17,056,463, including \$4,087,126 in Electric, \$12,256,519 in Water and Wastewater, and \$712,818 in Natural Gas. The change in net position for the City's nonmajor enterprise funds (Stormwater and Golf) totaled \$135,727. These changes include changes in net position invested in capital assets and changes in unrestricted net position as follows:

	Electric	Water and Wastewater	Natural Gas	Total Major	Nonmajor	Total Enterprise
Changes in						
Net investment in capital assets	\$ 1,578,688	\$ 163,408	\$ 1,852,682	\$ 3,594,778	\$ (65,811)	\$ 3,528,967
Unrestricted	<u>2,508,438</u>	<u>12,093,111</u>	<u>(1,139,864)</u>	<u>13,461,685</u>	<u>201,538</u>	<u>13,663,223</u>
Total Net Position	<u>\$ 4,087,126</u>	<u>\$ 12,256,519</u>	<u>\$ 712,818</u>	<u>\$ 17,056,463</u>	<u>\$ 135,727</u>	<u>\$ 17,192,190</u>

Electric unrestricted net position increased by \$2,508,438. The increase is primarily due to continuing benefits from decreased rates paid for purchased electric power, including a 10.6% wholesale rate reduction that went into effect in July 2022. In addition, the continuing wholesale rate decreases 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%, 2.9%, and 5.0% in rates charged to the City's residential and commercial customers in 2015-16, 2016-17, 2018-19, 2019-20, 2020-21, and 2022-23, respectively, and to positively impact the financial position and liquidity of the Electric utility. The Electric utility sold approximately 4,502,736 kWh less than in the previous year, representing a 1.2% decrease. The impact of this decrease is reflected in both revenues and in the cost of purchased electric power.

Water and Wastewater unrestricted net position increased by \$12,093,111. Increases are primarily due to a \$5,000,000 capital contribution from Davidson County for an allocation of wastewater capacity and a \$6,226,854 transfer from the ARPA Grant Project Fund representing revenue replacement that was used for funding Water and Wastewater personnel costs. Increases also include the impact of 12% water and wastewater rate increases that went into effect on July 1, 2022. The Water and Wastewater utility reported charges for approximately 26,000 less CCF's of water than in the previous year (a 2.6% decrease) and 49,000 more CCF's of wastewater than in the previous year (a 6.1% increase).

Natural Gas unrestricted net position decreased by \$1,139,864. The decrease is primarily related to a \$1,337,290 investment in relocating a natural gas line along Winston Road in preparation for the widening of that road by the North Carolina Department of Transportation. The Natural Gas utility sold approximately 116,098 DT's more than in the previous year, representing a 4.8% increase. An average residential base rate increase of 8.59% went into effect on July 1, 2022.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** – As of June 30, 2023, the City of Lexington had \$149,562,869 invested in a broad range of capital assets, net of accumulated depreciation/amortization, 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. The total increase in capital assets for the current fiscal year is 4.9%.

Major capital asset transactions during the year include the following:

- Investments in governmental equipment & vehicles, reflecting the continuing implementation of vehicle & equipment replacement plans.
  - Investments in the General Fund and other governmental funds totaling \$3,000,262, including \$1,497,094 for of an aerial fire truck.
  - Investments in governmental internal service funds totaling \$98,475.
- Investments in the Electric Delivery Station No. 3 Project, an Electric Fund project, at a cost of \$527,912.
- Investments in the Advanced Metering Infrastructure (AMI) Project, a Water and Wastewater Fund project, at a cost of \$689,032. 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 \$209,913.
- Investments in infrastructure improvements in the Electric Fund at a cost of \$1,367,854.

- Investments in infrastructure improvements in the Natural Gas Fund at a cost of \$1,844,609.
- 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 \$481,312.
  - Investments in the Water & Wastewater Fund totaling \$185,483.
  - Investments in the Natural Gas Fund totaling \$364,145.

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

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 4,536,534	\$ 4,536,534	\$ 2,292,083	\$ 2,292,083	\$ 6,828,617	\$ 6,828,617
Construction in progress	1,553,741	1,553,741	13,913,808	6,020,600	15,467,549	7,574,341
Buildings	7,253,838	8,709,252	7,119,629	7,269,077	14,373,467	15,978,329
Other improvements	3,579,874	4,008,541	458,022	520,907	4,037,896	4,529,448
Equipment & vehicles	5,768,254	4,672,452	4,401,688	4,645,087	10,169,942	9,317,539
Intangibles	283,599	354,213	14,818	33,442	298,417	387,655
Infrastructure	12,102,527	13,118,292	-	-	12,102,527	13,118,292
Plant & distribution systems	-	-	85,991,509	84,674,301	85,991,509	84,674,301
Right to use assets						
IT subscriptions in progress	56,924	-	-	-	56,924	-
Leased land	110,666	130,128	-	-	110,666	130,128
Leased equipment & vehicles	-	-	5,960	9,785	5,960	9,785
IT subscriptions	33,628	-	85,767	-	119,395	-
<b>Total</b>	<u>\$ 35,279,585</u>	<u>\$ 37,083,153</u>	<u>\$ 114,283,284</u>	<u>\$ 105,465,282</u>	<u>\$ 149,562,869</u>	<u>\$ 142,548,435</u>

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

**Long-term Debt** – At June 30, 2023, the City had installment purchase debt outstanding of \$27,847,255. 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 and subscription liabilities.

**City of Lexington's Outstanding Debt**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Lease liabilities	\$ 111,853	\$ 130,776	\$ 5,875	\$ 9,748	\$ 117,728	\$ 140,524
Subscription liabilities	16,829	-	72,410	-	89,239	-
Direct placement installment purchases	5,280,619	4,983,320	22,566,636	24,536,170	27,847,255	29,519,490
<b>Total</b>	<u>\$ 5,409,301</u>	<u>\$ 5,114,096</u>	<u>\$ 22,644,921</u>	<u>\$ 24,545,918</u>	<u>\$ 28,054,222</u>	<u>\$ 29,660,014</u>

The City of Lexington's total debt decreased by \$1,605,792 (5.4%). The City issued installment purchase debt of \$1,497,094 for an aerial fire truck. The City also recorded \$132,953 in new subscription liabilities. Principal retirements during the year totaled 3,235,839.

As mentioned in the financial highlights section of this document, the City of Lexington continues to maintain its Aa3 bond rating by Moody's, which has been in place since May 2016. In addition, the City continues to maintain its AA- bond rating by Standard and Poor's, which has been in place since June 2010. These bond ratings are a

clear indication of the sound financial condition of the City of Lexington. Excellent bond ratings are a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Lexington is \$116,325,533. The City has no bonds authorized but unissued at June 30, 2023.

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 3.2% was slightly lower than the state rate of 3.6% at the end of the fiscal year. This is a slightly lower unemployment rate than the previous year when the local unemployment rate was 3.6%. The state unemployment rate from the previous year was 4.1%.
- Principal property taxpayers. Halyard North Carolina is the largest taxpayer in the City, with 6.25% of total assessed valuation.
- Principal utility customers. For the year ended June 30, 2023, the City of Lexington was the largest electric customer providing 2.85% of total electric revenue, Electric Glass Fiber America was the largest water customer providing 4.80% of total water revenue, Davidson County schools was the largest wastewater customer providing 2.58% of total wastewater revenue, and Egger Wood Products was the largest natural gas customer providing 4.57% of total natural gas revenue.
- Inspections for construction activity in the City totaled 5,330 with a value of \$156.4 million compared to prior year inspections totaling 4,849 with a value of \$46.1 million.
- Economic development incentive agreements. Economic development incentive agreements and commitments that remain in effect as of June 30, 2023 include:
  - 1) 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.
  - 2) Border Concepts – Under the terms of this May 2023 agreement, Border Concepts agreed to make new expanded investment in its manufacturing plant of \$8,000,000 and create 5 new full-time employment positions.
  - 3) Childress Winery – Under the terms of this February 2023 agreement, Childress Winery agreed to make new expanded investment in its manufacturing plant of \$5,500,000 and create 20 new full-time employment positions.
  - Siemens Mobility, Inc. – The City has committed to an economic development incentive agreement with Siemens Mobility under which Siemens Mobility will agree to invest between \$200,000,000 and \$250,000,000 in new investment in a manufacturing facility and create a minimum of 200 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, 2023 include:
  - 1) 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.
  - 2) 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.
  - 3) 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.

- 4) Childress Winery, LLC. – Under the terms of this *Rural Building Reuse and Infrastructure* grant, announced in December 2022, Childress Winery committed to renovate or expand an industrial building and to create 20 full time jobs.

The City has also been successful in obtaining other grants that will have significant impacts on the economy, including:

- 1) \$24,999,000 U.S. Department of Transportation Better Utilizing Investments to Leverage Development (BUILD) – This funding, along with a \$10,950,000 allocation from the N.C. Department of Transportation, is part of a \$57,087,598 project to construct a passenger rail station, a grade separation and surrounding improvements.
- 2) \$1,345,950 U.S. Department of Commerce Economic Development Administration grant – This funding, along with a \$1,345,950 funding commitment from Nucor Steel Lexington, is part of a \$2,691,900 project to extend the City’s natural gas distribution system to Nucor Steel Lexington.

### **Budget Highlights for the Fiscal Year Ending June 30, 2024**

**Governmental Activities** – Budgeted revenue is expected to be 8.9% higher than for 2022-23. The property tax rate for 2023-24 remains unchanged at \$0.65 per \$100 of assessed valuation. Increases in anticipated taxable property values are expected to increase budgeted revenue by \$171,000 (1.4% increase) and reflect modest increased property values due to economic growth. Unrestricted intergovernmental revenues are expected to increase budgeted revenue by \$1,112,000 (11.6% increase) and includes increases in budgeted sales tax of \$1,147,000, reflecting unbudgeted gains in 2022-23 and more modest increases in 2023-24. Permits and fees are expected to increase budgeted revenue by \$455,000 (209.3% increase) due to expected activity with Siemens Mobility. With the sharply higher interest rate environment, investment earnings are expected to increase budgeted revenue by \$818,000. The City will use its revenues to finance programs currently in place and to make key investments towards City Council's goals, including aggressively marketing for strategic economic development, a continuance of measured quality of life initiatives, an ongoing commitment to synergize community messaging platforms for social media, and prudent financial investment in transportation infrastructure.

Budgeted expenditures in the General Fund are expected to decrease approximately 3.7% from final 2022-23 budgeted expenditures to \$35,159,942. The largest increments of change include an increase in personnel of \$2,059,575 and a reduction in capital outlay of \$2,436,255. 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. Debt service is budgeted to decrease by \$172,000 (11.3% 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 continuing the budgetary appropriation for street resurfacing at \$1,000,000 and continuing increased levels of investments in technology.

**Business-type Activities** – Rates for electricity will not change. Budgeted expenditures in the Electric Fund are expected to decrease approximately 0.5% to \$45,636,983. Purchased electricity is expected to decrease by approximately 3.8% based on expected power purchased and expected cost of power purchased. Maintenance costs, including critical infrastructure maintenance, are expected to increase by approximately 23.8%. 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.

Based on the recommendations of a recent water and wastewater cost of service rate study, water and wastewater rates in the City will increase by 13.5% and 14.5%, respectively. Budgeted expenditures in the Water and Wastewater Fund are expected to increase approximately 7.9% to \$17,167,241. Personnel expenditures in the Water and Wastewater Fund are expected to increase approximately 12% from the 2022-23 final budget. The 2023-24 personnel budget includes a provision for merit increases. Maintenance costs, including critical infrastructure maintenance, are expected to increase by approximately 25.8% and is being partially funded by a transfer of \$1,370,000 from the Water and Wastewater Capital Reserve Fund.

The results of a natural gas cost of service rate study completed in 2021-22 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 and budgeted the use of \$800,000 from its Natural Gas Rate Stabilization Fund in order to phase in the recommended base rate increases. The remainder of the recommended rate base rate increased are being implemented in 2023-24. Volume rates are adjusted during the year based on cost of gas. Expected cost of gas is budgeted at \$4.50 per dekatherm for 2023-24, up from \$4.00 per dekatherm in 2022-23. Budgeted expenditures in the Natural Gas Fund are expected to decrease approximately 15.2% to \$14,477,957. Personnel expenditures in the Natural Gas Fund are expected to increase approximately 9.72% as labor markets continue to place upward pressures on pay scales. Personnel expenditures include a provision for merit increases. Maintenance costs, including critical infrastructure maintenance/rehabilitation/relocation, are expected to decrease by approximately 50.4% after a gas line relocation on Winston Road was completed in the 2022-23 fiscal year. Purchased natural gas is expected to decrease by approximately 13% based on expected cost of gas and expected sales volumes.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Lexington's finances for all those with an interest in the City's finances. Questions concerning any of the information provided 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](http://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, 2023**

**Exhibit 1**

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 37,420,630	\$ 62,962,279	\$ 100,382,909	\$ 1,381,672
Receivables (net)				
Taxes	103,474	-	103,474	-
Accounts - billed	143,317	3,751,889	3,895,206	-
Accounts - unbilled	128,379	5,116,255	5,244,634	-
Interest on leases	-	509	509	-
Leases receivable	63,161	332,641	395,802	-
Due from other governments	2,826,381	992,870	3,819,251	-
Due from component units	74,062	-	74,062	-
Due from primary government	-	-	-	42,213
Loans receivable	-	-	-	-
Internal balances	(3,735,817)	3,735,817	-	-
Inventories	170,347	6,465,043	6,635,390	3,869,395
Deposits and prepaid items	90,094	17,000	107,094	21,421
Restricted cash and cash equivalents	688,328	12,869,464	13,557,792	-
Equity interest in component unit	-	-	-	-
Equity interest in joint venture	-	309,098	309,098	-
Capital assets				
Capital assets not being depreciated	6,090,275	16,205,891	22,296,166	253,386
Capital assets, net of accumulated depreciation	28,988,092	97,985,666	126,973,758	713,252
Right to use assets not being amortized	-	-	-	-
Right to use assets, net of accumulated amortization	201,218	91,727	292,945	52,974
Total capital assets	35,279,585	114,283,284	149,562,869	1,019,612
Total assets	73,251,941	210,836,149	284,088,090	6,334,313
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	8,796,817	4,096,998	12,893,815	177,970

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit 1**  
*continued*

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	Total
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,882,648	\$ 5,230,992	\$ 7,113,640	\$ 500,558
Due to component units	42,213	-	42,213	-
Due to primary government	-	-	-	74,062
Unearned revenue	52,762	-	52,762	-
Payable from restricted assets				
Accounts payable and accrued liabilities	-	1,672,761	1,672,761	-
Deposits	64,760	842,835	907,595	-
Long-term liabilities				
Due in one year	1,924,706	2,287,043	4,211,749	61,034
Due in more than one year	29,418,869	30,837,397	60,256,266	2,381,712
Total liabilities	33,385,958	40,871,028	74,256,986	3,017,366
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,161,821	1,350,722	4,512,543	770
<b>NET POSITION</b>				
Net investment in capital assets	29,870,284	102,040,289	131,910,573	844,237
Restricted for				
Stabilization by state statute	5,679,307	-	5,679,307	42,213
Council chamber improvements	3,100	-	3,100	-
Law enforcement	274,548	-	274,548	-
Highways and streets	578,723	-	578,723	-
Cultural and recreation	6,620	-	6,620	-
Tourism promotion	-	-	-	850,622
Uptown revitalization	-	-	-	139,887
Economic development, nonexpendable	-	-	-	281,928
Working capital	-	-	-	239,428
Unrestricted	9,088,397	70,671,108	79,759,505	1,095,832
Total net position	\$ 45,500,979	\$ 172,711,397	\$ 218,212,376	\$ 3,494,147

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, 2023**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- type Activities	Total	
<b>Primary government</b>								
Governmental Activities								
General government	\$ 5,143,326	\$ 48,761	\$ 8,170	\$ -	\$ (5,086,395)	\$ -	\$ (5,086,395)	
Public safety	15,043,883	579,678	381,345	-	(14,082,860)	-	(14,082,860)	
Highways and streets	2,447,632	3,468	716,271	-	(1,727,893)	-	(1,727,893)	
Sanitation	2,587,139	1,564,478	15,841	-	(1,006,820)	-	(1,006,820)	
Culture and recreation	2,406,899	132,883	78,162	-	(2,195,854)	-	(2,195,854)	
Economic and physical development	1,073,204	204,231	378,491	-	(490,482)	-	(490,482)	
Interest on long-term debt	153,994	-	-	-	(153,994)	-	(153,994)	
Total governmental activities	<u>28,856,077</u>	<u>2,533,499</u>	<u>1,578,280</u>	<u>-</u>	<u>(24,744,298)</u>	<u>-</u>	<u>(24,744,298)</u>	
Business-type activities								
Electric	42,089,910	46,469,907	-	-	-	4,379,997	4,379,997	
Water and Wastewater	13,355,496	13,857,822	183,416	5,000,000	-	5,685,742	5,685,742	
Natural Gas	13,355,743	15,142,475	-	-	-	1,786,732	1,786,732	
Stormwater	1,223,335	1,310,317	-	-	-	86,982	86,982	
Golf	1,328,078	928,428	-	-	-	(399,650)	(399,650)	
Total business-type activities	<u>71,352,562</u>	<u>77,708,949</u>	<u>183,416</u>	<u>5,000,000</u>	<u>-</u>	<u>11,539,803</u>	<u>11,539,803</u>	
Total primary government	<u>\$ 100,208,639</u>	<u>\$ 80,242,448</u>	<u>\$ 1,761,696</u>	<u>\$ 5,000,000</u>	<u>(24,744,298)</u>	<u>11,539,803</u>	<u>(13,204,495)</u>	
Discretely presented component units	<u>\$ 8,295,038</u>	<u>\$ 8,182,897</u>	<u>\$ 705,679</u>	<u>\$ -</u>				<u>593,538</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Activities**  
**For the fiscal year ended June 30, 2023**

**Exhibit 2**  
*continued*

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	Total
General revenues								
Taxes								
Property taxes					\$ 11,980,395	\$ -	\$ 11,980,395	\$ -
Other taxes					959,025	-	959,025	-
Grants and contributions not restricted to specific programs					9,916,202	-	9,916,202	-
Investment earnings, unrestricted					1,372,429	2,347,494	3,719,923	31,326
Miscellaneous, unrestricted					911,158	-	911,158	265
Restricted ARPA funds (transferred to business-type activities for revenue replacement)					6,033,899	-	6,033,899	-
Special item - net income on distribution from Front Street-Lexington					4,562,661	-	4,562,661	-
Total general revenues not including transfers					35,735,769	2,347,494	38,083,263	31,591
Transfers								
Transfer of restricted ARPA funds and related investment earnings for revenue replacement					(6,226,854)	6,226,854	-	-
Other transfers					1,895,372	(1,895,372)	-	-
Total general revenues and transfers					31,404,287	6,678,976	38,083,263	31,591
Change in net position					6,659,989	18,218,779	24,878,768	625,129
Net position - beginning					38,840,990	154,492,618	193,333,608	2,869,018
Net position - ending					\$ 45,500,979	\$ 172,711,397	\$ 218,212,376	\$ 3,494,147

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

**City of Lexington, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

**Exhibit 3**

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	ARPA Grant Project Fund	BUILD Grant Project Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 17,825,747	\$ -	\$ 2,140,618	\$ 995,685	\$ 20,962,050
Receivables (net)					
Property taxes	102,135	-	-	1,339	103,474
Accounts - billed	143,317	-	-	-	143,317
Accounts - unbilled	128,379	-	-	-	128,379
Leases receivable	-	-	-	63,161	63,161
Due from other governments	2,735,301	-	-	42,221	2,777,522
Due from other funds	39,965	-	-	-	39,965
Due from component unit	74,062	-	-	-	74,062
Prepaid items	90,094	-	-	-	90,094
Restricted cash and cash equivalents					
Customer deposits	64,760	-	-	-	64,760
Streets	578,723	-	-	-	578,723
Unexpended grant proceeds	-	-	-	44,845	44,845
Total assets	<u>\$ 21,782,483</u>	<u>\$ -</u>	<u>\$ 2,140,618</u>	<u>\$ 1,147,251</u>	<u>\$ 25,070,352</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 990,278	\$ -	\$ 10,760	\$ 11,240	\$ 1,012,278
Due to other funds	107,573	-	-	39,965	147,538
Due to component units	42,213	-	-	-	42,213
Unearned revenue	-	-	-	52,762	52,762
Liabilities payable from restricted assets					
Deposits	64,760	-	-	-	64,760
Advance from other funds	218,416	-	-	-	218,416
Total liabilities	<u>1,423,240</u>	<u>-</u>	<u>10,760</u>	<u>103,967</u>	<u>1,537,967</u>
<b>Deferred inflows of resources</b>	<u>102,135</u>	<u>-</u>	<u>-</u>	<u>63,910</u>	<u>166,045</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

**Exhibit 3**  
*continued*

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	ARPA Grant Project Fund	BUILD Grant Project Fund		
<b>Fund balances</b>					
Nonspendable					
Prepaid items	\$ 90,094	\$ -	\$ -	\$ -	\$ 90,094
Leases receivable, net	-	-	-	590	590
Restricted					
Stabilization by state statute	5,677,535	-	-	1,772	5,679,307
Council chamber improvements	3,100	-	-	-	3,100
Law enforcement	-	-	-	274,548	274,548
Streets	578,723	-	-	-	578,723
Recreation programs	6,620	-	-	-	6,620
Committed					
Police facilities and equipment	1,000,000	-	-	-	1,000,000
Fire facilities and equipment	2,000,000	-	-	-	2,000,000
Passenger rail	-	-	2,129,858	-	2,129,858
Recreation facilities and equipment	1,250,000	-	-	283,629	1,533,629
Other	89,933	-	-	418,835	508,768
Assigned					
Subsequent year's expenditures	2,367,586	-	-	-	2,367,586
Unassigned	7,193,517	-	-	-	7,193,517
Total fund balances	<u>20,257,108</u>	<u>-</u>	<u>2,129,858</u>	<u>979,374</u>	<u>23,366,340</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,782,483</u>	<u>\$ -</u>	<u>\$ 2,140,618</u>	<u>\$ 1,147,251</u>	<u>\$ 25,070,352</u>

*Continued on next page.*



**City of Lexington, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

**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	\$	23,366,340
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 108,044,248	
Accumulated depreciation	(72,965,881)	
Right to use assets at historical cost	254,653	
Accumulated amortization	(53,435)	
Less internal service funds' net capital assets included in net position adjustment below	(189,788)	35,089,797
Deferred outflows of resources related to pensions and OPEB are not reported in the funds		
Deferred outflows for governmental activities related to pensions - LGERS	5,516,479	
Deferred outflows for governmental activities related to pensions - LEOSSA	550,958	
Deferred outflows for governmental activities related to OPEB	2,729,380	
Deferred outflows included in internal service funds' net position adjustment below	(309,315)	8,487,502
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(37,111)	
Leases, subscriptions, bonds and installment financing	(5,409,301)	
Compensated absences	(1,574,190)	
Subscriptions included in internal service funds' net position adjustment below	5,398	
Compensated absences included in internal service funds' net position adjustment below	65,043	(6,950,161)
Net pension liability - LGERS		
Net pension liability for governmental activities	(8,199,264)	
Net pension liability included in internal service funds' net position adjustment below	382,386	(7,816,878)
Total pension liability - LEOSSA		
		(2,722,910)
Total OPEB liability		
Total OPEB liability for governmental activities	(13,437,910)	
Total OPEB liability included in internal service funds' net position adjustment below	256,241	(13,181,669)
Earned revenues considered deferred inflow of resources in the funds		
		103,474

*Continued on next page.*

**City of Lexington, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

**Exhibit 3**  
*continued*

		<u>Total Governmental Funds</u>
Deferred inflows of resources related to pensions and OPEB are not reported in the funds		
Deferred inflows for governmental activities related to pensions - LGERS	(193,324)	
Deferred inflows for governmental activities related to pensions - LEOSSA	(460,388)	
Deferred inflows for governmental activities related to OPEB	(2,445,538)	
Deferred inflows of resources included in internal service funds' net position adjustment below	<u>55,648</u>	(3,043,602)
 Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk Management) to individual		
Net position of governmental-type internal service	15,578,914	
Portion of net position allocated to business type activities	<u>(3,409,828)</u>	<u>12,169,086</u>
 Net position of governmental activities		 <u>\$ 45,500,979</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, 2023**

**Exhibit 4**

	Major Funds			Total Non-Major Funds	Total Governmental Funds
	General Fund	ARPA Grant Project Fund	BUILD Grant Project Fund		
<b>Revenues</b>					
Ad valorem taxes	\$ 11,937,529	\$ -	\$ -	\$ 84,454	\$ 12,021,983
Other taxes and licenses	959,025	-	-	-	959,025
Unrestricted intergovernmental	9,916,202	-	-	-	9,916,202
Restricted intergovernmental	774,331	6,033,899	32,213	706,402	7,546,845
Permits and fees	359,879	-	-	-	359,879
Sales and services	2,095,323	-	-	96,856	2,192,179
Investment earnings	658,069	187,882	-	32,923	878,874
Miscellaneous	53,265	-	-	831	54,096
Total revenues	<u>26,753,623</u>	<u>6,221,781</u>	<u>32,213</u>	<u>921,466</u>	<u>33,929,083</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	4,881,822	-	-	-	4,881,822
Public safety	15,378,407	-	-	218,057	15,596,464
Highways and streets	1,498,175	-	-	56,100	1,554,275
Sanitation	2,627,372	-	-	-	2,627,372
Culture and recreation	1,993,247	-	-	-	1,993,247
Economic and physical development	343,706	-	302,355	395,426	1,041,487
<b>Debt service</b>					
Principal	1,230,120	-	-	-	1,230,120
Interest and other charges	145,963	-	-	-	145,963
Total expenditures	<u>28,098,812</u>	<u>-</u>	<u>302,355</u>	<u>669,583</u>	<u>29,070,750</u>
Revenues over (under) expenditures	<u>(1,345,189)</u>	<u>6,221,781</u>	<u>(270,142)</u>	<u>251,883</u>	<u>4,858,333</u>
<b>Other financing sources (uses)</b>					
Subscription liabilities issued	22,833	-	-	-	22,833
Installment purchase debt issued	1,497,094	-	-	-	1,497,094
Transfers from other funds	2,345,372	-	2,400,000	190,285	4,935,657
Transfers to other funds	(3,040,285)	(6,226,854)	-	-	(9,267,139)
Sales of capital assets	2,079,728	-	-	22,688	2,102,416
Total other financing sources (uses)	<u>2,904,742</u>	<u>(6,226,854)</u>	<u>2,400,000</u>	<u>212,973</u>	<u>(709,139)</u>
<b>Special item</b>					
Distribution from Front Street-Lexington	4,856,097	-	-	-	4,856,097
Net change in fund balances	6,415,650	(5,073)	2,129,858	464,856	9,005,291
Fund balance - beginning	<u>13,841,458</u>	<u>5,073</u>	<u>-</u>	<u>514,518</u>	<u>14,361,049</u>
Fund balances - ending	<u>\$ 20,257,108</u>	<u>\$ -</u>	<u>\$ 2,129,858</u>	<u>\$ 979,374</u>	<u>\$ 23,366,340</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, 2023**

**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	\$	9,005,291
Changes in equity interest in component unit are included on the Statement of Activities		(298,129)
<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	\$	3,012,072
Depreciation expense for governmental assets		(3,338,365)
Right to use asset capital outlay expenditures which were capitalized		94,537
Amortization expense for governmental right to use assets		(30,454)
		(262,210)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,421,912
Benefit payments paid and administrative expense for the LEOWSA are not included on the Statement of Activities		233,676
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		573,548
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Proceeds from the sale of assets		(2,102,416)
Gain (loss) on disposal of capital assets		914,475
Change in unavailable revenues		(80,543)
		(1,268,484)
<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		(1,519,927)
Principal payments on long-term debt		1,230,120
Decrease (increase) in accrued interest payable		(7,802)
		(297,609)

*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, 2023**

**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	(71,597)	
Pension expense - LGERS	(2,086,532)	
Pension expense - LEOSSA	(275,264)	
OPEB plan expense	(845,032)	(3,278,425)
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 activities	921,835	
	(91,416)	830,419
Total change in net position of governmental activities		\$ 6,659,989

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, 2023**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Ad valorem taxes	\$ 11,730,500	\$ 11,730,500	\$ 11,937,529	\$ 207,029
Other taxes and licenses	875,120	1,025,120	959,025	(66,095)
Unrestricted intergovernmental	9,318,175	9,552,175	9,916,202	364,027
Restricted intergovernmental	837,395	837,395	774,331	(63,064)
Permits and fees	217,388	217,388	359,879	142,491
Sales and services	2,132,826	2,132,826	2,095,323	(37,503)
Investment earnings	6,100	6,100	601,496	595,396
Miscellaneous	23,000	38,141	53,265	15,124
Total revenues	<u>25,140,504</u>	<u>25,539,645</u>	<u>26,697,050</u>	<u>1,157,405</u>
<b>Expenditures</b>				
Current				
General government	5,600,206	5,865,187	4,866,709	998,478
Public safety	16,939,064	16,913,380	15,370,687	1,542,693
Highways and streets	2,738,911	3,072,111	1,498,175	1,573,936
Sanitation	2,700,805	3,309,605	2,627,372	682,233
Culture and recreation	2,470,087	2,476,269	1,993,247	483,022
Economic and physical development	443,418	441,949	343,706	98,243
Debt service				
Principal	1,346,541	1,365,465	1,230,120	135,345
Interest and other charges	158,425	160,186	145,963	14,223
Total expenditures	<u>32,397,457</u>	<u>33,604,152</u>	<u>28,075,979</u>	<u>5,528,173</u>
Revenues over (under) expenditures	<u>(7,256,953)</u>	<u>(8,064,507)</u>	<u>(1,378,929)</u>	<u>6,685,578</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, 2023**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Other financing sources (uses)</b>				
Installment purchase debt issued	\$ 1,497,094	\$ 1,497,094	\$ 1,497,094	\$ -
Transfers from other funds	2,345,372	2,345,372	2,345,372	-
Transfers to other funds	(541,927)	(7,420,482)	(7,379,712)	40,770
Sales of capital assets	3,000	2,050,900	2,079,728	28,828
Total other financing sources (uses)	3,303,539	(1,527,116)	(1,457,518)	69,598
 <b>Special item</b>				
Distribution from Front Street-Lexington	-	4,856,000	4,856,097	97
 Revenues and other financing sources over (under) expenditures and other financing uses	(3,953,414)	(4,735,623)	2,019,650	6,755,273
 Fund balance appropriated	3,953,414	4,735,623	-	(4,735,623)
 Net change in fund balances	\$ -	\$ -	2,019,650	\$ 2,019,650
 <b>Reconciliation from Budgetary Basis to Modified Accrual Basis</b>				
Initial implementation of SBITA standard				
Subscription liabilities issued			22,833	
Operating expenditures				
Governing board			56,924	
Information technologies			14,780	
Capital outlay				
Governing board			(56,924)	
Finance			(15,113)	
Information technologies			(14,780)	
Fire			(7,720)	
 Net change in fund balances			2,019,650	
 Fund balance - beginning			13,682,523	
Fund balance - ending			\$ 15,702,173	
 A legally budgeted Governmental Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			56,573	
Transfer from the General Fund			4,339,427	
Fund Balance - beginning			158,935	
Fund balance - ending (Exhibit 4)			\$ 20,257,108	

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, 2023**

**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			
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 16,280,591	\$ 6,095,430	\$ 4,297,907	\$ 1,119,827	\$ 27,793,755	\$ 10,271,353
Receivables (net)						
Accounts - billed	2,297,489	760,104	543,219	68,450	3,669,262	82,627
Accounts - unbilled	3,433,408	1,068,496	508,985	105,366	5,116,255	-
Interest on leases	-	509	-	-	509	-
Leases receivable	-	22,237	-	-	22,237	-
Due from other governments	304,326	439,848	95,142	18,357	857,673	184,056
Due from other funds	388,036	-	-	-	388,036	-
Restricted cash and cash equivalents						
Customer deposits	653,575	61,280	124,980	3,000	842,835	-
Unexpended debt proceeds	-	3,861,636	-	-	3,861,636	8,164,993
Inventories	3,957,257	667,319	1,810,637	29,830	6,465,043	170,347
Prepaid items	-	-	-	-	-	17,000
Total current assets	<u>27,314,682</u>	<u>12,976,859</u>	<u>7,380,870</u>	<u>1,344,830</u>	<u>49,017,241</u>	<u>18,890,376</u>
Noncurrent assets						
Advances to other funds	1,387,652	-	-	-	1,387,652	-
Designated cash and cash equivalents						
Capital reserve	11,558,229	16,834,205	1,017,994	-	29,410,428	1,217,202
Rate stabilization	1,081,308	-	47,088	-	1,128,396	-
Group insurance reserve	-	-	-	-	-	9,599,725
Leases receivable	-	310,404	-	-	310,404	-
Equity interest in joint venture	-	309,098	-	-	309,098	-

*Continued on next page.*



**City of Lexington, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2023**

**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						
Capital assets not being depreciated	\$ 3,853,836	\$ 3,187,047	\$ 755,861	\$ 40,728	\$ 7,837,472	\$ 8,383,419
Capital assets, net of accumulated depreciation	36,770,688	32,556,682	25,111,662	976,813	95,415,845	2,737,602
Right to use assets, net of accumulated amortization	-	-	-	72,417	72,417	26,317
Total capital assets	<u>40,624,524</u>	<u>35,743,729</u>	<u>25,867,523</u>	<u>1,089,958</u>	<u>103,325,734</u>	<u>11,147,338</u>
Total noncurrent assets	<u>54,651,713</u>	<u>53,197,436</u>	<u>26,932,605</u>	<u>1,089,958</u>	<u>135,871,712</u>	<u>21,964,265</u>
Total assets	<u>81,966,395</u>	<u>66,174,295</u>	<u>34,313,475</u>	<u>2,434,788</u>	<u>184,888,953</u>	<u>40,854,641</u>
<b>Deferred outflows of resources</b>	<u>162,680</u>	<u>1,697,932</u>	<u>781,867</u>	<u>343,601</u>	<u>2,986,080</u>	<u>1,420,233</u>
<b>Liabilities</b>						
Current liabilities						
Accounts payable and accrued liabilities	\$ 3,697,365	\$ 485,757	\$ 421,345	\$ 73,126	\$ 4,677,593	\$ 763,026
Due to other funds	-	-	-	24,724	24,724	255,739
Unpaid claims costs	-	-	-	-	-	623,632
Compensated absences	-	152,000	84,000	35,212	271,212	200,000
Lease liabilities	-	-	-	-	-	3,908
Subscription liabilities	-	-	-	25,089	25,089	5,398
Installment purchases payable	344,836	639,858	141,348	-	1,126,042	710,792
Liabilities payable from restricted assets						
Accounts payable	-	88,648	-	-	88,648	1,584,113
Customer deposits	653,575	61,280	124,980	3,000	842,835	-
Total current liabilities	<u>4,695,776</u>	<u>1,427,543</u>	<u>771,673</u>	<u>161,151</u>	<u>7,056,143</u>	<u>4,146,608</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2023**

**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						
Arbitrage rebate payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,154
Compensated absences	-	235,029	89,358	2,629	327,016	72,804
Net pension liability	-	1,959,250	893,896	413,425	3,266,571	1,668,435
Total OPEB liability	800,940	1,869,652	888,444	322,230	3,881,266	1,465,731
Lease liabilities	-	-	-	-	-	1,967
Subscription liabilities	-	-	-	47,321	47,321	-
Installment purchases payable	2,286,767	4,204,320	146,998	-	6,638,085	14,091,717
Advances from other funds	-	-	-	24,975	24,975	1,144,261
Total noncurrent liabilities	<u>3,087,707</u>	<u>8,268,251</u>	<u>2,018,696</u>	<u>810,580</u>	<u>14,185,234</u>	<u>18,475,069</u>
Total liabilities	<u>7,783,483</u>	<u>9,695,794</u>	<u>2,790,369</u>	<u>971,731</u>	<u>21,241,377</u>	<u>22,621,677</u>
<b>Deferred inflows of resources</b>	<u>145,762</u>	<u>703,371</u>	<u>182,762</u>	<u>68,390</u>	<u>1,100,285</u>	<u>306,085</u>
<b>Net position</b>						
Net investment in capital assets	37,964,457	34,672,539	25,576,641	1,089,965	99,303,602	2,928,084
Unrestricted	<u>36,235,373</u>	<u>22,800,523</u>	<u>6,545,570</u>	<u>648,303</u>	<u>66,229,769</u>	<u>16,419,028</u>
Total net position	<u>\$ 74,199,830</u>	<u>\$ 57,473,062</u>	<u>\$ 32,122,211</u>	<u>\$ 1,738,268</u>	165,533,371	<u>\$ 19,347,112</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					3,768,198	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>3,409,828</u>	
Net position of business-type activities					<u>\$ 172,711,397</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, 2023**

**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			
<b>Operating revenues</b>						
Charges for sales and services	\$ 44,644,079	\$ 12,878,102	\$ 14,462,361	\$ 2,120,801	\$ 74,105,343	\$ 14,482,430
Other operating	634,781	495,567	66,448	8,825	1,205,621	1,717,205
Total operating revenues	<u>45,278,860</u>	<u>13,373,669</u>	<u>14,528,809</u>	<u>2,129,626</u>	<u>75,310,964</u>	<u>16,199,635</u>
<b>Operating expenses</b>						
Cost of sales and services	9,991,744	627,667	3,061,585	1,753,721	15,434,717	2,159,658
Purchases for resale	28,067,499	-	7,593,394	-	35,660,893	-
Water treatment	-	2,370,066	-	-	2,370,066	-
Waste collection and treatment	-	3,529,869	-	-	3,529,869	-
Water and wastewater construction	-	2,828,036	-	-	2,828,036	-
Administration	3,092,270	2,170,401	2,014,086	472,691	7,749,448	6,382,991
Premiums	-	-	-	-	-	1,502,582
Claims	-	-	-	-	-	4,418,484
Depreciation	1,346,483	1,452,784	705,234	254,555	3,759,056	352,176
Overhead capitalized	(1,367,854)	(18,253)	(507,319)	-	(1,893,426)	-
Total operating expenses	<u>41,130,142</u>	<u>12,960,570</u>	<u>12,866,980</u>	<u>2,480,967</u>	<u>69,438,659</u>	<u>14,815,891</u>
Operating income (loss)	4,148,718	413,099	1,661,829	(351,341)	5,872,305	1,383,744
<b>Nonoperating revenues (expenses)</b>						
Federal Build America Bond interest credit	-	2,780	7,878	-	10,658	-
Investment earnings	1,077,463	474,447	208,703	38,137	1,798,750	1,095,525
Restricted intergovernmental	-	183,416	-	-	183,416	-
Gain (loss) on sale of property	133,125	51,728	1,826	-	186,679	(163,429)
Interest and other charges	(72,180)	(95,805)	(22,046)	(1,069)	(191,100)	(458,832)
Total nonoperating revenues (expenses)	<u>1,138,408</u>	<u>616,566</u>	<u>196,361</u>	<u>37,068</u>	<u>1,988,403</u>	<u>473,264</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, 2023**

**Exhibit 7**  
*continued*

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Income (loss) before transfers	\$ 5,287,126	\$ 1,029,665	\$ 1,858,190	\$ (314,273)	\$ 7,860,708	\$ 1,857,008
Capital contributions	-	5,000,000	-	-	5,000,000	-
Transfers from other funds	-	6,226,854	-	450,000	6,676,854	-
Transfers to other funds	(1,200,000)	-	(1,145,372)	-	(2,345,372)	-
Change in net position	4,087,126	12,256,519	712,818	135,727	17,192,190	1,857,008
Net position - beginning	70,112,704	45,216,543	31,409,393	1,602,541		17,490,104
Net position - ending	<u>\$ 74,199,830</u>	<u>\$ 57,473,062</u>	<u>\$ 32,122,211</u>	<u>\$ 1,738,268</u>		<u>\$ 19,347,112</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					935,173	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					91,416	
Change in net position - business-type activities					<u>\$ 18,218,779</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, 2023**

**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			
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 45,265,112	\$ 12,640,191	\$ 14,614,852	\$ 2,086,271	\$ 74,606,426	\$ -
Cash received (paid) for interfund services provided (used)	(3,092,270)	(2,170,401)	(2,014,086)	(472,691)	(7,749,448)	14,562,158
Cash paid for goods and services	(39,787,149)	(5,100,979)	(9,397,770)	(737,897)	(55,023,795)	(11,775,447)
Cash paid to employees	(66,270)	(4,225,297)	(1,941,714)	(1,024,836)	(7,258,117)	(2,331,367)
Other operating income	634,781	487,637	66,448	8,825	1,197,691	1,717,205
Net cash provided (used) by operating activities	<u>2,954,204</u>	<u>1,631,151</u>	<u>1,327,730</u>	<u>(140,328)</u>	<u>5,772,757</u>	<u>2,172,549</u>
<b>Cash flows from noncapital financing activities</b>						
Operating grants	-	183,416	-	-	183,416	-
Transfers from other funds	-	6,226,854	-	450,000	6,676,854	-
Transfers to other funds	<u>(1,200,000)</u>	<u>-</u>	<u>(1,145,372)</u>	<u>-</u>	<u>(2,345,372)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(1,200,000)</u>	<u>6,410,270</u>	<u>(1,145,372)</u>	<u>450,000</u>	<u>4,514,898</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>						
Advances from (to) other funds	(1,400,000)	-	-	-	(1,400,000)	1,400,000
Repayments on advances (from) to other funds	130,974	-	16,572	(41,048)	106,498	-
Subscription liabilities issued	-	-	-	72,630	72,630	37,490
Capital grants and contributions	-	5,000,000	-	-	5,000,000	-
Acquisition and construction of capital assets	(1,065,734)	(969,283)	(1,929,756)	(188,737)	(4,153,510)	(5,530,310)
Federal Build America Bond interest credit	-	2,780	7,878	-	10,658	-
Principal paid on lease liabilities and debt	(499,458)	(628,270)	(135,915)	(220)	(1,263,863)	(741,856)
Interest and other charges paid on lease liabilities and debt	(74,520)	(97,210)	(23,788)	(1,059)	(196,577)	(421,177)
Proceeds from the sale of assets	<u>141,000</u>	<u>51,728</u>	<u>16,900</u>	<u>-</u>	<u>209,628</u>	<u>346,418</u>
Net cash provided (used) by capital and related financing activities	<u>(2,767,738)</u>	<u>3,359,745</u>	<u>(2,048,109)</u>	<u>(158,434)</u>	<u>(1,614,536)</u>	<u>(4,909,435)</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2023**

**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			
<b>Cash flows from investing activities</b>						
Receipts of investment earnings	\$ 1,077,463	\$ 474,447	\$ 208,703	\$ 38,137	\$ 1,798,750	\$ 1,095,525
Net cash provided by investing activities	<u>1,077,463</u>	<u>474,447</u>	<u>208,703</u>	<u>38,137</u>	<u>1,798,750</u>	<u>1,095,525</u>
Net increase (decrease) in cash and cash equivalents	63,929	11,875,613	(1,657,048)	189,375	10,471,869	(1,641,361)
Cash and cash equivalents - beginning	<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>
Cash and cash equivalents - ending	<u>\$ 29,573,703</u>	<u>\$ 26,852,551</u>	<u>\$ 5,487,969</u>	<u>\$ 1,122,827</u>	<u>\$ 63,037,050</u>	<u>\$ 29,253,273</u>
<b>Summary of ending cash and cash equivalents as reported in the Statement of Net Position (Exhibit 6)</b>						
Cash and cash equivalents	\$ 16,280,591	\$ 6,095,430	\$ 4,297,907	\$ 1,119,827	27,793,755	\$ 10,271,353
Restricted cash and cash equivalents						
Customer deposits	653,575	61,280	124,980	3,000	842,835	-
Unexpended debt proceeds	-	3,861,636	-	-	3,861,636	8,164,993
Designated cash and cash equivalents						
Capital reserve	11,558,229	16,834,205	1,017,994	-	29,410,428	1,217,202
Rate stabilization	1,081,308	-	47,088	-	1,128,396	-
Group insurance reserve	-	-	-	-	-	9,599,725
	<u>\$ 29,573,703</u>	<u>\$ 26,852,551</u>	<u>\$ 5,487,969</u>	<u>\$ 1,122,827</u>	<u>\$ 63,037,050</u>	<u>\$ 29,253,273</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2023**

**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			
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>						
Operating income (loss)	\$ 4,148,718	\$ 413,099	\$ 1,661,829	\$ (351,341)	\$ 5,872,305	\$ 1,383,744
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	1,346,483	1,452,784	705,234	254,555	3,759,056	352,176
Overhead capitalized	(1,367,854)	(18,253)	(507,319)	-	(1,893,426)	-
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	621,033	(237,911)	152,491	(34,530)	501,083	79,728
(Increase) decrease in lease and related interest receivable	-	22,253	-	-	22,253	-
(Increase) decrease in intergovernmental receivable	43,995	(266,462)	(26,924)	14,306	(235,085)	(94,412)
(Increase) decrease in inventory	(1,249,825)	(74,948)	(524,309)	(29,830)	(1,878,912)	2,247
(Increase) decrease in equity interest in joint venture	-	(14,030)	-	-	(14,030)	-
(Increase) decrease in deferred outflows of resources - pensions	-	(594,301)	(277,306)	(98,671)	(970,278)	(473,911)
(Increase) decrease in deferred outflows of resources - OPEB	46,188	64,562	32,231	16,022	159,003	52,179
Increase (decrease) in accounts payable and accrued liabilities	(571,572)	135,439	(300,616)	(4,177)	(740,926)	1,595,574
(Increase) decrease in capital-related payable amounts	50,535	(88,648)	18,408	-	(19,705)	(1,511,662)
(Increase) decrease in amounts accrued related to interest on capital debt	2,340	1,405	1,742	(10)	5,477	(7,501)
Increase (decrease) in customer deposits	(31,503)	3,615	(12,120)	1,000	(39,008)	-
Increase (decrease) in unpaid claims cost	-	-	-	-	-	118,498
Increase (decrease) in compensated absences	-	30,648	21,973	(14,479)	38,142	29,081

*Continued on next page.*

**City of Lexington, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2023**

**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			
Increase (decrease) in net pension liability	-	1,492,286	684,820	297,644	2,474,750	1,250,027
Increase (decrease) in total OPEB liability	(153,138)	(159,885)	(83,062)	(49,909)	(445,994)	(132,511)
Increase (decrease) in deferred inflows of resources - pensions	-	(676,868)	(302,665)	(169,532)	(1,149,065)	(608,537)
Increase (decrease) in deferred inflows of resources - OPEB	68,804	176,549	83,323	28,624	357,300	137,829
Increase (decrease) in deferred inflows of resources - leases	-	(30,183)	-	-	(30,183)	-
Total adjustments	<u>(1,194,514)</u>	<u>1,218,052</u>	<u>(334,099)</u>	<u>211,013</u>	<u>(99,548)</u>	<u>788,805</u>
Net cash provided (used) by operating activities	<u>\$ 2,954,204</u>	<u>\$ 1,631,151</u>	<u>\$ 1,327,730</u>	<u>\$ (140,328)</u>	<u>\$ 5,772,757</u>	<u>\$ 2,172,549</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, 2023**

**1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**City of Lexington Board of Alcoholic Control**

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

**Lexington Tourism Authority**

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

**Uptown Lexington, Inc.**

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

**Front Street-Lexington, LLC**

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

The City of Lexington’s reported equity interest in component unit as of June 30, 2023 differs from amounts reported by Front Street-Lexington as of December 31, 2022 as follows:

Equity interest in component unit, December 31, 2022	\$ 293,436
Capital distributions subsequent to December 31, 2022	(4,856,097)
Capital distributions subsequent to December 31, 2022 in excess of recorded equity interest	<u>4,562,661</u>
Equity interest in component unit, June 30, 2023	<u>\$ -</u>

**B. Basis of Presentation**

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

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

As discussed earlier, the City has four discretely presented component units, none of which are considered to be major component units. The four discretely presented component units are combined and reported in a separate column in the City’s financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the government’s business type functions and various other functions of the government. Elimination of these charges and transfers would distort the direct costs and program revenues reported for the various functions concerned.

*Fund Financial Statements:* The fund financial statements provide information about the City’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The City has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The City reports the following major governmental 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.

**BUILD Grant Project Fund** – The BUILD Grant Project Fund is a special revenue fund that has been created to account for grant and other funds for the City’s BUILD Grant (Lexington Train Station) Project that are restricted for use for the project.

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 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 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/amortization 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. Issuance of general long-term debt and acquisitions under leases and IT subscriptions 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. 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 BUILD 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] 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, government agencies, and collateralized repurchase agreements, 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**

Unexpended debt proceeds for a Water and Wastewater Fund project and for a Utility Administration Fund project are classified as restricted cash because its use is restricted to the purpose for which the debt was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Unexpended grant proceeds represent the City’s unexpended amounts advanced under a grant because they can be expended only for the purposes allowed under the grant.

City of Lexington Restricted Cash

Governmental Activities

General Fund

Customer deposits \$ 64,760

Streets 578,723

Grant Projects Fund

Unexpended grant proceeds 44,845

Total Governmental Activities \$ 688,328

Business-type Activities

Electric Fund

Customer deposits \$ 653,575

Water and Wastewater Fund

Customer deposits 61,280

Unexpended debt proceeds 3,861,636

Natural Gas Fund

Customer deposits 124,980

Golf Fund

Customer deposits 3,000

Utility Administration Fund

Unexpended debt proceeds 8,164,993

Total Business-type Activities \$ 12,869,464

Total Restricted Cash \$ 13,557,792

**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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2022.

**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. 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.

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

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

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term are reported as a prepayment (asset). Such prepayments are reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives are reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount is included



in the initial measurement of the subscription asset. The right to use subscription assets are amortized on a straight-line basis over the subscription term.

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.

**9. 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 and unavailable miscellaneous revenue receivable (reported only on the balance sheet of the Governmental Funds), leases, and pension and OPEB related deferrals.

**10. 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. 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.

## **11. 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.

## **12. 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 in American Rescue Plan funding and has received the full allocation. The City elected to use all of its ARPA funding as revenue replacement for the Water and Wastewater Fund and has used those funds to fund Water and Wastewater personnel costs. These funds, along with investment earnings on those funds, were transferred from the ARPA Grant Project Special Revenue Fund to the Water and Wastewater Fund during the fiscal year ended June 30, 2023, and as of June 30, 2023 all ARPA funds have been fully expended on Water and Wastewater personnel costs.

## **13. 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 externally imposed either 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 Receivable, net – portion of fund balance that is not an available resource because it is not in spendable form. The reported amount is calculated by reducing the lease receivable by the related deferred inflow of resources.

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

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

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

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

Restricted for Streets – portion of fund balance that is restricted by revenue source for street expenditures. This amount represents the balance of unexpended Powell Bill funds.

Restricted for Recreation Programs – portion of fund balance that is restricted by external donors for specific recreation program purposes.

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 Police Facilities and Equipment – portion of fund balance that is committed for future Police facilities and equipment

Committed for Fire Facilities and Equipment – portion of fund balance that is committed for future Fire facilities and equipment

Committed for Passenger Rail – portion of fund balance that has been committed and set aside for future costs associated with the BUILD Grant project that is not expected to be funded with federal or state financial assistance

Committed for Recreation Facilities and Equipment – portion of fund balance that is committed for future Recreation facilities and equipment, including \$283,629 for the Recreation Center Development Project

Committed for Other – portion of fund balance that is committed for other purposes, including \$2,584 for City Council improvements to their neighborhoods (neighborhood revitalization program),

\$30,509 for ADA (Americans with Disabilities Act) Transition Plan funding, \$56,840 for future General Government facilities and equipment, and \$418,835 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.

#### **14. 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 but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to 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, 2023, the City's deposits had a carrying amount of \$25,520,933 and a bank balance of \$27,660,293. 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, 2023, the City's petty cash fund totaled \$7,150.

**2. Investments**

At June 30, 2023, the City had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years
NC Capital Management Trust - Government Portfolio	Fair Value-Level 1	\$ 88,412,618	\$88,412,618	\$ -	\$ -
Total		\$ 88,412,618	\$88,412,618	\$ -	\$ -

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, 2023. 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>\$ 853,000</u>	<u>\$ 250</u>	<u>\$ 853,250</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. Leases Receivable**

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. On November 22, 2022, the company unexpectedly shut down with no notice and has filed for bankruptcy. The City has filed a claim through the bankruptcy court, but collectability of this receivable is highly uncertain. During the year ended June 30, 2023, the City would have recognized \$11,181 of lease revenue and \$43 of interest revenue under the lease. As a result of the Company’s actions, the City has written off remaining lease receivable amounts and the related deferred inflow of resources under this lease and has recorded bad debt expense, which offsets the revenue that would have been recognized.

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 0.5140%, which is estimated to be the City’s incremental borrowing rate. As of June 30, 2023, the City’s remaining lease receivable was \$0. Also, the City had a deferred inflow of resources associated with this lease that was recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$0. The City recognized \$48,363 in lease revenue and \$186 in interest revenue during the current fiscal year related to this 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. As of June 30, 2023, the City's remaining lease receivable was \$63,161. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$62,571. The City recognized \$93,857 of lease revenue and \$784 of interest revenue during the current fiscal year related to this 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 all the 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. As of June 30, 2023, the City's remaining lease receivable was \$332,641. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was \$316,921. The City recognized \$30,183 of lease revenue and \$6,313 of interest revenue during the current fiscal year related to this lease.

The future principal and interest expected to maturity as of June 30, 2023 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest	Total
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	-	-	-	28,981	3,870	32,851
2029-2033	-	-	-	176,253	10,176	186,429
2034-2038	-	-	-	18,788	101	18,889
	<u>\$ 63,161</u>	<u>\$ 172</u>	<u>\$ 63,333</u>	<u>\$ 332,641</u>	<u>\$ 34,789</u>	<u>\$ 367,430</u>

The leases receivable activity for City of Lexington for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities	\$ 246,647	\$ -	\$ (183,486)	\$ 63,161	\$ 63,161
Business-Type Activities	354,878	-	(22,237)	332,641	24,799
	<u>\$ 601,525</u>	<u>\$ -</u>	<u>\$ (205,723)</u>	<u>\$ 395,802</u>	<u>\$ 87,960</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	\$ 1,843,983	\$ -	\$ 1,843,983
Utilities sales tax	456,155	-	456,155
Piped natural gas sales tax	55,614	-	55,614
Telecommunications tax	29,633	-	29,633
Local video programming revenue	32,054	-	32,054
Solid waste disposal tax	3,940	-	3,940
Sales and use tax refund	199,918	809,454	1,009,372
Federal and state grant funding	40,899	183,416	224,315
Unremitted property tax collections	164,185	-	164,185
	<u>\$ 2,826,381</u>	<u>\$ 992,870</u>	<u>\$ 3,819,251</u>

#### 6. Capital Assets

##### a. Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:



	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>General governmental assets</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 4,521,534	\$ -	\$ -	\$ 4,521,534
Construction in progress	<u>1,553,741</u>	<u>-</u>	<u>-</u>	<u>1,553,741</u>
Total capital assets not being depreciated	<u>6,075,275</u>	<u>-</u>	<u>-</u>	<u>6,075,275</u>
<b>Capital assets being depreciated:</b>				
Buildings	18,518,954	-	(1,433,781)	17,085,173
Other improvements	8,381,584	-	(6,385)	8,375,199
Equipment & vehicles	16,003,464	3,363,626	(1,195,162)	18,171,928
Infrastructure	54,234,255	-	-	54,234,255
Intangibles	<u>2,810,229</u>	<u>11,810</u>	<u>(10,892)</u>	<u>2,811,147</u>
Total capital assets being depreciated	<u>99,948,486</u>	<u>3,375,436</u>	<u>(2,646,220)</u>	<u>100,677,702</u>
<b>Less accumulated depreciation for:</b>				
Buildings	9,818,702	292,618	(270,985)	9,840,335
Other improvements	4,384,347	428,667	(6,385)	4,806,629
Equipment & vehicles	11,838,913	1,882,255	(1,170,017)	12,551,151
Infrastructure	41,115,963	1,015,765	-	42,131,728
Intangibles	<u>2,456,016</u>	<u>82,424</u>	<u>(10,892)</u>	<u>2,527,548</u>
Total accumulated depreciation	<u>69,613,941</u>	<u>3,701,729</u>	<u>(1,458,279)</u>	<u>71,857,391</u>
Total capital assets being depreciated, net	<u>30,334,545</u>	<u>(326,293)</u>	<u>(1,187,941)</u>	<u>28,820,311</u>
<b>Capital assets not being amortized:</b>				
Right to use assets:				
IT subscriptions in progress	<u>-</u>	<u>56,924</u>	<u>-</u>	<u>56,924</u>
Total capital assets not being amortized	<u>-</u>	<u>56,924</u>	<u>-</u>	<u>56,924</u>
<b>Capital assets being amortized:</b>				
Right to use assets:				
Leased land	149,591	-	-	149,591
IT subscriptions	<u>-</u>	<u>37,613</u>	<u>-</u>	<u>37,613</u>
Total capital assets being amortized	<u>149,591</u>	<u>37,613</u>	<u>-</u>	<u>187,204</u>
<b>Less accumulated amortization for:</b>				
Right to use assets:				
Leased land	19,463	19,462	-	38,925
IT subscriptions	<u>-</u>	<u>10,992</u>	<u>-</u>	<u>10,992</u>
Total accumulated amortization	<u>19,463</u>	<u>30,454</u>	<u>-</u>	<u>49,917</u>
Total capital assets being amortized, net	<u>(19,463)</u>	<u>(30,454)</u>	<u>-</u>	<u>(49,917)</u>
General governmental capital assets, net	<u>\$ 36,390,357</u>	<u>\$ (299,823)</u>	<u>\$ (1,187,941)</u>	<u>\$ 34,902,593</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental-type Internal Service Funds</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets not being depreciated	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
<b>Capital assets being depreciated:</b>				
Buildings	90,000	-	-	90,000
Other improvements	113,045	-	-	113,045
Equipment & vehicles	1,733,466	130,216	(800,301)	1,063,381
Intangibles	9,845	-	-	9,845
Total capital assets being depreciated	<u>1,946,356</u>	<u>130,216</u>	<u>(800,301)</u>	<u>1,276,271</u>
<b>Less accumulated depreciation for:</b>				
Buildings	81,000	-	-	81,000
Other improvements	101,741	-	-	101,741
Equipment & vehicles	1,225,565	208,775	(518,436)	915,904
Intangibles	9,845	-	-	9,845
Total accumulated depreciation	<u>1,418,151</u>	<u>208,775</u>	<u>(518,436)</u>	<u>1,108,490</u>
Total capital assets being depreciated, net	<u>528,205</u>	<u>(78,559)</u>	<u>(281,865)</u>	<u>167,781</u>
<b>Capital assets being amortized:</b>				
Right to use assets:				
IT subscriptions	-	10,525	-	10,525
Total capital assets being amortized	<u>-</u>	<u>10,525</u>	<u>-</u>	<u>10,525</u>
<b>Less accumulated amortization for:</b>				
Right to use assets:				
IT subscriptions	-	3,518	-	3,518
Total accumulated amortization	<u>-</u>	<u>3,518</u>	<u>-</u>	<u>3,518</u>
Total capital assets being amortized, net	<u>-</u>	<u>7,007</u>	<u>-</u>	<u>7,007</u>
Governmental-type Internal Service Funds capital assets, net	<u>\$ 543,205</u>	<u>\$ (71,552)</u>	<u>\$ (281,865)</u>	<u>\$ 189,788</u>
<b>Summary of governmental activity capital assets</b>				
Land and construction in progress	\$ 6,090,275	\$ -	\$ -	\$ 6,090,275
Other capital assets being depreciated	101,894,842	3,505,652	(3,446,521)	101,953,973
Accumulated depreciation	<u>71,032,092</u>	<u>3,910,504</u>	<u>(1,976,715)</u>	<u>72,965,881</u>
Other capital assets, net of accumulated depreciation	<u>30,862,750</u>	<u>(404,852)</u>	<u>(1,469,806)</u>	<u>28,988,092</u>
Right to use assets not being amortized	<u>-</u>	<u>56,924</u>	<u>-</u>	<u>56,924</u>
Right to use assets being amortized	149,591	48,138	-	197,729
Accumulated amortization	<u>19,463</u>	<u>33,972</u>	<u>-</u>	<u>53,435</u>
Right to use assets, net of accumulated amortization	<u>130,128</u>	<u>14,166</u>	<u>-</u>	<u>144,294</u>
Governmental activity capital assets, net	<u>\$ 37,083,153</u>	<u>\$ (333,762)</u>	<u>\$ (1,469,806)</u>	<u>\$ 35,279,585</u>

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

*Depreciation/Amortization Expense*

General government	\$ 367,416
Public safety	851,098
Highways and streets	1,119,802
Sanitation	434,395
Cultural and recreation	571,853
Economic and physical development	24,255
Capital assets held by internal service funds	<u>180,552</u>
<i>Total depreciation/amortization expense</i>	<u>3,549,371</u>

*Increases in Accumulated Depreciation/Amortization Related to Capital Asset Transfers*

Equipment & vehicles	363,364
Equipment & vehicles - Internal Service Funds	<u>31,741</u>
<i>Total accumulated depreciation/amortization transferred</i>	<u>395,105</u>
 Total Accumulated Depreciation/Amortization Increases	 <u><u>\$ 3,944,476</u></u>

There was a transfer of assets to highways and streets, a governmental activity, from the Fleet Management Fund, an internal service fund reported as a governmental activity. The General Fund paid \$157,192 for the assets, which had an original acquisition cost of \$454,481 and accumulated depreciation of \$297,289.

There was a transfer of assets to sanitation, a governmental activity, from the Fleet Management Fund, an internal service fund reported as a governmental activity. The General Fund paid \$124,674 for the assets, which had an original acquisition cost of \$168,913 and accumulated depreciation of \$44,239.

There was a transfer of assets to culture and recreation, 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 \$21,836 and accumulated depreciation of \$21,836.

There was a transfer of assets to the Fleet Management Fund, an internal service fund reported as a governmental activity, from the Electric Fund, a business-type activity. The Fleet Management Fund paid \$0 for the asset, which had an original acquisition cost of \$22,441 and accumulated depreciation of \$22,441.

There was a transfer of assets to the Fleet Management Fund, an internal service fund reported as a governmental activity, from the Natural Gas Fund, a business-type activity. The Fleet Management Fund paid \$0 for the asset, which had an original acquisition cost of \$9,300 and accumulated depreciation of \$9,300.

There was a transfer of assets to the Electric Fund, a business-type activity, from general government, a governmental activity. The Electric Fund paid \$1,389 for the assets, which had an original acquisition cost of \$3,333 and accumulated depreciation of \$1,944.

There was a transfer of assets to the Water and Wastewater Fund, a business-type activity, from general government, a governmental activity. The Water and Wastewater Fund paid \$23,756 for the assets, which had an original acquisition cost of \$40,724 and accumulated depreciation of \$16,968.

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Electric Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 637,286	\$ -	\$ -	\$ 637,286
Construction in progress	<u>2,688,638</u>	<u>527,912</u>	<u>-</u>	<u>3,216,550</u>
Total capital assets not being depreciated	<u>3,325,924</u>	<u>527,912</u>	<u>-</u>	<u>3,853,836</u>
<b>Capital assets being depreciated:</b>				
Buildings	2,987,612	-	-	2,987,612
Other improvements	21,534	5,975	-	27,509
Plant and distribution systems	65,074,275	1,367,854	(78,762)	66,363,367
Equipment & vehicles	<u>3,548,569</u>	<u>483,256</u>	<u>(345,934)</u>	<u>3,685,891</u>
Total capital assets being depreciated	<u>71,631,990</u>	<u>1,857,085</u>	<u>(424,696)</u>	<u>73,064,379</u>
<b>Less accumulated depreciation for:</b>				
Buildings	215,108	53,777	-	268,885
Other improvements	1,534	1,104	-	2,638
Plant and distribution systems	33,052,386	783,460	(70,887)	33,764,959
Equipment & vehicles	<u>2,093,057</u>	<u>510,086</u>	<u>(345,934)</u>	<u>2,257,209</u>
Total accumulated depreciation	<u>35,362,085</u>	<u>1,348,427</u>	<u>(416,821)</u>	<u>36,293,691</u>
Total capital assets being depreciated, net	<u>36,269,905</u>	<u>508,658</u>	<u>(7,875)</u>	<u>36,770,688</u>
Electric Fund capital assets, net	<u>\$ 39,595,829</u>	<u>\$ 1,036,570</u>	<u>\$ (7,875)</u>	<u>\$ 40,624,524</u>
 <i>Water and Wastewater Fund</i>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 865,590	\$ -	\$ -	\$ 865,590
Construction in progress	<u>1,728,661</u>	<u>872,448</u>	<u>(279,652)</u>	<u>2,321,457</u>
Total capital assets not being depreciated	<u>2,594,251</u>	<u>872,448</u>	<u>(279,652)</u>	<u>3,187,047</u>
<b>Capital assets being depreciated:</b>				
Buildings	699,043	-	-	699,043
Other improvements	21,000	-	-	21,000
Plant and distribution systems	72,785,489	297,905	-	73,083,394
Equipment & vehicles	<u>4,704,722</u>	<u>230,670</u>	<u>(177,724)</u>	<u>4,757,668</u>
Total capital assets being depreciated	<u>78,210,254</u>	<u>528,575</u>	<u>(177,724)</u>	<u>78,561,105</u>
<b>Less accumulated depreciation for:</b>				
Buildings	184,423	11,071	-	195,494
Other improvements	18,900	-	-	18,900
Plant and distribution systems	41,186,594	1,038,447	-	42,225,041
Equipment & vehicles	<u>3,294,259</u>	<u>448,453</u>	<u>(177,724)</u>	<u>3,564,988</u>
Total accumulated depreciation	<u>44,684,176</u>	<u>1,497,971</u>	<u>(177,724)</u>	<u>46,004,423</u>
Total capital assets being depreciated, net	<u>33,526,078</u>	<u>(969,396)</u>	<u>-</u>	<u>32,556,682</u>
Water and Wastewater Fund capital assets, net	<u>\$ 36,120,329</u>	<u>\$ (96,948)</u>	<u>\$ (279,652)</u>	<u>\$ 35,743,729</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b><i>Natural Gas Fund</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	242,899	209,913	-	452,812
Total capital assets not being depreciated	<u>545,948</u>	<u>209,913</u>	<u>-</u>	<u>755,861</u>
<b>Capital assets being depreciated:</b>				
Buildings	1,969,152	-	-	1,969,152
Plant and distribution systems	34,256,407	1,844,609	(127,480)	35,973,536
Equipment & vehicles	<u>2,165,262</u>	<u>364,145</u>	<u>(96,361)</u>	<u>2,433,046</u>
Total capital assets being depreciated	<u>38,390,821</u>	<u>2,208,754</u>	<u>(223,841)</u>	<u>40,375,734</u>
<b>Less accumulated depreciation for:</b>				
Buildings	325,724	35,455	-	361,179
Plant and distribution systems	13,202,890	350,630	(114,732)	13,438,788
Equipment & vehicles	<u>1,238,991</u>	<u>319,149</u>	<u>(94,035)</u>	<u>1,464,105</u>
Total accumulated depreciation	<u>14,767,605</u>	<u>705,234</u>	<u>(208,767)</u>	<u>15,264,072</u>
Total capital assets being depreciated, net	<u>23,623,216</u>	<u>1,503,520</u>	<u>(15,074)</u>	<u>25,111,662</u>
Natural Gas Fund capital assets, net	<u>\$ 24,169,164</u>	<u>\$ 1,713,433</u>	<u>\$ (15,074)</u>	<u>\$ 25,867,523</u>
<b><i>Stormwater Fund</i></b>				
<b>Capital assets being depreciated:</b>				
Equipment & vehicles	\$ 538,048	\$ 55,602	\$ -	\$ 593,650
Total capital assets being depreciated	<u>538,048</u>	<u>55,602</u>	<u>-</u>	<u>593,650</u>
<b>Less accumulated depreciation for:</b>				
Equipment & vehicles	<u>264,788</u>	<u>86,147</u>	<u>-</u>	<u>350,935</u>
Total accumulated depreciation	<u>264,788</u>	<u>86,147</u>	<u>-</u>	<u>350,935</u>
Total capital assets being depreciated, net	<u>273,260</u>	<u>(30,545)</u>	<u>-</u>	<u>242,715</u>
Stormwater Fund capital assets, net	<u>\$ 273,260</u>	<u>\$ (30,545)</u>	<u>\$ -</u>	<u>\$ 242,715</u>
<b><i>Golf Fund</i></b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 40,728	\$ -	\$ -	\$ 40,728
Total capital assets not being depreciated	<u>40,728</u>	<u>-</u>	<u>-</u>	<u>40,728</u>
<b>Capital assets being depreciated:</b>				
Buildings	61,500	-	-	61,500
Other improvements	2,128,719	29,265	-	2,157,984
Equipment & vehicles	<u>739,914</u>	<u>61,517</u>	<u>(46,534)</u>	<u>754,897</u>
Total capital assets being depreciated	<u>2,930,133</u>	<u>90,782</u>	<u>(46,534)</u>	<u>2,974,381</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Less accumulated depreciation for:</b>				
Buildings	44,955	810	-	45,765
Other improvements	1,629,912	97,021	-	1,726,933
Equipment & vehicles	413,478	100,641	(46,534)	467,585
Total accumulated depreciation	2,088,345	198,472	(46,534)	2,240,283
Total capital assets being depreciated, net	841,788	(107,690)	-	734,098
<b>Capital assets being amortized:</b>				
Right to use assets:				
IT subscriptions	-	72,630	-	72,630
Total capital assets being amortized	-	72,630	-	72,630
<b>Less accumulated amortization for:</b>				
Right to use assets:				
IT subscriptions	-	213	-	213
Total accumulated amortization	-	213	-	213
Total capital assets being amortized, net	-	72,417	-	72,417
Golf Fund capital assets, net	\$ 882,516	\$ (35,273)	\$ -	\$ 847,243

***Business-type Internal Service Funds***

**Capital assets not being depreciated:**

Land	\$ 445,430	\$ -	\$ -	\$ 445,430
Construction in progress	1,360,402	6,790,569	(227,982)	7,922,989
Total capital assets not being depreciated	1,805,832	6,790,569	(227,982)	8,368,419

**Capital assets being depreciated:**

Buildings	3,220,114	-	-	3,220,114
Other improvements	3,163,255	-	-	3,163,255
Equipment & vehicles	819,838	130,688	(114,299)	836,227
Intangibles	1,551,812	-	-	1,551,812
Total capital assets being depreciated	8,755,019	130,688	(114,299)	8,771,408

**Less accumulated depreciation for:**

Buildings	898,134	48,335	-	946,469
Other improvements	3,163,255	-	-	3,163,255
Equipment & vehicles	566,693	102,475	(114,299)	554,869
Intangibles	1,518,370	18,624	-	1,536,994
Total accumulated depreciation	6,146,452	169,434	(114,299)	6,201,587
Total capital assets being depreciated, net	2,608,567	(38,746)	-	2,569,821

**Capital assets being amortized:**

Right to use assets:

Leased equipment & vehicles	13,610	-	-	13,610
IT subscriptions	-	26,965	-	26,965
Total capital assets being amortized	13,610	26,965	-	40,575

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Less accumulated amortization for:</b>				
Right to use assets:				
Leased equipment & vehicles	3,825	3,825	-	7,650
IT subscriptions	-	13,615	-	13,615
Total accumulated amortization	<u>3,825</u>	<u>17,440</u>	<u>-</u>	<u>21,265</u>
Total capital assets being amortized, net	<u>9,785</u>	<u>9,525</u>	<u>-</u>	<u>19,310</u>
Business-type Internal Service Funds capital assets, net	<u>\$ 4,424,184</u>	<u>\$ 6,761,348</u>	<u>\$ (227,982)</u>	<u>\$ 10,957,550</u>
<b><i>Summary of business-type activity capital assets</i></b>				
Land and construction in progress	<u>\$ 8,312,683</u>	<u>\$ 8,400,842</u>	<u>\$ (507,634)</u>	<u>\$ 16,205,891</u>
Other capital assets being depreciated	200,456,265	4,871,486	(987,094)	204,340,657
Accumulated depreciation	<u>103,313,451</u>	<u>4,005,685</u>	<u>(964,145)</u>	<u>106,354,991</u>
Other capital assets, net of accumulated depreciation	<u>97,142,814</u>	<u>865,801</u>	<u>(22,949)</u>	<u>97,985,666</u>
Right to use assets being amortized	13,610	99,595	-	113,205
Accumulated amortization	<u>3,825</u>	<u>17,653</u>	<u>-</u>	<u>21,478</u>
Right to use assets, net of accumulated amortization	<u>9,785</u>	<u>81,942</u>	<u>-</u>	<u>91,727</u>
Business-type activities capital assets, net	<u>\$ 105,465,282</u>	<u>\$ 9,348,585</u>	<u>\$ (530,583)</u>	<u>\$ 114,283,284</u>

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

*Depreciation/Amortization Expense*

Electric	\$ 1,346,483
Water and Wastewater	1,452,784
Natural Gas	705,234
Stormwater	55,870
Golf	198,685
Capital assets held by internal service funds	<u>171,624</u>
<i>Total depreciation/amortization expense</i>	<u>3,930,680</u>

*Increases in Accumulated Depreciation/Amortization Related to Capital Asset Transfers*

Equipment & vehicles - Electric Fund	1,944
Equipment & vehicles - Water and Wastewater Fund	45,187
Equipment & vehicles - Stormwater Fund	30,277
Equipment & vehicles - Internal Service Funds	<u>15,250</u>
<i>Total accumulated depreciation/amortization transferred</i>	<u>92,658</u>
Total Accumulated Depreciation/Amortization Increases	<u>\$ 4,023,338</u>

There was a transfer of assets to the Electric Fund, a business-type activity, from general government, a governmental activity. The Electric Fund paid \$1,389 for the assets, which had an original acquisition cost of \$3,333 and accumulated depreciation of \$1,944.

There was a transfer of assets to the Water and Wastewater Fund from the Electric Fund. The Water and Wastewater Fund paid \$0 for the asset, which had an original acquisition cost of \$28,219 and accumulated depreciation of \$28,219.

There was a transfer of assets to the Water and Wastewater Fund, a business-type activity, from general government, a governmental activity. The Water and Wastewater Fund paid \$23,756 for the assets, which had an original acquisition cost of \$40,724 and accumulated depreciation of \$16,968.

There was a transfer of assets to the Stormwater Fund, a business-type activity, from the Water and Wastewater Fund, a business-type activity. The Stormwater Fund paid \$0 for the asset, which had an original acquisition cost of \$30,277 and accumulated depreciation of \$30,277.

There was a transfer of assets to the Utility Administration Fund, an internal service fund reported as a business-type activity, from the Natural Gas Fund, a business-type activity. The Utility Administration Fund paid \$0 for the asset, which had an original acquisition cost of \$15,250 and accumulated depreciation of \$15,250.

There was a transfer of assets to culture and recreation, a governmental activity, from the Natural Gas Fund, a business-type activity. The General Fund paid \$0 for the asset, which had an original acquisition cost of \$21,836 and accumulated depreciation of \$21,836.

There was a transfer of assets to the Fleet Management Fund, and internal service fund reported as a governmental activity, from the Electric Fund, a business-type activity. The Fleet Management Fund paid \$0 for the asset, which had an original acquisition cost of \$22,441 and accumulated depreciation of \$22,441.

There was a transfer of assets to the Fleet Management Fund, an internal service fund reported as a governmental activity, from the Natural Gas Fund, a business-type activity. The Fleet Management Fund paid \$0 for the asset, which had an original acquisition cost of \$9,300 and accumulated depreciation of \$9,300.

**b. Construction Commitments**

The government has active construction projects as of June 30, 2023. 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>4,304,429</u>	<u>488,964</u>
Total General Capital Projects Fund	<u>\$ 4,954,429</u>	<u>\$ 738,964</u>
Enterprise Funds:		
Electric Fund		
System improvements	<u>\$ 3,216,550</u>	<u>\$ 2,087,450</u>
Total Electric Fund	<u>\$ 3,216,550</u>	<u>\$ 2,087,450</u>
Water and Wastewater Fund		
System improvements	<u>\$ 2,321,457</u>	<u>\$ 3,544,543</u>
Total Water and Wastewater Fund	<u>\$ 2,321,457</u>	<u>\$ 3,544,543</u>



	<u>Spent To Date</u>	<u>Remaining Commitments</u>
Natural Gas Fund		
System improvements	\$ 452,812	\$ 4,239,088
Total Natural Gas Fund	<u>\$ 452,812</u>	<u>\$ 4,239,088</u>
Utility Administration Fund		
City Centre	\$ 7,922,989	\$ 8,077,011
Work Order System	<u>377,909</u>	<u>66,453</u>
Total Utility Administration Fund	<u>\$ 8,300,898</u>	<u>\$ 8,143,464</u>

## B. Liabilities

### 1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2023 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental Activities					
General	\$ 334,409	\$ 566,700	\$ 37,111	\$ 89,169	\$ 1,027,389
Other Governmental	17,773	-	-	4,227	22,000
Governmental Internal Service	<u>161,072</u>	<u>36,826</u>	<u>1</u>	<u>635,360</u>	<u>833,259</u>
Total - governmental activities	<u>\$ 513,254</u>	<u>\$ 603,526</u>	<u>\$ 37,112</u>	<u>\$ 728,756</u>	<u>\$ 1,882,648</u>
Business-type Activities					
Electric	\$ 3,669,009	\$ -	\$ 16,553	\$ 11,803	\$ 3,697,365
Water and Wastewater	401,342	163,919	7,991	1,153	574,405
Natural Gas	348,169	65,629	3,694	3,853	421,345
Stormwater	1,570	9,788	-	-	11,358
Golf	38,548	23,210	10	-	61,768
Business-type Internal Service	<u>1,968,482</u>	<u>92,394</u>	<u>74,584</u>	<u>2,052</u>	<u>2,137,512</u>
Total - business-type activities	<u>\$ 6,427,120</u>	<u>\$ 354,940</u>	<u>\$ 102,832</u>	<u>\$ 18,861</u>	<u>\$ 6,903,753</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:

Unearned grant proceeds (Nonmajor Grant Projects Fund)	\$ 44,845
Unearned rent (Nonmajor General Capital Projects Fund)	<u>7,917</u>
Total	<u>\$ 52,762</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](http://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, 2023, was 13.10% of compensation for law enforcement officers and 12.10% 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 \$2,319,603 for the year ended June 30, 2023.

*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, 2023, the City reported a liability of \$12,751,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the City's proportion was 0.226%, which was an increase of 0.011% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$3,507,209. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 549,467	\$ 53,872
Changes of assumptions	1,272,352	-
Net difference between projected and actual earnings on pension plan investments	4,214,631	-
Changes in proportion and differences between City contributions and proportionate share of contributions	223,437	246,796
City contributions subsequent to the measurement date	<u>2,319,603</u>	<u>-</u>
Total	<u>\$ 8,579,490</u>	<u>\$ 300,668</u>

\$2,319,603 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, 2024. 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:**

2024	\$ 1,829,932
2025	1,580,857
2026	540,501
2027	2,007,929
2028	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2021 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, 2021 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, 2022 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%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	<u>6.0%</u>	2.7%
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 2022, 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 2.25%. 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)	\$ 23,015,508	\$ 12,751,884	\$ 4,294,062

*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, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>56</u>
Total	<u><u>68</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, 2021 valuation. The total pension liability in the December 31, 2021 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	4.31 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 amount-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 \$233,131 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, 2023, the City reported a total pension liability of \$2,722,910. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing

update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$275,264.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 89,393	\$ 12,314
Changes of assumptions and other inputs	341,773	448,074
Benefit payments and administrative expenses subsequent to the measurement date	119,792	-
Total	<u>\$ 550,958</u>	<u>\$ 460,388</u>

The City paid \$119,792 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, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2024	\$ 44,639
2025	47,280
2026	13,079
2027	(85,229)
2028	(48,991)
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 4.31 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 (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	<b>1% Decrease (3.31%)</b>	<b>Discount Rate (4.31%)</b>	<b>1% Increase (5.31%)</b>
Total pension liability	\$ 2,936,416	\$ 2,722,910	\$ 2,529,690

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

	<b>2023</b>
Beginning balance	\$ 3,149,295
Service Cost	143,636
Interest on the total pension liability	68,403
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	43,773
Changes of assumptions or other inputs	(463,889)
Benefit payments	(218,308)
Other changes	-
Ending balance of the total pension liability	<u>\$ 2,722,910</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, 2021 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability for LEOSSA was measured as of December 31, 2022, with an actuarial valuation date of December 31, 2021. 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	\$ 12,751,884	\$ -	\$ 12,751,884
Proportion of the Net Pension Liability	0.22604%	n/a	
Total Pension Liability	\$ -	\$ 2,722,910	\$ 2,722,910
Pension Expense	\$ 3,507,209	\$ 275,264	\$ 3,782,473

At June 30, 2023, 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>
<b><u>Deferred Outflows of Resources</u></b>			
Differences between expected and actual experience	\$ 549,467	\$ 89,393	\$ 638,860
Changes of assumptions	1,272,352	341,773	1,614,125
Net difference between projected and actual earnings on plan investments	4,214,631	-	4,214,631
Changes in proportion and differences between City contributions and proportionate share of contributions	223,437	-	223,437
City contributions (LGERS)/Benefit payments and administrative costs (LEOSSA) paid subsequent to the measurement date	2,319,603	119,792	2,439,395
<b><u>Deferred Inflows of Resources</u></b>			
Differences between expected and actual experience	\$ 53,872	\$ 12,314	\$ 66,186
Changes of assumptions	-	448,074	448,074
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	246,796	-	246,796



**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 \$167,906 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](http://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, 2022, were \$19,352,000. The City of Lexington's proportionate share of the State's contribution is \$27,402.

*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, 2023, 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 \$27,841. The net pension liability (asset) was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 and at June 30, 2021 was 0%.

For the year ended June 30, 2023, the City recognized pension expense (revenue) of \$7,186 and revenue (expense) of \$7,186 for support provided by the State. At June 30, 2023, 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, 2021 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 have ten years of consecutive service and are age 60 or older upon retirement, or have 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		Law	
	Employees	Firefighters	Enforcement	Total
			Officers	
Retirees and dependents receiving benefits	42	18	21	81
Active plan members	<u>202</u>	<u>49</u>	<u>54</u>	<u>305</u>
Total	<u><u>244</u></u>	<u><u>67</u></u>	<u><u>75</u></u>	<u><u>386</u></u>

**Total OPEB Liability**

The City’s total OPEB liability of \$18,528,666 was measured as of June 30, 2022 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	2.16%
Measurement Date	3.54%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2021 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

<b>Total OPEB Liability as of June 30, 2022</b>	<u>\$ 20,583,917</u>
<b>Changes for the year:</b>	
Service cost at the end of the year	893,313
Interest on TOL and cash flows	454,493
Change in benefit terms	-
Differences between expected and actual experience	(58,851)
Changes of assumptions or other inputs	(2,467,723)
Benefit payments	(876,483)
Other changes	<u>-</u>
<b>Net changes</b>	<u>(2,055,251)</u>
<b>Total OPEB Liability as of June 30, 2023</b>	<u>\$ 18,528,666</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

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 increases 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 actuarial 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 (2.54 percent) or 1 percentage-point higher (4.54 percent) than the current discount rate:

	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$ 20,275,913	\$ 18,528,666	\$ 16,978,588

*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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate (7.00% decreasing to 4.50%)</u>	<u>1% Increase</u>
Total OPEB liability	\$ 16,555,840	\$ 18,528,666	\$ 20,869,355

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,205,491. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 228,424	\$ 843,373
Changes of assumptions and other inputs	2,728,742	2,528,622
Benefit payments and administrative expenses subsequent to the measurement date	<u>806,201</u>	<u>-</u>
Total	<u>\$ 3,763,367</u>	<u>\$ 3,371,995</u>

\$806,201 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, 2024. 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:**

2024	\$	(142,315)
2025		(97,930)
2026		(10,759)
2027		97,152
2028		49,305
Thereafter		(310,282)

**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 63 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, 2023, the City made contributions to the State for death benefits of \$12,469. The City's required contributions for employee not engaged in law enforcement and for law enforcement represented 0.05% 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	\$ 867,284	\$ 909,559	\$ -
(Pensions, OPEB) - changes of assumptions	4,342,867	2,976,696	-
(Pensions) - net difference between projected and actual investment earnings	4,214,631	-	-
(Pensions) - change in proportion and difference between employer contributions and proportionate share of contributions	223,437	246,796	-
Contributions to pension plan subsequent to the measurement date (LGERS)	2,319,603	-	-
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)	119,792	-	-
Benefit payments for the OPEB plan paid subsequent to measurement date	806,201	-	-
Deferred inflows - leases (General Fund)	-	-	-
Deferred inflows - leases (Capital Projects Fund)	-	62,571	62,571
Deferred inflows - leases (Water and Wastewater Fund)	-	316,921	-
Property taxes receivable, net (General Fund)	-	-	102,135
Property taxes receivable, net (Special Revenue Fund)	-	-	1,339
Total	<u>\$ 12,893,815</u>	<u>\$ 4,512,543</u>	<u>\$ 166,045</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 \$1,000,000. 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	\$ 109,134
Incurred claims	1,077,491
Claim payments	<u>(1,083,993)</u>
Unpaid claims, 6/30	<u>\$ 102,632</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	\$ 396,000
Incurred claims	3,340,993
Claim payments	<u>(3,215,993)</u>
Unpaid claims, 6/30	<u>\$ 521,000</u>

## **7. Claims, Judgments and Contingent Liabilities**

At June 30, 2023, 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 of June 30, 2023, the value of the lease liability was \$110,351. The value of the right to use asset as of the end of the current fiscal year was \$145,227 with accumulated amortization of \$36,307 and is included with Leased Land in the Capital 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, 2022 resulting in an annual payment of \$1,469. 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 of June 30, 2023, the value of the lease liability was \$1,502. The value of the right to use asset as of the end of the current fiscal year was \$4,364 with accumulated amortization of \$2,618 and is included with Leased Land in the Capital 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 of June 30, 2023, the value of the lease liability was \$5,875. The value of the right to use asset as of the end of the current fiscal year was \$13,610 with accumulated amortization of \$7,650 and is included with Leased Equipment and Vehicles in the Capital Asset section of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest	Total
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	18,790	425	19,215	-	-	-
2029-2033	19,065	150	19,215	-	-	-
	<u>\$ 111,853</u>	<u>\$ 4,950</u>	<u>\$ 116,803</u>	<u>\$ 5,875</u>	<u>\$ 46</u>	<u>\$ 5,921</u>

**b. Subscriptions**

The City has entered into agreements for subscription-based information technology arrangements. The arrangements qualify as other than short-term subscriptions under GASB 96, and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On July 1, 2022, the City entered into a 33-month subscription agreement for the use of DebtBook. The City is required to make annual fixed payments of \$7,763. An initial subscription liability was recorded in the amount of \$15,113. The subscription liability is measured at a discount rate of 2.184%, which is the City’s estimated incremental borrowing rate. As of June 30, 2023, the value of the subscription liability is \$7,597. The value of the right to use asset as of the end of the current fiscal year was \$15,113 with accumulated amortization of \$5,495 and is included with IT subscriptions in the Capital Asset section of this note.

On July 1, 2022, the City entered into a 23-month subscription agreement for the use of ESRI – GIS System. The City is required to make annual fixed payments of \$27,500. An initial subscription liability was recorded in the amount of \$26,965. The subscription liability is measured at a discount rate of 2.0240%, which is the City’s estimated incremental borrowing rate. As of June 30, 2023, the value of the subscription liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$26,965 with accumulated amortization of \$13,615 and is included with IT subscriptions in the Capital Asset section of this note.

On July 1, 2022, the City entered into a 35-month subscription agreement for the use of HQ – Online Material Safety Data Sheets. The City is required to make annual fixed payments of \$5,355. An initial subscription liability was recorded in the amount of \$10,525. The subscription liability is measured at a discount rate of 2.184%, which is the City’s estimated incremental borrowing rate. As of June 30, 2023, the value of the subscription liability was \$5,398. The value of the right to use asset as of the end of the current fiscal year was \$10,525 with accumulated amortization of \$3,518 and is included with IT subscriptions in the Capital Asset section of this note.

On July 1, 2022, the City entered into a 25-month subscription agreement for the use of HAAS Alert Safety Cloud. The City is required to make annual fixed payments of \$3,912. An initial subscription liability was recorded in the amount of \$7,720. The subscription liability is measured at a discount

rate of 2.024%, which is the City’s estimated incremental borrowing rate. As of June 30, 2023, the value of the subscription liability was \$3,834. The value of the right to use asset as of the end of the current fiscal year was \$7,720 with accumulated amortization of \$3,706 and is included with IT subscriptions in the Capital Asset section of this note.

On January 6, 2023, the City entered into a 36-month subscription agreement for the use of Wasabi 25TB Cloud Storage. The City made one payment of \$5,260 at the beginning of the term that covered the entire period of the agreement and is not required to make annual fixed payments; therefore, no initial subscription liability was recorded. The subscription liability is measured at a discount rate of 2.656%, which is the City’s estimated incremental borrowing rate. As of June 30, 2023, the value of the subscription liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$5,260 with accumulated amortization of \$852 and is included with IT subscriptions in the Capital Asset section of this note.

On March 22, 2023, the City entered into a 34-month subscription agreement for the use of Wasabi 50TB Cloud Storage. The City made one payment of \$9,520 at the beginning of the term that covered the entire period of the agreement and is not required to make annual fixed payments; therefore, no initial subscription liability was recorded. The subscription liability is measured at a discount rate of 2.656%, which is the City’s estimated incremental borrowing rate. As of June 30, 2023, the value of the subscription liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$9,520 with accumulated amortization of \$939 and is included with IT subscriptions in the Capital Asset section of this note.

On June 28, 2023, the City entered into a 34-month subscription agreement for the use of GolfNow Platform and EZSuite/EZTee Pro. In lieu of making fixed monthly payments, the City is required to compensate GolfNow in the form of eight (8) traded rounds of golf per day. For purposes of recording the subscription liability, the City has assigned an equivalent monthly monetary value of \$2,200 for eight (8) traded rounds of golf per day. This value was assigned based on information that was included in a pre-agreement proposal that included a cash payment option of \$1,100 per month plus four (4) traded rounds of golf per day. An initial subscription liability was recorded in the amount of \$72,630. The subscription liability is measured at a discount rate of 2.363%, which is the City’s estimated incremental borrowing rate. As of June 30, 2023, the value of the subscription liability is \$72,410. The value of the right to use asset as of the end of the current fiscal year was \$72,630 with accumulated amortization of \$213 and is included with IT subscriptions in the Capital Asset section of this note.

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2023 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest	Total
2024	\$ 16,830	\$ 361	\$ 17,191	\$ 25,089	\$ 1,311	\$ 26,400
2025	-	-	-	25,557	843	26,400
2026	-	-	-	21,764	236	22,000
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029-2033	-	-	-	-	-	-
	<u>\$ 16,830</u>	<u>\$ 361</u>	<u>\$ 17,191</u>	<u>\$ 72,410</u>	<u>\$ 2,390</u>	<u>\$ 74,800</u>

c. **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. \$ 712,385

\$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. 2,022,761

\$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. 4,014,400

\$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. 798,000

\$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. 174,751

\$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. 88,883

\$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. 512,500

\$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. 99,572

\$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. 4,567,658

\$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. 13,461,709

\$1,497,094 direct placement installment purchase contract with HomeTrust Bank dated October 18, 2022 for (1) Fire Aerial Truck due in semi-annual payments of \$118,442 including interest beginning on March 1, 2023 through September 1, 2029; interest at 2.890%; 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 Aerial Truck. 1,394,636

\$ 27,847,255

Annual debt service payments of installment purchase contracts as of June 30, 2023, including \$5,366,782 of interest, net of 35% federal credit, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 1,104,643	\$ 138,014	\$ 1,836,834	\$ 575,718
2025	932,528	109,706	1,873,065	525,593
2026	676,038	84,446	1,614,499	477,692
2027	584,127	67,998	1,643,412	439,002
2028	595,008	51,779	1,673,041	399,595
2029-2033	1,350,275	72,511	6,651,212	1,422,776
2034-2038	38,000	617	3,812,723	795,652
2039-2043	-	-	3,461,850	224,850
Total Principal & Interest	<u>\$ 5,280,619</u>	525,071	<u>\$ 22,566,636</u>	4,860,878
35% Federal Credit		(8,671)		(10,496)
Interest, Net of Credit		<u>\$ 516,400</u>		<u>\$ 4,850,382</u>

At June 30, 2023, the City of Lexington had a legal debt margin of \$116,325,533.

d. **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:

- 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. No payment was made to the company during the 2022-23 fiscal year due to the failure of the company to submit timely documentation. As of June 30, 2023, the City's remaining commitment under this contract totals \$70,200.
- Border Concepts – The City has an economic development incentive agreement with Border Concepts under which Border Concepts agreed to invest \$8,000,000 in new expanded investment in its manufacturing plant and create and maintain 5 new full-time employment positions. Under the terms of the economic development incentive agreement the City has agreed to make a grant of \$25,000 in one installment beginning on January 1, 2024, subject to the company's submission of timely documentation evidencing fulfillment of its obligations under the contract. As of June 30, 2023, the City's remaining commitment under this contract totals \$25,000.

- Childress Winery – The City has an economic development incentive agreement with Childress Winery under which Childress Winery agreed to invest \$5,500,000 in new expanded investment in its manufacturing plant and create and maintain 20 new full-time employment positions. Under the terms of the economic development incentive agreement the City has agreed to make total maximum grants of \$74,250 in annual installments of up to \$14,850 each year for a five year period beginning on January 1, 2026, subject to the company’s submission of timely documentation evidencing fulfilment of its obligations under the contract. As of June 30, 2023, the City’s remaining commitment under this contract totals \$74,250.
- Siemens Mobility, Inc. – The City has committed to an economic development incentive agreement with Siemens Mobility under which Siemens Mobility will agree to invest between \$200,000,000 and \$250,000,000 in new investment in a manufacturing facility and create and maintain a minimum of 200 full-time employment positions. Under the terms of the proposed economic development incentive agreement the City will agreed to make total maximum grants of \$8,200,000 in declining annual installments over a ten (10) year period beginning January 1, 2027 based on taxable investments of \$200,000,000 to \$250,000,000, subject to the company’s submission of timely documentation evidencing fulfilment of its obligations under the contract.

## 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, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Governmental activities:</u>					
Lease liabilities	\$ 130,776	\$ -	\$ 18,923	\$ 111,853	\$ 19,234
Subscription liabilities	-	33,358	16,529	16,829	16,829
Direct placement installment purchases	4,983,320	1,497,094	1,199,795	5,280,619	1,104,643
Compensated absences	1,508,603	1,029,112	963,525	1,574,190	784,000
Net pension liability (LGERS)	2,184,531	6,014,733	-	8,199,264	-
Total pension liability (LEO)	3,149,295	-	426,385	2,722,910	-
Total OPEB liability	14,952,514	-	1,514,604	13,437,910	-
Governmental activity long-term liabilities	<u>\$ 26,909,039</u>	<u>\$ 8,574,297</u>	<u>\$ 4,139,761</u>	<u>\$ 31,343,575</u>	<u>\$ 1,924,706</u>
<u>Electric Fund</u>					
Direct placement installment purchases	\$ 3,131,061	\$ -	\$ 499,458	\$ 2,631,603	\$ 344,836
Total OPEB liability	954,078	-	153,138	800,940	-
Electric Fund long-term liabilities	<u>4,085,139</u>	<u>-</u>	<u>652,596</u>	<u>3,432,543</u>	<u>344,836</u>
<u>Water and Wastewater Fund</u>					
Direct placement installment purchases	5,472,448	-	628,270	4,844,178	639,858
Compensated absences	356,381	274,790	244,142	387,029	152,000
Net pension liability (LGERS)	466,964	1,492,286	-	1,959,250	-
Total OPEB liability	2,029,537	-	159,885	1,869,652	-
Water and Wastewater Fund long-term liabilities	<u>8,325,330</u>	<u>1,767,076</u>	<u>1,032,297</u>	<u>9,060,109</u>	<u>791,858</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Natural Gas Fund</u>					
Direct placement installment purchases	424,261	-	135,915	288,346	141,348
Compensated absences	151,385	139,124	117,151	173,358	84,000
Net pension liability (LGERS)	209,076	684,820	-	893,896	-
Total OPEB liability	<u>971,506</u>	<u>-</u>	<u>83,062</u>	<u>888,444</u>	<u>-</u>
Natural Gas Fund long-term liabilities	<u>1,756,228</u>	<u>823,944</u>	<u>336,128</u>	<u>2,244,044</u>	<u>225,348</u>
<u>Stormwater Fund</u>					
Compensated absences	10,381	23,058	15,810	17,629	15,000
Net pension liability (LGERS)	35,460	88,293	-	123,753	-
Total OPEB liability	<u>41,547</u>	<u>-</u>	<u>2,265</u>	<u>39,282</u>	<u>-</u>
Stormwater Fund long-term liabilities	<u>87,388</u>	<u>111,351</u>	<u>18,075</u>	<u>180,664</u>	<u>15,000</u>
<u>Golf Fund</u>					
Subscription liabilities	-	72,630	220	72,410	25,089
Compensated absences	41,939	42,796	64,523	20,212	20,212
Net pension liability (LGERS)	80,321	209,351	-	289,672	-
Total OPEB liability	<u>330,592</u>	<u>-</u>	<u>47,644</u>	<u>282,948</u>	<u>-</u>
Golf Fund long-term liabilities	<u>452,852</u>	<u>324,777</u>	<u>112,387</u>	<u>665,242</u>	<u>45,301</u>
<u>Utility Administration Fund</u>					
Lease liabilities	9,748	-	3,873	5,875	3,908
Subscription liabilities	-	26,965	26,965	-	-
Direct placement installment purchases	15,508,400	-	705,891	14,802,509	710,792
Arbitrage rebate payable	-	30,154	-	30,154	-
Compensated absences	172,670	200,858	165,767	207,761	150,000
Net pension liability (LGERS)	314,898	971,151	-	1,286,049	-
Total OPEB liability	<u>1,304,143</u>	<u>-</u>	<u>94,653</u>	<u>1,209,490</u>	<u>-</u>
Utility Administration Fund long-term liabilities	<u>17,309,859</u>	<u>1,229,128</u>	<u>997,149</u>	<u>17,541,838</u>	<u>864,700</u>
Business activity long-term liabilities	<u>\$ 32,016,796</u>	<u>\$ 4,256,276</u>	<u>\$ 3,148,632</u>	<u>\$ 33,124,440</u>	<u>\$ 2,287,043</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, 2023 consist of the following:

Receivable Fund	Payable Fund	Current	Noncurrent	Total
General Fund	Grant Projects Fund	\$ 39,965	\$ -	\$ 39,965
Electric Fund	General Fund	107,573	218,416	325,989
Electric Fund	Golf Fund	24,724	24,975	49,699
Electric Capital Reserve Fund	Utility Administration Fund	<u>255,739</u>	<u>1,144,261</u>	<u>1,400,000</u>
Total		<u>\$ 428,001</u>	<u>\$ 1,387,652</u>	<u>\$ 1,815,653</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 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, 2023 was \$49,699.

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, 2023 was \$325,989.

On May 1, 2023, the Utility Administration Fund borrowed \$1,400,000 from the Electric Capital Reserve Fund to fund the City Centre Facility Project. The terms of the arrangement require the Utility Administration Fund to repay the Electric Capital Reserve Fund in ten semi-annual installments, plus interest at 3.785%, beginning on December 1, 2023. The outstanding balance of this arrangement at June 30, 2023 was \$1,400,000.

**2. Interfund Transfers**

The composition of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 1,200,000
General Fund	Natural Gas Fund	1,145,372
Governmental Capital Reserve Fund	General Fund	4,339,427
Grant Projects Fund	General Fund	10,407
BUILD Grant Project Fund	General Fund	2,400,000
General Capital Projects Fund	General Fund	179,878
Electric Capital Reserve Fund	Electric Fund	20,764
Water and Wastewater Fund	ARPA Grant Project Fund	6,226,854
Water and Wastewater Fund	Water and Wastewater Capital Reserve Fund	281,628
Water and Wastewater Capital Reserve Fund	Water and Wastewater Fund	11,271,841
Natural Gas Fund	Rate Stabilization Fund	800,000
Natural Gas Capital Reserve Fund	Natural Gas Fund	24,189
Golf Fund	General Fund	450,000
Fleet Management Capital Reserve Fund	Fleet Management Fund	321,337
Utility Administration Projects Fund	Utility Administration Fund	2,052,000
Total		<u>\$ 30,723,697</u>

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

The Electric and Natural Gas Funds made transfers in the amounts of \$1,200,000 and \$1,145,372 as profit distributions to support General Fund services.

The General Fund transferred \$4,339,427 to the Governmental Capital Reserve Fund for future capital needs, including \$2,000,000 related to the City's sale of its fire station leasehold improvement to the Davidson County Airport. The General Fund also transferred \$10,407 to the Grants Project Fund (\$1,407 in matching funds for the Fire Prevention Grant, \$2,500 in matching funds for the Border Concepts

Building Reuse Grant, and \$6,500 in matching funds for the Childress Winery Building Reuse Grant), \$2,400,000 to the BUILD Grant Project Fund for partial required matching funds, and \$179,878 to the General Capital Projects Fund for redevelopment costs associated with the Lexington Furniture Industries, Inc. Plant # 1 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 two transfers: 1) \$6,226,854 from the ARPA Grant Project Fund as revenue replacement used for personnel costs of that fund for payroll periods starting March 15, 2021 through payroll periods ending December 4, 2022, and 2) \$281,628 from the Water and Wastewater Capital Reserve Fund for capital funding.

The Water and Wastewater Capital Reserve Fund received transfers totaling \$11,271,841 from the Water and Wastewater Fund, including 1) \$257,903 for system development fees collected, 2) \$5,000,000 related to a capital contribution from Davidson County, and 3) \$6,000,000 for future capital needs identified in the City's 10-year capital improvement plan.

The Natural Gas Fund received a transfer in the amount of \$800,000 from the Natural Gas Rate Stabilization Fund for facilitate staggering a recommended rate increase in over a two year period.

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 Capital Reserve Fund received a transfer in the amount of \$321,337 from the Fleet Management Fund for future capital needs.

The Utility Administration Fund transferred \$2,000,000 and \$52,000 to the Utility Administration Projects Fund to fund the City Centre Project and Work Order System Project, respectively.

**D. Special Item – Net Income on Distribution from Front Street-Lexington**

Front Street-Lexington was formed for the purpose of acquiring and development 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. In May 2023, the City of Lexington received a capital distribution of \$4,856,097 from Front Street-Lexington resulting from Front Street-Lexington's sale of property in March 2023. The City's recorded equity interest in Front Street-Lexington prior to the distribution totaled \$293,436 resulting in recognition of \$4,562,661 in net income on the distribution. The transaction is reflected as a special item in Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and in Exhibit 2 – Statement of Activities.

**E. 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 \$27,402 made by the State for the sixty 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.

F. **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	\$ 35,078,367	\$ 114,283,284
Less: long-term debt on capital assets	(5,280,619)	(22,566,636)
Less: capital-related accounts and retainage payable	-	(1,716,430)
Unexpended debt proceeds	-	12,026,629
Right to use assets	201,218	91,727
Less: lease liabilities	(111,853)	(5,875)
Less: subscription liabilities	(16,829)	(72,410)
Net investment in capital assets	<u>\$ 29,870,284</u>	<u>\$ 102,040,289</u>

G. **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	\$ 20,257,108
Less:	
Prepaid Items	(90,094)
Stabilization by State Statute	<u>(5,677,535)</u>
Fund balance available for appropriation	14,489,479
Less: Restrictions, commitments, and assignments of fund balance available for appropriation	
Restricted for general government	(3,100)
Restricted for streets	(578,723)
Restricted for recreation programs	(6,620)
Committed for police facilities and equipment	(1,000,000)
Committed for fire facilities and equipment	(2,000,000)
Committed for recreation facilities and equipment	(1,250,000)
Committed for other	(89,933)
Appropriated fund balance in 2022-23 budget	<u>(2,367,586)</u>
Unassigned fund balance	<u>\$ 7,193,517</u>

Amounts classified as committed for general government at the end of the fiscal year include \$2,584 in Neighborhood Revitalization Funds, \$30,509 that has been set aside for ADA (American with Disabilities Act) Transition Plan funding, and \$56,840 for general governmental facilities and equipment. 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	\$ 2,556,511	\$ -

### **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, 2023 were \$28,067,499. 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, 2023, 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 \$38,464 for the fiscal year ended June 30, 2023.

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, 2023 was \$309,098, 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, 2023. Lake Thom-A-Lex did not issue separate financial statements. The following condensed financial information as of and for the year ended June 30, 2023 has been provided by the City of Thomasville.

<b>Assets</b>	
Cash	\$ 314,175
Accounts receivable	66,081
Land	223,395
Buildings	15,000
Other improvements	1,190,537
Equipment	<u>87,018</u>
	1,896,206
Less: accumulated depreciation	<u>(1,278,009)</u>
Total assets	<u>\$ 618,197</u>
<b>Net Position</b>	<u>\$ 618,197</u>
<b>Revenues</b>	
Permits, rentals, concessions, etc.	\$ 55,907
Contributions	
City of Thomasville	38,464
City of Lexington	38,464
Davidson County	<u>42,063</u>
Total revenues	174,898
<b>Expenditures</b>	
Salaries and employee benefits	107,755
Operating expenditures	<u>29,087</u>
Total expenditures	<u>136,842</u>
Revenues over (under) expenditures	<u>38,056</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>	
Revenues over (under) expenditures	\$ 38,056
Reconciling items:	
Depreciation expense	<u>(9,995)</u>
Change in net position	28,061
<b>Net position</b>	
Beginning of year, July 1	<u>590,136</u>
End of year, June 30	<u>\$ 618,197</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, 2023, eleven loans had been made to local businesses totaling \$27,850. The outstanding unpaid loan receivable balances at June 30, 2023 totaled \$13,100.

The loan receivable activity for Uptown Lexington for the year ended June 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Emergency business assistance loans receivable	<u>\$ 14,800</u>	<u>\$ -</u>	<u>\$ (1,700)</u>	<u>\$ 13,100</u>	<u>\$ 13,100</u>

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 is net of a \$13,100 allowance for doubtful accounts.

## 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, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and land development	<u>\$ 2,612,545</u>	<u>\$ 32,291</u>	<u>\$ -</u>	<u>\$ 2,644,836</u>

### 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, 2022 was \$2,076,588.

Required debt service payments for the base obligation as of December 31, 2022 are as follows:

Year Ending December 31	Principal
2023	\$ -
2024	-
2025	400,000
2026	-
2027	-
2028-2030	<u>1,676,588</u>
	<u>\$ 2,076,588</u>

The long-term debt activity for Front Street-Lexington for the year ended December 31, 2022 is as follows:

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

### Subsequent Events

In March 2023, Front Street-Lexington sold the property held for sale for \$16,160,000 and incurred expenses of approximately \$6,339,000 which included the payoff of the related long-term debt.

In May 2023, after providing for estimated remaining expense, Front-Street-Lexington distributed capital totaling \$9,521,758 to the two members, including a distribution to the City of Lexington totaling \$4,856,097.

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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 Ten Fiscal Years \***

**Exhibit A-1**

**Local Government Employees' Retirement System**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City of Lexington's proportion of the net pension liability (asset) (%)	0.22604%	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) (\$)	\$ 12,751,884	\$ 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	\$ 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	\$ 14,008,463
City of Lexington's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	75.92%	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**	84.14%	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.

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

**Exhibit A-2**

**Local Government Employees' Retirement System**

	<u>2023</u>	<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	\$ 2,319,603	\$ 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>2,319,603</u>	<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>	<u>\$ -</u>
City of Lexington's covered payroll	\$ 18,892,739	\$ 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	12.28%	11.49%	10.29%	9.09%	7.89%	7.64%	7.40%	6.76%	7.16%	7.16%

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

**Exhibit A-3**

**Firefighters' and Rescue Squad Workers' Pension**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
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%	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	27,841	(39,397)	46,784	48,076	66,480	59,433	43,304	42,989	32,450
Total	<u>\$ 27,841</u>	<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	\$ 2,646,971	\$ 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	1.05%	-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	96.07%	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 Seven Fiscal Years**

**Exhibit A-4**

**Law Enforcement Officers' Special Separation Allowance**

	2023	2022	2021	2020	2019	2018	2017
Beginning Balance	\$ 3,149,295	\$ 3,240,246	\$ 2,482,721	\$ 2,389,543	\$ 2,395,833	\$ 2,257,382	\$ 2,329,866
Service Cost	143,636	147,582	98,137	90,434	99,412	83,433	86,066
Interest on the total pension liability	68,403	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	43,773	(19,098)	84,143	7,862	61,214	396	-
Changes of assumptions or other inputs	(463,889)	(79,236)	659,467	70,836	(91,106)	130,799	(51,650)
Benefit payments	(218,308)	(200,798)	(162,510)	(160,021)	(149,162)	(160,220)	(186,743)
Other changes	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 2,722,910</u>	<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 Seven Fiscal Years**

**Exhibit A-5**

**Law Enforcement Officers' Special Separation Allowance**

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 2,722,910	\$ 3,149,295	\$ 3,240,246	\$ 2,482,721	\$ 2,389,543	\$ 2,395,833	\$ 2,257,382
Covered-employee payroll*	3,043,120	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	89.48%	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 Six Fiscal Years**

**Exhibit A-6**

	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service Cost at end of year	\$ 893,313	\$ 856,914	\$ 632,742	\$ 694,638	\$ 717,336	\$ 831,349
Interest	454,493	411,073	569,194	650,123	604,292	526,656
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(58,851)	172,571	26,468	(1,674,374)	16,703	408,009
Changes of assumptions or other inputs	(2,467,723)	1,977,668	1,932,198	337,469	(515,457)	(1,189,400)
Benefit payments	(876,483)	(1,149,678)	(942,264)	(1,235,210)	(937,766)	(1,259,077)
Other	-	-	-	-	-	-
<b>Net change in Total OPEB Liability</b>	<u>(2,055,251)</u>	<u>2,268,548</u>	<u>2,218,338</u>	<u>(1,227,354)</u>	<u>(114,892)</u>	<u>(682,463)</u>
<b>Total OPEB Liability - beginning</b>	<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>	<u>18,121,740</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 18,528,666</u>	<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>
<b>Covered-employee payroll</b>	\$ 14,672,531	\$ 14,672,531	\$ 13,589,003	\$ 13,589,003	\$ 14,058,965	\$ 14,058,965
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	126.28%	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.

	2023	2022	2021	2020	2019	2018
Discount Rate	3.54%	2.16%	2.21%	3.50%	3.89%	3.56%

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





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**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. The City elected to use all of its ARPA funding as revenue replacement for the Water and Wastewater Fund and has used those funds to fund Water and Wastewater personnel costs. These funds, along with investment earnings on those funds, were transferred from the ARPA Grant Project Special Revenue Fund to the Water and Wastewater Fund during the fiscal year ended June 30, 2023, and as of June 30, 2023 all ARPA funds have been fully expended on Water and wastewater personnel costs.

### **BUILD Grant Project Special Revenue Fund**

The BUILD Grant Project Special Revenue Fund accounts for the receipt and expenditure of grant and other funds for the City of Lexington's BUILD Grant (Lexington Train Station) Project to construct a passenger rail station, a grade separation and surrounding improvements. Funding sources for this \$57,087,598 project include a \$24,999,000 U.S. Department of Transportation National Infrastructure Investments program grant (also known as Better Utilizing Investments to Leverage Development (BUILD) grant) and a \$10,950,000 allocation from the N.C. Department of Transportation.



**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, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes			
Taxes	\$	\$ 11,792,396	\$
Interest		139,367	
Penalties		5,766	
Total	11,730,500	11,937,529	207,029
Other taxes and licenses			
Occupancy tax		511,755	
Municipal vehicle tax		447,270	
Total	1,025,120	959,025	(66,095)
Unrestricted intergovernmental			
Federal Build America Bond interest credit		8,805	
Utilities sales tax		1,963,988	
Piped natural gas sales tax		216,746	
Telecommunications tax		100,399	
Video franchise tax		130,952	
Payments in lieu of taxes		1,591	
Beer and wine tax		89,060	
Local option sales tax		7,173,661	
ABC revenues		231,000	
Total	9,552,175	9,916,202	364,027
Restricted intergovernmental			
ABC recreation		49,500	
ABC law enforcement		30,662	
Solid waste disposal tax		15,841	
Powell Bill allocation		636,645	
On-behalf of payments - fire		27,402	
Public safety		11,058	
Disaster assistance		3,223	
Total	837,395	774,331	(63,064)
Permits and fees			
Inspection fees and permits		359,879	
Total	217,388	359,879	142,491

*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, 2023**

	Budget	Actual	Variance Positive (Negative)
Sales and services			
Property rental	\$	\$ 4,351	\$
Lease revenue		59,544	
Court cost and parking fees		3,460	
Public safety charges		134,320	
Cemetery fees		72,275	
Mowing and debris removal fees		108,191	
Street fees		225	
Recreation fees		51,340	
Waste collection fees		1,563,178	
Other charges		98,439	
Total	2,132,826	2,095,323	(37,503)
Investment earnings	6,100	601,496	595,396
Miscellaneous			
Sale of materials		1,003	
Interest on lease receivable		373	
Donations		32,324	
Other		19,565	
Total	38,141	53,265	15,124
Total revenues	25,539,645	26,697,050	1,157,405
<b>Expenditures</b>			
General government			
Governing board			
Salaries and employee benefits		92,794	
Operating expenses		108,426	
Cost redistribution		(159,282)	
Total governing board	185,115	41,938	143,177
City administration			
Salaries and employee benefits		732,399	
Operating expenses		87,020	
Capital outlay		7,477	
Cost redistribution		(598,420)	
City administration	378,897	228,476	150,421

*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, 2023**

	Budget	Actual	Variance Positive (Negative)
Administrative - other			
Retiree benefits	\$	\$ 420,530	\$
Operating expenses		757,973	
Administrative charges risk management fund		617,102	
Administrative charges utility administration fund		690,582	
Grants to other agencies		129,208	
Payment to Davidson County School System(s) - ad valorem tax penalties		5,767	
Payment to Lexington Tourism Authority		496,402	
Cost redistribution		(222,804)	
Total administrative - other	3,003,768	2,894,760	109,008
Finance			
Salaries and employee benefits		835,418	
Operating expenses		86,408	
Cost redistribution		(608,406)	
Total finance	499,467	313,420	186,047
Legal			
Operating expenses		53,728	
Cost redistribution		(20,346)	
Total legal	40,154	33,382	6,772
Human resources			
Salaries and employee benefits		331,323	
Operating expenses		152,142	
Cost redistribution		(272,058)	
Total human resources	490,268	211,407	278,861
Information technologies			
Salaries and employee benefits		594,697	
Operating expenses		721,262	
Cost redistribution		(466,635)	
Total information technologies	939,340	849,324	90,016

*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, 2023**

	Budget	Actual	Variance Positive (Negative)
Public buildings			
Salaries and employee benefits	\$	\$ 162,548	\$
Operating expenses		197,152	
Cost redistribution		(65,698)	
Total public buildings	328,178	294,002	34,176
Total general government	5,865,187	4,866,709	998,478
Public safety			
Police			
Salaries and employee benefits		5,968,949	
Operating expenses		1,106,999	
Capital outlay		347,306	
Total police	8,295,446	7,423,254	872,192
Fire			
Salaries and employee benefits		4,567,419	
Operating expenses		646,136	
Capital outlay		1,507,076	
Total fire	7,055,548	6,720,631	334,917
Business and community development			
Salaries and employee benefits		935,619	
Operating expenses		245,456	
Capital outlay		45,727	
Total business and community development	1,562,386	1,226,802	335,584
Total public safety	16,913,380	15,370,687	1,542,693
Highways and streets			
Public services administration			
Salaries and employee benefits		479,037	
Operating expenses		56,559	
Capital outlay		25,326	
Cost redistribution		(182,050)	
Total public services administration	441,931	378,872	63,059

*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, 2023**

	Budget	Actual	Variance Positive (Negative)
Street			
Salaries and employee benefits	\$	\$ 592,421	\$
Operating expenses		588,433	
Capital outlay		245,424	
Cost redistribution		(306,975)	
Total street	2,630,180	1,119,303	1,510,877
Total highways and streets	3,072,111	1,498,175	1,573,936
Sanitation			
Recycling and waste collection services			
Salaries and employee benefits		772,180	
Operating expenses		966,395	
Tipping fees - landfill		387,823	
Capital outlay		500,974	
Total sanitation	3,309,605	2,627,372	682,233
Culture and recreation			
Spectator recreation			
Operating expenses		26,502	
Grants to other agencies		60,000	
Total spectator recreation	171,210	86,502	84,708
Parks and recreation			
Salaries and employee benefits		453,220	
Operating expenses		351,323	
Capital outlay		42,604	
Total parks and recreation	1,085,593	847,147	238,446
Public grounds			
Salaries and employee benefits		640,417	
Operating expenses		240,386	
Capital outlay		178,795	
Total public grounds	1,219,466	1,059,598	159,868
Total culture and recreation	2,476,269	1,993,247	483,022

*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, 2023**

	Budget	Actual	Variance Positive (Negative)
Economic and physical development			
Salaries and employee benefits	\$	\$ 129,090	\$
Operating expenses		108,206	
Grants to other agencies		106,410	
Total economic and physical development	441,949	343,706	98,243
Debt service			
Principal retirement	1,365,465	1,230,120	135,345
Interest and other charges	160,186	145,963	14,223
Total debt service	1,525,651	1,376,083	149,568
Total expenditures	33,604,152	28,075,979	5,528,173
Revenue over (under) expenditures	(8,064,507)	(1,378,929)	6,685,578
<b>Other financing sources (uses)</b>			
Installment purchase debt issued	1,497,094	1,497,094	-
Transfers from other funds			
Electric Fund	1,200,000	1,200,000	-
Natural Gas Fund	1,145,372	1,145,372	-
Transfers to other funds			
Governmental Capital Reserve Fund	(4,339,427)	(4,339,427)	-
Grant Projects Fund	(51,177)	(10,407)	40,770
BUILD Grant Project Fund	(2,400,000)	(2,400,000)	-
General Capital Projects Fund	(179,878)	(179,878)	-
Golf Fund	(450,000)	(450,000)	-
Sale of capital assets	2,050,900	2,079,728	28,828
Total other financing sources (uses)	(1,527,116)	(1,457,518)	69,598
<b>Special item</b>			
Distribution from Front Street-Lexington	4,856,000	4,856,097	97
Revenues, other financing sources, and special item over (under) expenditures and other financing uses	(4,735,623)	2,019,650	6,755,273
Fund balance appropriated	4,735,623	-	(4,735,623)
Net change in fund balance	\$ -	2,019,650	\$ 2,019,650

*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, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis</b>			
Initial implementation of SBITA standard			
Subscription liabilities issued		\$ 22,833	
Operating expenditures			
Governing board		56,924	
Information technologies		14,780	
Capital outlay			
Governing board		(56,924)	
Finance		(15,113)	
Information technologies		(14,780)	
Fire		(7,720)	
Net change in fund balance		2,019,650	
Fund balance - beginning		13,682,523	
Fund balance - ending		\$ 15,702,173	

**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, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 100	\$ 56,573	\$ 56,473
Total	\$ 100	\$ 56,573	\$ 56,473
Revenues over expenditures	100	56,573	56,473
<b>Other financing sources</b>			
Transfers from other funds			
General Fund	4,339,427	4,339,427	-
Total other financing sources	4,339,427	4,339,427	-
Revenues and other financing sources over expenditures	4,339,527	4,396,000	56,473
Addition to reserve for governmental capital requirements	(4,339,527)	-	4,339,527
Net change in fund balance	\$ -	4,396,000	\$ 4,396,000
Fund balance - beginning		158,935	
Fund balance - ending		\$ 4,554,935	

**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, 2023**

**Exhibit B-3**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Restricted intergovernmental					
ARPA Funds	\$ 6,033,899	\$ -	\$ 6,033,899	\$ 6,033,899	\$ -
Investment earnings	225,000	5,073	187,882	192,955	(32,045)
Total revenues	<u>6,258,899</u>	<u>5,073</u>	<u>6,221,781</u>	<u>6,226,854</u>	<u>(32,045)</u>
Revenues over (under) expenditures	<u>6,258,899</u>	<u>5,073</u>	<u>6,221,781</u>	<u>6,226,854</u>	<u>(32,045)</u>
<b>Other financing uses</b>					
Transfers to other funds					
Water and Wastewater Fund	<u>(6,258,899)</u>	<u>-</u>	<u>(6,226,854)</u>	<u>(6,226,854)</u>	<u>32,045</u>
Total other financing uses	<u>(6,258,899)</u>	<u>-</u>	<u>(6,226,854)</u>	<u>(6,226,854)</u>	<u>32,045</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,073</u>	<u>(5,073)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>5,073</u>		
Fund balance - ending			<u>\$ -</u>		

**City of Lexington, North Carolina**  
**BUILD 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, 2023**

**Exhibit B-4**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Restricted intergovernmental					
U.S. Department of Transportation BUILD Grant	\$ 24,999,000	\$ -	\$ 32,213	\$ 32,213	\$ (24,966,787)
N.C. Department of Transportation Grant	10,950,000	-	-	-	(10,950,000)
Total revenues	<u>35,949,000</u>	<u>-</u>	<u>32,213</u>	<u>32,213</u>	<u>(35,916,787)</u>
<b>Expenditures</b>					
Economic and physical development					
BUILD Grant (Lexington Train Station) Project	57,087,598	-	302,355	302,355	56,785,243
Total expenditures	<u>57,087,598</u>	<u>-</u>	<u>302,355</u>	<u>302,355</u>	<u>56,785,243</u>
Revenues over (under) expenditures	<u>(21,138,598)</u>	<u>-</u>	<u>(270,142)</u>	<u>(270,142)</u>	<u>20,868,456</u>
<b>Other financing sources</b>					
Installment purchase debt issued	18,738,598	-	-	-	(18,738,598)
Transfers from other funds					
General Fund	2,400,000	-	2,400,000	2,400,000	-
Total other financing sources	<u>21,138,598</u>	<u>-</u>	<u>2,400,000</u>	<u>2,400,000</u>	<u>(18,738,598)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,129,858	<u>\$ 2,129,858</u>	<u>\$ 2,129,858</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ 2,129,858</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:

- *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.
- *2022 Victim Advocate 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.
- *2021 Fire Prevention and Safety Grant Project* – accounts for the receipt and expenditure of funds under a FEMA Fire Prevention and Safety Grant which will fund the purchase of a digital fire extinguisher training tool to allow for completely clean and safe hands-on fire extinguisher training.
- *2022 State Capital and Infrastructure Fund Grant Project* – accounts for the receipt and expenditure of funds administered by the North Carolina Office of State Budget and Management which will be used to improve the quality and accessibility of existing sidewalks in the high pedestrian areas of West 5<sup>th</sup> avenue and East 4<sup>th</sup> Street, as well as adding curb along Pine Street to help with erosion and stormwater runoff.
- *2023 Community Waste Reduction and Recycling 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.
- *Archaeological Survey of the African American Section of Lexington City Cemetery Grant Project* – accounts for the receipt and expenditure of funds under a FY 2022 Historic Preservation Fund Grant through the State Historic Preservation Office of the North Carolina department of Natural and Cultural Resources designed to prepare an archaeological survey of this section of Lexington's City Cemetery using ground penetrating radar technology.
- *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.

- *Childress Winery, LLC./Project Merlot 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.
- *Goose and the Monkey Building Reuse Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Commerce Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.
- *Cider Bros Building Reuse Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Commerce Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.

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

*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.
- *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, 2023**

**Exhibit C-1**

	Special Revenue Funds				Capital Projects	Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants		
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ 284,445	\$ -	\$ -	\$ 711,240	\$ 995,685
Receivables (net)						
Taxes	-	-	1,339	-	-	1,339
Lease receivable	-	-	-	-	63,161	63,161
Due from other governments	40,376	194	1,578	-	73	42,221
Restricted cash and cash equivalents						
Unexpended grant proceeds	44,845	-	-	-	-	44,845
Total assets	<u>\$ 85,221</u>	<u>\$ 284,639</u>	<u>\$ 2,917</u>	<u>\$ -</u>	<u>\$ 774,474</u>	<u>\$ 1,147,251</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 411	\$ 9,897	\$ -	\$ -	\$ 932	\$ 11,240
Due to other funds	39,965	-	-	-	-	39,965
Unearned revenue	44,845	-	-	-	7,917	52,762
Total liabilities	<u>85,221</u>	<u>9,897</u>	<u>-</u>	<u>-</u>	<u>8,849</u>	<u>103,967</u>
<b>Deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>1,339</u>	<u>-</u>	<u>62,571</u>	<u>63,910</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2023**

**Exhibit C-1**  
*Continued*

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants	Capital Projects	
<b>Fund balances</b>						
Nonspendable						
Leases	\$ -	\$ -	\$ -	\$ -	\$ 590	\$ 590
Restricted						
Stabilization by state statute	-	194	1,578	-	-	1,772
Law enforcement	-	274,548	-	-	-	274,548
Committed						
Recreation improvements	-	-	-	-	283,629	283,629
Depot District improvements	-	-	-	-	418,835	418,835
Total fund balances	<u>-</u>	<u>274,742</u>	<u>1,578</u>	<u>-</u>	<u>703,054</u>	<u>979,374</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 85,221</u>	 <u>\$ 284,639</u>	 <u>\$ 2,917</u>	 <u>\$ -</u>	 <u>\$ 774,474</u>	 <u>\$ 1,147,251</u>

**City of Lexington, North Carolina**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the fiscal year ended June 30, 2023**

**Exhibit C-2**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants	Capital Projects	
<b>Revenues</b>						
Ad valorem taxes	\$ -	\$ -	\$ 84,454	\$ -	\$ -	\$ 84,454
Restricted intergovernmental	536,765	169,637	-	-	-	706,402
Sales and services	-	-	-	-	96,856	96,856
Investment earnings	945	5,025	-	-	26,953	32,923
Miscellaneous	-	-	-	-	831	831
Total revenues	537,710	174,662	84,454	-	124,640	921,466
<b>Expenditures</b>						
Public safety	153,863	64,194	-	-	-	218,057
Highways and streets	56,100	-	-	-	-	56,100
Economic and physical development	338,154	-	82,965	-	(25,693)	395,426
Total expenditures	548,117	64,194	82,965	-	(25,693)	669,583
Revenues over (under) expenditures	(10,407)	110,468	1,489	-	150,333	251,883
<b>Other financing sources (uses)</b>						
Transfers from other funds						
General Fund	10,407	-	-	-	179,878	190,285
Sale of capital assets	-	22,688	-	-	-	22,688
Total other financing sources (uses)	10,407	22,688	-	-	179,878	212,973
Net change in fund balances	-	133,156	1,489	-	330,211	464,856
Fund balances - beginning	-	141,586	89	-	372,843	514,518
Fund balances - ending	\$ -	\$ 274,742	\$ 1,578	\$ -	\$ 703,054	\$ 979,374

**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, 2023**

**Exhibit C-3**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
2021 Victim Assistant Grant					
Restricted intergovernmental	\$ 94,318	\$ 44,063	\$ 16,074	\$ 60,137	\$ (34,181)
Total	<u>94,318</u>	<u>44,063</u>	<u>16,074</u>	<u>60,137</u>	<u>(34,181)</u>
2022 Victim Advocate Grant					
Restricted intergovernmental	84,626	-	50,064	50,064	(34,562)
Total	<u>84,626</u>	<u>-</u>	<u>50,064</u>	<u>50,064</u>	<u>(34,562)</u>
Internet Crimes Against Children Grant					
Restricted intergovernmental	64,042	-	58,188	58,188	(5,854)
Total	<u>64,042</u>	<u>-</u>	<u>58,188</u>	<u>58,188</u>	<u>(5,854)</u>
2021 Fire Prevention and Safety Grant					
Restricted intergovernmental	28,135	-	28,130	28,130	(5)
Total	<u>28,135</u>	<u>-</u>	<u>28,130</u>	<u>28,130</u>	<u>(5)</u>
2022 State Capital Infrastructure Fund Grant					
Restricted intergovernmental	100,000	-	55,155	55,155	(44,845)
Investment earnings	-	-	945	945	945
Total	<u>100,000</u>	<u>-</u>	<u>56,100</u>	<u>56,100</u>	<u>(43,900)</u>
2023 Community Waste Reduction and Recycling Grant					
Restricted intergovernmental	20,000	-	-	-	(20,000)
Total	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Archaeological Survey of the African American Section of Lexington City Cemetery Grant					
Restricted intergovernmental	6,000	-	-	-	(6,000)
Total	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>
Tapped Tees Building Reuse Grant					
Restricted intergovernmental	300,000	25,846	149,154	175,000	(125,000)
Total	<u>300,000</u>	<u>25,846</u>	<u>149,154</u>	<u>175,000</u>	<u>(125,000)</u>
Border Concepts, Inc./Project Garden Rural Building Reuse Grant					
Restricted intergovernmental	50,000	-	50,000	50,000	-
Total	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>

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**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, 2023**

**Exhibit C-3**  
*continued*

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Childress Winery, LLC./Project Merlot Rural Building Reuse Grant</b>					
Restricted intergovernmental	\$ 130,000	\$ -	\$ 130,000	\$ 130,000	\$ -
Total	<u>130,000</u>	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
<b>Goose and the Monkey Building Reuse Grant</b>					
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>
<b>Cider Bros Building Reuse Grant</b>					
Restricted intergovernmental	500,000	475,000	-	475,000	(25,000)
Total	<u>500,000</u>	<u>475,000</u>	<u>-</u>	<u>475,000</u>	<u>(25,000)</u>
<b>Total revenues</b>	<u>1,617,121</u>	<u>784,909</u>	<u>537,710</u>	<u>1,322,619</u>	<u>(294,502)</u>
<b>Expenditures</b>					
<b>Public safety</b>					
2021 Victim Assistant Grant	125,757	44,063	16,074	60,137	65,620
2022 Victim Advocate Grant	124,028	-	50,064	50,064	73,964
Internet Crimes Against Children Grant	64,042	-	58,188	58,188	5,854
2021 Fire Prevention and Safety Grant	29,542	-	29,537	29,537	5
Total public safety	<u>343,369</u>	<u>44,063</u>	<u>153,863</u>	<u>197,926</u>	<u>145,443</u>
<b>Highways and streets</b>					
2022 State Capital Infrastructure Fund Grant	130,000	-	56,100	56,100	73,900
Total highways and streets	<u>130,000</u>	<u>-</u>	<u>56,100</u>	<u>56,100</u>	<u>73,900</u>
<b>Sanitation</b>					
2023 Community Waste Reduction and Recycling Grant	24,000	-	-	-	24,000
Total sanitation	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,000</u>
<b>Culture and recreation</b>					
Archaeological Survey of the African American Section of Lexington City Cemetery Grant	8,500	-	-	-	8,500
Total culture and recreation	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,500</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, 2023**

**Exhibit C-3**  
*continued*

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Economic and physical development					
Tapped Tees Building Reuse Grant	\$ 300,000	\$ 25,846	\$ 149,154	\$ 175,000	\$ 125,000
Border Concepts, Inc./Project Garden Rural Building Reuse Grant	52,500	-	52,500	52,500	-
Childress Winery, LLC./Project Merlot Rural Building Reuse Grant	136,500	-	136,500	136,500	-
Goose and the Monkey Building Reuse Grant	240,000	240,000	-	240,000	-
Cider Bros Building Reuse Grant	500,000	475,000	-	475,000	25,000
Total economic and physical development	<u>1,229,000</u>	<u>740,846</u>	<u>338,154</u>	<u>1,079,000</u>	<u>150,000</u>
 Total expenditures	<u>1,734,869</u>	<u>784,909</u>	<u>548,117</u>	<u>1,333,026</u>	<u>401,843</u>
 Revenues over (under) expenditures	<u>(117,748)</u>	<u>-</u>	<u>(10,407)</u>	<u>(10,407)</u>	<u>107,341</u>
Other financing sources:					
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>
2022 Victim Advocate Grant					
Transfers from other funds					
General Fund	39,402	-	-	-	(39,402)
Total	<u>39,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,402)</u>
2021 Fire Prevention and Safety Grant					
Transfers from other funds					
General Fund	1,407	-	1,407	1,407	-
Total	<u>1,407</u>	<u>-</u>	<u>1,407</u>	<u>1,407</u>	<u>-</u>
2022 State Capital Infrastructure Fund Grant					
Transfers from other funds					
General Fund	30,000	-	-	-	(30,000)
Total	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
2023 Community Waste Reduction and Recycling Grant					
Transfers from other funds					
General Fund	4,000	-	-	-	(4,000)
Total	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</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, 2023**

**Exhibit C-3**  
*continued*

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Archaeological Survey of the African American Section of Lexington City Cemetery 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>
Border Concepts, Inc./Project Garden Rural Building Reuse Grant					
Transfers from other funds					
General Fund	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Childress Winery, LLC./Project Merlot Rural Building Reuse Grant					
Transfers from other funds					
General Fund	<u>6,500</u>	<u>-</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>
Total	<u>6,500</u>	<u>-</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>
Total other financing sources	<u>117,748</u>	<u>-</u>	<u>10,407</u>	<u>10,407</u>	<u>(107,341)</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, 2023**

**Exhibit C-4**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Restricted intergovernmental	\$	\$ 169,637	\$
Investment earnings	<u>                    </u>	<u>5,025</u>	<u>                    </u>
Total revenues	<u>                    </u>	<u>174,662</u>	<u>174,662</u>
 <b>Expenditures</b>			
Public safety			
Operations		33,513	
Capital outlay		<u>30,681</u>	
Total expenditures	<u>68,531</u>	<u>64,194</u>	<u>4,337</u>
Revenues over (under) expenditures	(68,531)	110,468	178,999
 <b>Other financing sources</b>			
Sale of capital assets	<u>                    </u>	<u>22,688</u>	<u>22,688</u>
Total other financing sources	<u>                    </u>	<u>22,688</u>	<u>22,688</u>
Revenues and other financing sources over (under) expenditures	(68,531)	133,156	201,687
Fund balance appropriated	<u>68,531</u>	<u>                    </u>	<u>(68,531)</u>
Net change in fund balance	<u>\$                    </u>	133,156	<u>\$ 133,156</u>
Fund balance - beginning		<u>141,586</u>	
Fund balance - ending		<u>\$ 274,742</u>	

**City of Lexington, North Carolina**  
**Special Tax District Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the fiscal year ended June 30, 2023**

**Exhibit C-5**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes			
Taxes	\$	\$ 83,839	\$
Interest		615	
Total revenues	85,300	84,454	(846)
<b>Expenditures</b>			
Economic and physical development			
Payment to Uptown Lexington, Inc.		82,965	
Total expenditures	85,300	82,965	2,335
Revenues over (under) expenditures	-	1,489	1,489
Net change in fund balance	\$ -	1,489	\$ 1,489
Fund balance - beginning		89	
Fund balance - ending		\$ 1,578	

**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, 2023**

**Exhibit C-6**

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

**City of Lexington, North Carolina**  
**Nonmajor General Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**From inception and for the fiscal year ended June 30, 2023**

**Exhibit C-7**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Recreation Center Acquisition and Development Project					
Restricted intergovernmental	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
Sales and services					
Property rental	-	20,250	3,000	23,250	23,250
Investment earnings	-	550	9,829	10,379	10,379
Miscellaneous					
Donations	125,000	125,000	-	125,000	-
Total	<u>375,000</u>	<u>395,800</u>	<u>12,829</u>	<u>408,629</u>	<u>33,629</u>
Lexington Furniture Industries, Inc. Plant #1 Project					
Restricted intergovernmental	180,000	180,000	-	180,000	-
Sales and services					
Property rental	1,379,362	1,221,029	-	1,221,029	(158,333)
Lease revenue	93,857	93,857	93,856	187,713	93,856
Investment earnings	23,517	500	17,124	17,624	(5,893)
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	831	2,210	831
Total	<u>3,217,908</u>	<u>3,036,558</u>	<u>111,811</u>	<u>3,148,369</u>	<u>(69,539)</u>
Total revenues	<u>3,592,908</u>	<u>3,432,358</u>	<u>124,640</u>	<u>3,556,998</u>	<u>(35,910)</u>
<b>Expenditures</b>					
Culture and recreation					
Recreation Center Acquisition and Development Project					
	900,000	650,000	-	650,000	250,000
Total culture and recreation	<u>900,000</u>	<u>650,000</u>	<u>-</u>	<u>650,000</u>	<u>250,000</u>
Economic and physical development					
Lexington Furniture Industries, Inc. Plant #1 Project					
	4,793,393	4,330,122	(25,693)	4,304,429	488,964
Total economic and physical development	<u>4,793,393</u>	<u>4,330,122</u>	<u>(25,693)</u>	<u>4,304,429</u>	<u>488,964</u>
Total expenditures	<u>5,693,393</u>	<u>4,980,122</u>	<u>(25,693)</u>	<u>4,954,429</u>	<u>738,964</u>
Revenues over (under) expenditures	<u>(2,100,485)</u>	<u>(1,547,764)</u>	<u>150,333</u>	<u>(1,397,431)</u>	<u>703,054</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, 2023**

**Exhibit C-7**  
*continued*

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Other financing sources (uses)</b>					
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>
Lexington Furniture Industries, Inc. Plant #1 Project					
Transfers from other funds					
General Fund	1,329,878	1,150,000	179,878	1,329,878	-
Sale of capital assets	245,607	245,607	-	245,607	-
Total	<u>1,575,485</u>	<u>1,395,607</u>	<u>179,878</u>	<u>1,575,485</u>	<u>-</u>
Total other financing sources (uses)	<u>2,100,485</u>	<u>1,920,607</u>	<u>179,878</u>	<u>2,100,485</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 372,843</u>	330,211	<u>\$ 703,054</u>	<u>\$ 703,054</u>
Fund balance - beginning			<u>372,843</u>		
Fund balance - ending			<u>\$ 703,054</u>		





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**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, 2023**

**Exhibit D-1**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 25,538,368	\$
Commercial		14,974,793	
Industrial		2,372,235	
Area lights		939,503	
Street lighting		439,393	
Traffic lights		22,180	
Cable amplifiers		171,600	
Renewable Energy Portfolio Standards		330,943	
Other operating		634,781	
Total operating revenues	45,274,258	45,423,796	149,538
Nonoperating revenues			
Investment earnings		520,202	
Sale of property		141,000	
Total nonoperating revenues	8,200	661,202	653,002
Total revenues	45,282,458	46,084,998	802,540

*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, 2023**

**Exhibit D-1**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
Electric operations			
Salaries and employee benefits	\$	\$ 66,270	\$
Maintenance		2,725,104	
Cost of sales and services		8,488,341	
Purchases for resale		28,067,499	
Administrative charges general fund		802,436	
Administrative charges risk management fund		60,677	
Administrative charges utility administration fund		2,229,157	
Capital outlay		487,287	
Total electric operations	45,293,528	42,926,771	2,366,757
Debt service			
Principal retirement		499,458	
Interest and other charges		74,520	
Total debt service	574,114	573,978	136
Total expenditures	45,867,642	43,500,749	2,366,893
Revenues over expenditures	(585,184)	2,584,249	3,169,433
<b>Other financing sources (uses)</b>			
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	(1,805,948)	1,363,485	3,169,433
Appropriated net position	1,805,948	-	(1,805,948)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	1,363,485	\$ 1,363,485

*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, 2023**

**Exhibit D-1**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 1,363,485	
Reconciling items			
Principal retirement		499,458	
Capital outlay		487,287	
Depreciation		(1,346,483)	
Contracted labor and overhead charged to construction		884,731	
Materials charged to construction		483,123	
Gain (loss) on sale of property		(7,875)	
Increase (decrease) in inventory		1,249,825	
Provision for uncollectable accounts		(144,936)	
Change in accrued interest		2,340	
Increase (decrease) in deferred outflow of resources - OPEB		(46,188)	
(Increase) decrease in total OPEB liability		153,138	
(Increase) decrease in deferred inflows of resources - OPEB		(68,804)	
Items related to subfund - Electric Projects Fund			
Investment earnings		82,691	
Items related to subfund - Electric Capital Reserve Fund			
Investment earnings		437,170	
Transfer from Electric Fund		20,764	
Items related to subfund - Electric Rate Stabilization Fund			
Investment earnings		37,400	
 Total reconciling items		 2,723,641	
 Change in net position		 \$ 4,087,126	

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, 2023

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Electric Delivery Station No.3 Project					
Investment earnings	\$ -	\$ 6,695	\$ 82,691	\$ 89,386	\$ 89,386
Total	<u>-</u>	<u>6,695</u>	<u>82,691</u>	<u>89,386</u>	<u>89,386</u>
 Total revenues	<u>-</u>	<u>6,695</u>	<u>82,691</u>	<u>89,386</u>	<u>89,386</u>
<b>Expenditures</b>					
Electric Delivery Station No.3 Project	5,304,000	2,688,638	527,912	3,216,550	2,087,450
Total expenditures	<u>5,304,000</u>	<u>2,688,638</u>	<u>527,912</u>	<u>3,216,550</u>	<u>2,087,450</u>
Revenues over (under) expenditures	<u>(5,304,000)</u>	<u>(2,681,943)</u>	<u>(445,221)</u>	<u>(3,127,164)</u>	<u>2,176,836</u>
<b>Other financing sources (uses)</b>					
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>
 Total other financing sources (uses)	<u>5,304,000</u>	<u>5,304,000</u>	<u>-</u>	<u>5,304,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,622,057</u>	<u>\$ (445,221)</u>	<u>\$ 2,176,836</u>	<u>\$ 2,176,836</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, 2023**

**Exhibit D-3**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 5,000	\$ 437,170	\$ 432,170
Revenues over expenditures	5,000	437,170	432,170
<b>Other financing sources</b>			
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	25,764	457,934	432,170
Addition to reserve for electric capital requirements	(25,764)	-	25,764
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	\$ -	\$ 457,934	\$ 457,934

**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, 2023**

**Exhibit D-4**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 500	\$ 37,400	\$ 36,900
Revenues over expenditures	500	37,400	36,900
Revenues and other financing sources over (under) expenditures	500	37,400	36,900
Addition to reserve for electric rate stabilization requirements	(500)	-	500
Revenues and other financing sources over (under) expenditures and addition to net position	\$ -	\$ 37,400	\$ 37,400

**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, 2023**

**Exhibit D-5**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Charges for sales and services - Water			
Residential	\$	\$ 3,052,312	\$
Commercial		1,537,600	
Industrial		1,012,254	
Other water charges		83,879	
Charges for sales and services - Wastewater			
Residential		3,721,313	
Commercial		2,878,958	
Industrial		518,741	
Other wastewater charges		136,833	
Other operating		495,567	
Total operating revenues	13,082,879	13,437,457	354,578
Nonoperating revenues			
Federal Build America Bond interest credit		2,780	
Investment earnings		170,989	
Sale of property		51,728	
Total nonoperating revenues	9,871	225,497	215,626
Total revenues	13,092,750	13,662,954	570,204

*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, 2023**

**Exhibit D-5**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
Water and wastewater operations			
Water and wastewater administration			
Salaries and employee benefits	\$	\$ 488,912	\$
Cost of sales and services		116,526	
Administrative charges general fund		1,148,497	
Administrative charges risk management fund		116,595	
Administrative charges utility administration fund		905,309	
Capital outlay		23,756	
Total water and wastewater administration	2,916,585	2,799,595	116,990
Water plant			
Salaries and employee benefits		1,092,785	
Maintenance		302,006	
Cost of sales and services		917,638	
Total water plant	3,046,713	2,312,429	734,284
Wastewater plant			
Salaries and employee benefits		1,370,337	
Maintenance		807,899	
Cost of sales and services		1,256,741	
Capital outlay		77,000	
Total wastewater plant	5,639,408	3,511,977	2,127,431
Water resources maintenance & construction			
Salaries and employee benefits		1,332,399	
Maintenance		747,328	
Cost of sales and services		679,054	
Capital outlay		84,727	
Total water resources maintenance & construction	3,573,194	2,843,508	729,686
Total water and wastewater operations	15,175,900	11,467,509	3,708,391

*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, 2023**

**Exhibit D-5**  
*continued*

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	\$	\$ 628,270	\$
Interest and other charges		97,210	
Total debt service	725,482	725,480	2
Total expenditures	15,901,382	12,192,989	3,708,393
Revenue over expenditures	(2,808,632)	1,469,965	4,278,597
<b>Other financing sources (uses)</b>			
Capital contributions	5,000,000	5,000,000	-
Transfers from other funds			
Transfer from ARPA Grant Project Fund	6,258,899	6,226,854	(32,045)
Water and Wastewater Capital Reserve Fund	2,400,000	281,628	(2,118,372)
Transfers to other funds			
Water and Wastewater Projects Fund	(156,000)	-	156,000
Water and Wastewater Capital Reserve Fund	(11,413,938)	(11,271,841)	142,097
Total other financing sources (uses)	2,088,961	236,641	(1,852,320)
Revenues and other financing sources over (under) expenditures and other financing uses	(719,671)	1,706,606	2,426,277
Appropriated net position	719,671	-	(719,671)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	1,706,606	\$ 1,706,606

*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, 2023**

**Exhibit D-5**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 1,706,606	
Reconciling items			
Principal retirement		628,270	
Capital outlay		185,483	
Depreciation		(1,452,784)	
Wages and overhead charged to construction		14,614	
Materials charged to construction		3,639	
Increase (decrease) in inventory		74,948	
Provision for uncollectable accounts		(63,788)	
Change in accrued interest		1,405	
(Increase) decrease in compensated absences payable		(30,648)	
Increase (decrease) in deferred outflow of resources - pensions		594,301	
(Increase) decrease in net pension liability		(1,492,286)	
(Increase) decrease in deferred inflows of resources - pensions		676,868	
Increase (decrease) in deferred outflow of resources - OPEB		(64,562)	
(Increase) decrease in total OPEB liability		159,885	
(Increase) decrease in deferred inflows of resources - OPEB		(176,549)	
Change in equity interest in joint venture		14,030	
Items related to subfund - Water and Wastewater Projects Fund			
Investment earnings		386	
Restricted intergovernmental - capital grants		183,416	
Items related to subfund - Water and Wastewater Capital Reserve Fund			
Investment earnings		303,072	
Transfer from Water and Wastewater Fund		11,271,841	
Transfer to Water and Wastewater Fund		(281,628)	
Total reconciling items		10,549,913	
Change in net position		\$ 12,256,519	

**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, 2023**

**Exhibit D-6**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Advanced Metering Infrastructure (AMI) Project					
Investment earnings	\$ -	\$ 259	\$ 386	\$ 645	\$ 645
Total	<u>-</u>	<u>259</u>	<u>386</u>	<u>645</u>	<u>645</u>
Wastewater Solids-Handling Pre-Construction Planning Grant Project					
Restricted intergovernmental	400,000	-	183,416	183,416	(216,584)
Total	<u>400,000</u>	<u>-</u>	<u>183,416</u>	<u>183,416</u>	<u>(216,584)</u>
Total revenues	<u>400,000</u>	<u>259</u>	<u>183,802</u>	<u>184,061</u>	<u>(215,939)</u>
<b>Expenditures</b>					
Advanced Metering Infrastructure (AMI) Project	5,310,000	1,449,009	689,032	2,138,041	3,171,959
Wastewater Solids-Handling Pre-Construction Planning Grant Project	556,000	-	183,416	183,416	372,584
Total expenditures	<u>5,866,000</u>	<u>1,449,009</u>	<u>872,448</u>	<u>2,321,457</u>	<u>3,544,543</u>
Revenues over (under) expenditures	<u>(5,466,000)</u>	<u>(1,448,750)</u>	<u>(688,646)</u>	<u>(2,137,396)</u>	<u>3,328,604</u>
<b>Other financing sources</b>					
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>5,310,000</u>	<u>-</u>	<u>5,310,000</u>	<u>-</u>
Wastewater Solids-Handling Pre-Construction Planning Grant Project					
Transfers from other funds					
Water and Wastewater Capital Reserve Fund	156,000	-	-	-	(156,000)
Total	<u>156,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156,000)</u>
Total other financing sources	<u>5,466,000</u>	<u>5,310,000</u>	<u>-</u>	<u>5,310,000</u>	<u>(156,000)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,861,250</u>	<u>\$ (688,646)</u>	<u>\$ 3,172,604</u>	<u>\$ 3,172,604</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, 2023**

**Exhibit D-7**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 1,700	\$ 303,072	\$ 301,372
Revenues over expenditures	1,700	303,072	301,372
<b>Other financing sources</b>			
Transfers from other funds			
Water and Wastewater Fund	11,413,938	11,271,841	(142,097)
Transfers to other funds			
Water and Wastewater Fund	(2,400,000)	(281,628)	2,118,372
Total other financing sources	9,013,938	10,990,213	1,976,275
Revenues and other financing sources over (under) expenditures	9,015,638	11,293,285	2,277,647
Addition to reserve for water and wastewater capital requirements	(9,015,638)	-	9,015,638
Revenues, other financing sources, and appropriated net position over (under) expenditures	\$ -	\$ 11,293,285	\$ 11,293,285



**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, 2023**

**Exhibit D-8**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 5,970,105	\$
Commercial		4,326,795	
Industrial		4,185,514	
Other operating		66,448	
Total operating revenues	15,397,657	14,548,862	(848,795)
Nonoperating revenues			
Federal Build America Bond interest credit		7,878	
Investment earnings		138,470	
Sale of property		16,900	
Total nonoperating revenues	52,051	163,248	111,197
Total revenues	15,449,708	14,712,110	(737,598)

*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, 2023**

**Exhibit D-8**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
Natural gas operations			
Salaries and employee benefits	\$	\$ 1,955,200	\$
Maintenance		1,626,126	
Cost of sales and services		1,182,544	
Purchases for resale		7,593,394	
Administrative charges general fund		679,563	
Administrative charges risk management fund		61,908	
Administrative charges utility administration fund		1,272,615	
Capital outlay		364,145	
Total natural gas operations	16,913,531	14,735,495	2,178,036
Debt service			
Principal retirement		135,915	
Interest and other charges		23,788	
Total debt service	159,704	159,703	1
Total expenditures	17,073,235	14,895,198	2,178,037
Revenues over expenditures	(1,623,527)	(183,088)	1,440,439
<b>Other financing sources (uses)</b>			
Transfers from other funds			
Natural Gas Rate Stabilization Fund	800,000	800,000	-
Transfers to other funds			
General Fund	(1,145,372)	(1,145,372)	-
Natural Gas Capital Reserve Fund	(24,189)	(24,189)	-
Total other financing uses	(369,561)	(369,561)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(1,993,088)	(552,649)	1,440,439
Appropriated net position	1,993,088	-	(1,993,088)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	(552,649)	\$ (552,649)

*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, 2023**

**Exhibit D-8**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ (552,649)	
Reconciling items:			
Principal retirement		135,915	
Capital outlay		364,145	
Depreciation		(705,234)	
Wages and overhead charged to construction		298,877	
Materials charged to construction		208,442	
Maintenance charged to construction (gas line rehabilitations/replacements)		1,337,290	
Gain (loss) on sale of property		(15,074)	
Increase (decrease) in inventory		524,309	
Provision for uncollectable accounts		(20,053)	
Change in accrued interest		1,742	
(Increase) decrease in compensated absences payable		(21,973)	
Increase (decrease) in deferred outflow of resources - pensions		277,306	
(Increase) decrease in net pension liability		(684,820)	
(Increase) decrease in deferred inflows of resources - pensions		302,665	
Increase (decrease) in deferred outflow of resources - OPEB		(32,231)	
(Increase) decrease in total OPEB liability		83,062	
(Increase) decrease in deferred inflows of resources - OPEB		(83,323)	
Items related to subfund - Natural Gas Projects Fund			
Investment earnings		16,535	
Items related to subfund - Natural Gas Capital Reserve Fund			
Investment earnings		35,210	
Transfer from Natural Gas Fund		24,189	
Items related to subfund - Natural Gas Stabilization Fund			
Investment earnings		18,488	
Transfer to Natural Gas Fund		(800,000)	
Total reconciling items		1,265,467	
Change in net position		\$ 712,818	

**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, 2023**

**Exhibit D-9**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Transco Interconnect and Distribution Pipeline Project					
Investment earnings	\$ -	\$ 1,110	\$ 16,535	\$ 17,645	\$ 17,645
Total	<u>-</u>	<u>1,110</u>	<u>16,535</u>	<u>17,645</u>	<u>17,645</u>
Natural Gas System Improvement Grant Project					
Restricted intergovernmental	1,345,950	-	-	-	(1,345,950)
Total	<u>1,345,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,345,950)</u>
Total revenues	<u>1,345,950</u>	<u>1,110</u>	<u>16,535</u>	<u>17,645</u>	<u>(1,328,305)</u>
<b>Expenditures</b>					
Transco Interconnect and Distribution Pipeline Project					
	2,000,000	242,899	209,913	452,812	1,547,188
Natural Gas System Improvement Grant Project					
	2,691,900	-	-	-	2,691,900
Total expenditures	<u>4,691,900</u>	<u>242,899</u>	<u>209,913</u>	<u>452,812</u>	<u>4,239,088</u>
Revenues over (under) expenditures	<u>(3,345,950)</u>	<u>(241,789)</u>	<u>(193,378)</u>	<u>(435,167)</u>	<u>2,910,783</u>
<b>Other financing sources (uses)</b>					
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	825,000	825,000	-	825,000	-
Total	<u>2,000,000</u>	<u>825,000</u>	<u>-</u>	<u>825,000</u>	<u>(1,175,000)</u>
Natural Gas System Improvement Grant Project					
Capital Contributions	1,345,950	-	-	-	(1,345,950)
Total	<u>1,345,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,345,950)</u>
Total other financing sources	<u>3,345,950</u>	<u>825,000</u>	<u>-</u>	<u>825,000</u>	<u>(2,520,950)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 583,211</u>	<u>\$ (193,378)</u>	<u>\$ 389,833</u>	<u>\$ 389,833</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, 2023**

**Exhibit D-10**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 800	\$ 35,210	\$ 34,410
Revenues over expenditures	800	35,210	34,410
<b>Other financing sources</b>			
Transfers from other funds			
Natural Gas Fund	24,189	24,189	-
Total other financing sources (uses)	24,189	24,189	-
Revenues and other financing sources over expenditures	24,989	59,399	34,410
Addition to reserve for natural gas capital requirements	(24,989)	-	24,989
Revenues over expenditures and addition to net position	\$ -	\$ 59,399	\$ 59,399

**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, 2023**

**Exhibit D-11**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 400	\$ 18,488	\$ 18,088
Revenues over expenditures	400	18,488	18,088
<b>Other financing uses</b>			
Transfers to other funds			
Natural Gas Fund	(800,000)	(800,000)	-
Total other financing sources (uses)	(800,000)	(800,000)	-
Revenues and other financing sources over expenditures	(799,600)	(781,512)	18,088
Net position appropriated	799,600	-	(799,600)
Revenues over expenditures and addition to net position	<u>\$ -</u>	<u>\$ (781,512)</u>	<u>\$ (781,512)</u>



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**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, 2023**

**Exhibit E-1**

	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 347,300	\$ 772,527	\$ 1,119,827
Receivables (net)			
Accounts - billed	68,450	-	68,450
Accounts - unbilled	105,366	-	105,366
Due from other governments	1,235	17,122	18,357
Restricted cash and cash equivalents			
Customer deposits	-	3,000	3,000
Inventories	-	29,830	29,830
Total current assets	522,351	822,479	1,344,830
Noncurrent assets			
Capital assets			
Capital assets not being depreciated	-	40,728	40,728
Capital assets, net of accumulated depreciation	242,715	734,098	976,813
Right to use assets, net of accumulated amortization	-	72,417	72,417
Total capital assets	242,715	847,243	1,089,958
Total noncurrent assets	242,715	847,243	1,089,958
Total assets	765,066	1,669,722	2,434,788
<b>Deferred outflows of resources</b>	91,239	252,362	343,601
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 11,358	\$ 61,768	\$ 73,126
Due to other funds	-	24,724	24,724
Compensated absences	15,000	20,212	35,212
Subscription liabilities	-	25,089	25,089
Liabilities payable from restricted assets			
Customer deposits	-	3,000	3,000
Total current liabilities	26,358	134,793	161,151
Noncurrent liabilities			
Compensated absences	2,629	-	2,629
Net pension liability	123,753	289,672	413,425
Total OPEB liability	39,282	282,948	322,230
Subscription liabilities	-	47,321	47,321
Advances from other funds	-	24,975	24,975
Total noncurrent liabilities	165,664	644,916	810,580
Total liabilities	192,022	779,709	971,731
<b>Deferred inflows of resources</b>	10,067	58,323	68,390

*Continued on next page.*

**City of Lexington, North Carolina**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Fund Net Position**  
**June 30, 2023**

**Exhibit E-1**  
*continued*

	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>Net position</b>			
Net investment in capital assets	\$ 242,715	\$ 847,250	\$ 1,089,965
Unrestricted	411,501	236,802	648,303
Total net position	\$ 654,216	\$ 1,084,052	\$ 1,738,268

City of Lexington, North Carolina

Exhibit E-2

Nonmajor Enterprise Funds

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

For the fiscal year ended June 30, 2023

	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>Operating revenues</b>			
Charges for sales and services	\$ 1,194,240	\$ 926,561	\$ 2,120,801
Other operating	6,958	1,867	8,825
Total operating revenues	<u>1,201,198</u>	<u>928,428</u>	<u>2,129,626</u>
<b>Operating expenses</b>			
Cost of sales and services	625,750	1,127,971	1,753,721
Administration	452,957	19,734	472,691
Depreciation	55,870	198,685	254,555
Total operating expenses	<u>1,134,577</u>	<u>1,346,390</u>	<u>2,480,967</u>
Operating income (loss)	66,621	(417,962)	(351,341)
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	8,647	29,490	38,137
Interest and other charges	-	(1,069)	(1,069)
Total nonoperating revenues (expenses)	<u>8,647</u>	<u>28,421</u>	<u>37,068</u>
Income (loss) before transfers	75,268	(389,541)	(314,273)
Transfers from other funds			
General Fund	-	450,000	450,000
Change in net position	75,268	60,459	135,727
Net position - beginning	578,948	1,023,593	1,602,541
Net position - ending	<u>\$ 654,216</u>	<u>\$ 1,084,052</u>	<u>\$ 1,738,268</u>

**City of Lexington, North Carolina**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended June 30, 2023**

**Exhibit E-3**

	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,159,710	\$ 926,561	\$ 2,086,271
Cash received (paid) for interfund services provided (used)	(452,957)	(19,734)	(472,691)
Cash paid for goods and services	(353,592)	(384,305)	(737,897)
Cash paid to employees	(268,063)	(756,773)	(1,024,836)
Other operating income	6,958	1,867	8,825
Net cash provided (used) by operating activities	92,056	(232,384)	(140,328)
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	-	450,000	450,000
Net cash provided (used) by noncapital financing activities	-	450,000	450,000
<b>Cash flows from capital and related financing activities</b>			
Repayments on advances from other funds	-	(41,048)	(41,048)
Subscription liabilities issued	-	72,630	72,630
Acquisition and construction of capital assets	(25,325)	(163,412)	(188,737)
Principal paid on lease liabilities, subscription liabilities, and debt	-	(220)	(220)
Interest and other charges paid on debt	-	(1,059)	(1,059)
Net cash provided (used) by capital and related financing activities	(25,325)	(133,109)	(158,434)
<b>Cash flows from investing activities</b>			
Receipts of investment earnings	8,647	29,490	38,137
Net cash provided by investing activities	8,647	29,490	38,137
Net increase (decrease) in cash and cash equivalents	75,378	113,997	189,375
Cash and cash equivalents - beginning	271,922	661,530	933,452
Cash and cash equivalents - ending	\$ 347,300	\$ 775,527	\$ 1,122,827

*Continued on next page.*

**City of Lexington, North Carolina**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended June 30, 2023**

**Exhibit E-3**  
*continued*

	Stormwater	Golf	Total Nonmajor Enterprise Funds
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 66,621	\$ (417,962)	\$ (351,341)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	55,870	198,685	254,555
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(34,530)	-	(34,530)
(Increase) decrease in intergovernmental receivable	5,289	9,017	14,306
(Increase) decrease in inventory	-	(29,830)	(29,830)
(Increase) decrease in deferred outflows of resources - pensions	(28,291)	(70,380)	(98,671)
(Increase) decrease in deferred outflows of resources - OPEB	1,117	14,905	16,022
Increase (decrease) in accounts payable and accrued liabilities	(19,103)	14,926	(4,177)
(Increase) decrease in amounts accrued related to interest on capital debt	-	(10)	(10)
Increase (decrease) in customer deposits	-	1,000	1,000
Increase (decrease) in compensated absences	7,248	(21,727)	(14,479)
Increase (decrease) in net pension liability	88,293	209,351	297,644
Increase (decrease) in total OPEB liability	(2,265)	(47,644)	(49,909)
Increase (decrease) in deferred inflows of resources - pensions	(51,990)	(117,542)	(169,532)
Increase (decrease) in deferred inflows of resources - OPEB	3,797	24,827	28,624
Total adjustments	25,435	185,578	211,013
Net cash provided (used) by operating activities	\$ 92,056	\$ (232,384)	\$ (140,328)

**City of Lexington, North Carolina**  
**Stormwater Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the fiscal year ended June 30, 2023**

**Exhibit E-4**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Charges for sales and services	\$	\$ 1,198,072	\$
Other operating		6,958	
Total operating revenues	1,252,611	1,205,030	(47,581)
Nonoperating revenues			
Investment earnings		8,647	
Total nonoperating revenues	38	8,647	8,609
Total revenues	1,252,649	1,213,677	(38,972)
<b>Expenditures</b>			
Stormwater operations			
Salaries and employee benefits		270,313	
Maintenance		253,973	
Cost of sales and services		83,555	
Administrative charges general fund		210,938	
Administrative charges risk management fund		12,094	
Administrative charges utility administration fund		229,925	
Capital outlay		25,325	
Total expenditures	1,383,239	1,086,123	297,116
Revenues over (under) expenditures	(130,590)	127,554	258,144
Appropriated net position	130,590	-	(130,590)
Revenues and other financing sources over (under) expenditures	\$ -	127,554	\$ 127,554

*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, 2023**

**Exhibit E-4**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 127,554	
Reconciling items:			
Capital outlay		25,325	
Depreciation		(55,870)	
Provision for uncollectable accounts		(3,832)	
(Increase) decrease in compensated absences payable		(7,248)	
Increase (decrease) in deferred outflow of resources - pensions		28,291	
(Increase) decrease in net pension liability		(88,293)	
(Increase) decrease in deferred inflows of resources - pensions		51,990	
Increase (decrease) in deferred outflow of resources - OPEB		(1,117)	
(Increase) decrease in total OPEB liability		2,265	
(Increase) decrease in deferred inflows of resources - OPEB		(3,797)	
Total reconciling items		(52,286)	
Change in net position		\$ 75,268	

**City of Lexington, North Carolina**  
**Golf Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the fiscal year ended June 30, 2023**

**Exhibit E-5**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Charges for sales and services			
Golf course	\$	\$ 473,318	\$
Golf cart rentals		373,351	
Merchandise and concessions		67,492	
Municipal club rental		12,400	
Other operating		1,867	
Total operating revenues	877,384	928,428	51,044
Nonoperating revenues			
Investment earnings		29,490	
Total nonoperating revenues	300	29,490	29,190
Total revenues	877,684	957,918	80,234
<b>Expenditures</b>			
Golf operations			
Salaries and employee benefits		758,548	
Cost of sales and services		407,463	
Administrative charges risk management fund		19,734	
Capital outlay		90,783	
Total operating expenditures	1,466,267	1,276,528	189,739
Debt service			
Principal retirement		220	
Interest and other charges		1,059	
Total debt service	42,329	1,279	41,050
Total expenditures	1,508,596	1,277,807	230,789
Revenues over (under) expenditures	(630,912)	(319,889)	311,023
<b>Other financing sources</b>			
Transfers from other funds			
General Fund	450,000	450,000	-
Total other financing sources	450,000	450,000	-
Revenues and other financing sources over (under) expenditures	(180,912)	130,111	311,023
Appropriated net position	180,912	-	(180,912)
Revenues, other financing sources, and appropriated net position over (under) expenditures	\$ -	130,111	\$ 130,111

*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, 2023**

**Exhibit E-5**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Reconciliation from financial plan basis to modified accrual basis</b>			
Initial implementation of SBITA standard			
Subscription liabilities issued		\$ 72,630	
Capital outlay		<u>(72,630)</u>	
Revenues, other financing sources, and appropriated net position over (under) expenditures		<u>130,111</u>	
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>			
Revenues, other financing sources, and appropriated net position over (under) expenditures		<u>130,111</u>	
Reconciling items:			
Subscription liabilities issued		(72,630)	
Principal retirements		220	
Capital outlay		163,413	
Depreciation - capital assets		(198,472)	
Amortization - right to use subscription assets		(213)	
Increase (decrease) in inventory		29,830	
Change in accrued interest		(10)	
(Increase) decrease in compensated absences payable		21,727	
Increase (decrease) in deferred outflows of resources - pensions		70,380	
(Increase) decrease in net pension liability		(209,351)	
(Increase) decrease in deferred inflows of resources - pensions		117,542	
Increase (decrease) in deferred outflows of resources - OPEB		(14,905)	
(Increase) decrease in total OPEB liability		47,644	
(Increase) decrease in deferred inflows of resources - OPEB		<u>(24,827)</u>	
Total reconciling items		<u>(69,652)</u>	
Change in net position		<u>\$ 60,459</u>	

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**INTERNAL SERVICE FUNDS**

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## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments on a cost reimbursement basis. 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, Natural Gas, and Stormwater utilities. The fund also provides billing/collections services for the General Fund for recycling and waste collection services. The five 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, 2023**

**Exhibit F-1**

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
<b>Assets</b>					
Current assets					
Cash and cash equivalents	1,268,088	\$ 2,867,728	\$ 1,505,837	\$ 4,629,700	\$ 10,271,353
Receivables (net)					
Accounts - billed	-	-	-	82,627	82,627
Due from other governments	46,847	504	1,508	135,197	184,056
Restricted cash and cash equivalents					
Unexpended debt proceeds	-	-	-	8,164,993	8,164,993
Inventories	170,347	-	-	-	170,347
Prepaid items	-	-	-	17,000	17,000
Total current assets	<u>1,485,282</u>	<u>2,868,232</u>	<u>1,507,345</u>	<u>13,029,517</u>	<u>18,890,376</u>
Noncurrent assets					
Designated cash and cash equivalents					
Capital reserve	1,217,202	-	-	-	1,217,202
Group insurance reserve	-	9,599,725	-	-	9,599,725
Capital assets					
Capital assets not being depreciated	15,000	-	-	8,368,419	8,383,419
Capital assets, net of accumulated depreciation	132,774	-	35,007	2,569,821	2,737,602
Right to use assets, net of accumulated amortization	-	-	7,007	19,310	26,317
Total capital assets	<u>147,774</u>	<u>-</u>	<u>42,014</u>	<u>10,957,550</u>	<u>11,147,338</u>
Total noncurrent assets	<u>1,364,976</u>	<u>9,599,725</u>	<u>42,014</u>	<u>10,957,550</u>	<u>21,964,265</u>
Total assets	<u>2,850,258</u>	<u>12,467,957</u>	<u>1,549,359</u>	<u>23,987,067</u>	<u>40,854,641</u>
<b>Deferred outflows of resources</b>	<u>218,359</u>	<u>-</u>	<u>90,956</u>	<u>1,110,918</u>	<u>1,420,233</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Internal Service Funds**  
**Combining Statement of Fund Net Position**  
**June 30, 2023**

**Exhibit F-1**  
*continued*

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
<b>Liabilities</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 135,163	\$ 21,645	\$ 52,819	\$ 553,399	\$ 763,026
Due to other funds	-	-	-	255,739	255,739
Unpaid claims costs	-	521,000	102,632	-	623,632
Compensated absences	37,000	-	13,000	150,000	200,000
Lease liabilities	-	-	-	3,908	3,908
Subscription liabilities	-	-	5,398	-	5,398
Installment purchases payable	-	-	-	710,792	710,792
Liabilities payable from restricted assets					
Accounts payable and accrued liabilities	-	-	-	1,584,113	1,584,113
Total current liabilities	<u>172,163</u>	<u>542,645</u>	<u>173,849</u>	<u>3,257,951</u>	<u>4,146,608</u>
Noncurrent liabilities					
Arbitrage rebate payable	-	-	-	30,154	30,154
Compensated absences	9,792	-	5,251	57,761	72,804
Net pension liability	283,031	-	99,355	1,286,049	1,668,435
Total OPEB liability	137,536	-	118,705	1,209,490	1,465,731
Lease liabilities	-	-	-	1,967	1,967
Installment purchases payable	-	-	-	14,091,717	14,091,717
Advances from other funds:					
Electric Capital Reserve fund	-	-	-	1,144,261	1,144,261
Total noncurrent liabilities	<u>430,359</u>	<u>-</u>	<u>223,311</u>	<u>17,821,399</u>	<u>18,475,069</u>
Total liabilities	<u>602,522</u>	<u>542,645</u>	<u>397,160</u>	<u>21,079,350</u>	<u>22,621,677</u>
<b>Deferred inflows of resources</b>					
	<u>31,702</u>	<u>-</u>	<u>23,946</u>	<u>250,437</u>	<u>306,085</u>
<b>Net position</b>					
Net investment in capital assets	147,774	-	43,623	2,736,687	2,928,084
Unrestricted	2,286,619	11,925,312	1,175,586	1,031,511	16,419,028
Total net position	<u>\$ 2,434,393</u>	<u>\$ 11,925,312</u>	<u>\$ 1,219,209</u>	<u>\$ 3,768,198</u>	<u>\$ 19,347,112</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, 2023

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
<b>Operating revenues</b>					
Charges for services	\$ 2,335,406	\$ 5,450,473	\$ 1,368,963	\$ 5,327,588	\$ 14,482,430
Other operating	29,854	100,740	76,545	1,510,066	1,717,205
Total operating revenues	<u>2,365,260</u>	<u>5,551,213</u>	<u>1,445,508</u>	<u>6,837,654</u>	<u>16,199,635</u>
<b>Operating expenses</b>					
Cost of sales and services	2,159,658	-	-	-	2,159,658
Administration	-	392,907	379,168	5,610,916	6,382,991
Premiums	-	658,124	844,458	-	1,502,582
Claims	-	3,340,993	1,077,491	-	4,418,484
Depreciation and amortization	162,026	-	18,526	171,624	352,176
Total operating expenses	<u>2,321,684</u>	<u>4,392,024</u>	<u>2,319,643</u>	<u>5,782,540</u>	<u>14,815,891</u>
Operating income (loss)	<u>43,576</u>	<u>1,159,189</u>	<u>(874,135)</u>	<u>1,055,114</u>	<u>1,383,744</u>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	73,586	414,930	58,265	548,744	1,095,525
Gain (loss) on sale of property	46,653	-	-	(210,082)	(163,429)
Interest and other charges	-	-	(229)	(458,603)	(458,832)
Total nonoperating revenues (expenses)	<u>120,239</u>	<u>414,930</u>	<u>58,036</u>	<u>(119,941)</u>	<u>473,264</u>
Change in net position	163,815	1,574,119	(816,099)	935,173	1,857,008
Net position - beginning	<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>
Net position - ending	<u>\$ 2,434,393</u>	<u>\$ 11,925,312</u>	<u>\$ 1,219,209</u>	<u>\$ 3,768,198</u>	<u>\$ 19,347,112</u>

**City of Lexington, North Carolina**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended June 30, 2023**

**Exhibit F-3**

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
<b>Cash flows from operating activities</b>					
Cash received from services provided	\$ 2,361,324	\$ 5,450,473	\$ 1,368,963	\$ 5,381,398	\$ 14,562,158
Cash paid for goods and services	(1,555,422)	(4,271,949)	(2,042,444)	(3,905,632)	(11,775,447)
Cash paid to employees	(611,285)	-	(230,361)	(1,489,721)	(2,331,367)
Other operating income	29,854	100,740	76,545	1,510,066	1,717,205
Net cash provided (used) by operating activities	<u>224,471</u>	<u>1,279,264</u>	<u>(827,297)</u>	<u>1,496,111</u>	<u>2,172,549</u>
<b>Cash flows from capital and related financing activities</b>					
Advances from other funds	-	-	-	1,400,000	1,400,000
Subscription liabilities issued	-	-	10,525	26,965	37,490
Acquisition and construction of capital assets	(69,954)	-	(39,046)	(5,421,310)	(5,530,310)
Principal paid on lease liabilities, subscription liabilities, and debt	-	-	(5,127)	(736,729)	(741,856)
Interest and other charges paid on lease liabilities, subscription liabilities, and debt	-	-	(228)	(420,949)	(421,177)
Proceeds from the sale of assets	328,518	-	-	17,900	346,418
Net cash provided (used) by capital and related financing activities	<u>258,564</u>	<u>-</u>	<u>(33,876)</u>	<u>(5,134,123)</u>	<u>(4,909,435)</u>
<b>Cash flows from investing activities</b>					
Receipts of investment earnings	73,586	414,930	58,265	548,744	1,095,525
Net cash provided by investing activities	<u>73,586</u>	<u>414,930</u>	<u>58,265</u>	<u>548,744</u>	<u>1,095,525</u>
Net increase (decrease) in cash and cash equivalents	556,621	1,694,194	(802,908)	(3,089,268)	(1,641,361)
Cash and cash equivalents - beginning	1,928,669	10,773,259	2,308,745	15,883,961	30,894,634
Cash and cash equivalents - ending	<u>\$ 2,485,290</u>	<u>\$ 12,467,453</u>	<u>\$ 1,505,837</u>	<u>\$ 12,794,693</u>	<u>\$ 29,253,273</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, 2023**

**Exhibit F-3**  
*continued*

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>					
Operating income (loss)	\$ 43,576	\$ 1,159,189	\$ (874,135)	\$ 1,055,114	\$ 1,383,744
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	162,026	-	18,526	171,624	352,176
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources					
(Increase) decrease in accounts receivable	25,918	-	-	53,810	79,728
(Increase) decrease in intergovernmental receivable	(8,018)	(342)	2,386	(88,438)	(94,412)
(Increase) decrease in inventory	2,247	-	-	-	2,247
(Increase) decrease in deferred outflows of resources - pensions	(69,400)	-	(27,409)	(377,102)	(473,911)
(Increase) decrease in deferred outflows of resources - OPEB	7,497	-	4,843	39,839	52,179
Increase (decrease) in accounts payable and accrued liabilities	(13,166)	(4,583)	22,131	1,591,192	1,595,574
(Increase) decrease in capital-related payable amounts	-	-	-	(1,511,662)	(1,511,662)
(Increase) decrease in amounts accrued related to interest on capital debt	-	-	(1)	(7,500)	(7,501)
(Increase) decrease in arbitrage payable	-	-	-	(30,154)	(30,154)
Increase (decrease) in unpaid claims cost	-	125,000	(6,502)	-	118,498
Increase (decrease) in compensated absences	(4,620)	-	(1,390)	35,091	29,081
Increase (decrease) in arbitrage rebate payable	-	-	-	30,154	30,154
Increase (decrease) in net pension liability	204,961	-	73,915	971,151	1,250,027
Increase (decrease) in total OPEB liability	(24,310)	-	(13,548)	(94,653)	(132,511)
Increase (decrease) in deferred inflows of resources - pensions	(114,213)	-	(37,049)	(457,275)	(608,537)
Increase (decrease) in deferred inflows of resources - OPEB	11,973	-	10,936	114,920	137,829
Total adjustments	180,895	120,075	46,838	440,997	788,805
Net cash provided (used) by operating activities	\$ 224,471	\$ 1,279,264	\$ (827,297)	\$ 1,496,111	\$ 2,172,549

**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**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Operating revenues			
Charges for sales and services	\$	\$ 2,335,406	\$
Other operating		29,854	
Total operating revenues	<u>2,299,893</u>	<u>2,365,260</u>	<u>65,367</u>
Nonoperating revenues			
Investment earnings		40,155	
Sale of property		328,518	
Total nonoperating revenues	<u>291,300</u>	<u>368,673</u>	<u>77,373</u>
Total revenues	<u>2,591,193</u>	<u>2,733,933</u>	<u>142,740</u>
<b>Expenditures</b>			
Salaries and employee benefits		624,997	
Cost of sales and services		192,576	
Purchases for resale		1,327,950	
Capital outlay		69,954	
Total expenditures	<u>2,337,025</u>	<u>2,215,477</u>	<u>121,548</u>
Revenues over (under) expenditures	<u>254,168</u>	<u>518,456</u>	<u>264,288</u>
<b>Other financing uses</b>			
Transfers to other funds			
Fleet Management Capital Reserve Fund	(324,239)	(321,337)	2,902
Total other financing uses	<u>(324,239)</u>	<u>(321,337)</u>	<u>2,902</u>
Revenues over (under) expenditures and other financing uses	(70,071)	197,119	267,190
Appropriated net position	<u>70,071</u>	<u>-</u>	<u>(70,071)</u>
Revenues and appropriated net position over expenditures and other financing uses	<u>\$ -</u>	<u>197,119</u>	<u>\$ 197,119</u>

*Continued on next page.*

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

**Exhibit F-4**  
*continued*

	Financial Plan	Actual	Variance Positive (Negative)
<b>Reconciliation from financial plan basis (modified accrual) to full accrual</b>			
Revenues and appropriated net position over expenditures and other financing uses		\$ 197,119	
Reconciling items			
Capital outlay		69,954	
Depreciation		(162,026)	
Gain (loss) on sale of property		(281,865)	
Increase (decrease) in inventory		(2,247)	
(Increase) decrease in compensated absences payable		4,620	
Increase (decrease) in deferred outflows of resources - pensions		69,400	
(Increase) decrease in net pension liability		(204,961)	
(Increase) decrease in deferred inflows of resources - pensions		114,213	
Increase (decrease) in deferred outflows of resources - OPEB		(7,497)	
(Increase) decrease in total OPEB liability		24,310	
(Increase) decrease in deferred inflows of resources - OPEB		(11,973)	
Items related to subfund - Fleet Management Capital Reserve Fund			
Investment earnings		33,431	
Transfer from Fleet Management Fund		321,337	
Total reconciling items		(33,304)	
Change in net position		\$ 163,815	

**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, 2023**

**Exhibit F-5**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ 300	\$ 33,431	\$ 33,131
Revenues over (under) expenditures	300	33,431	33,131
<b>Other financing sources</b>			
Transfers from other funds			
Fleet Management Fund	324,239	321,337	(2,902)
Total other financing sources	324,239	321,337	(2,902)
Revenues and other financing sources over expenditures	324,539	354,768	30,229
Addition to reserve for fleet management capital requirements	(324,539)	-	324,539
Revenues and other financing sources over expenditures and addition to net position	\$ -	\$ 354,768	\$ 354,768



**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, 2023**

**Exhibit F-6**

	Financial Plan	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Premium charges to departments	\$	\$ 4,539,617	\$
Premium charges to employees/retirees		889,664	
Premium charges for COBRA		21,192	
Other operating		100,740	
Total operating revenues	7,021,276	5,551,213	(1,470,063)
Nonoperating revenues			
Investment earnings		414,930	
Total nonoperating revenues	4,600	414,930	410,330
Total revenues	7,025,876	5,966,143	(1,059,733)
<b>Expenditures</b>			
Administration		392,907	
Premiums		658,124	
Claims		3,340,993	
Total expenditures	7,305,003	4,392,024	2,912,979
Revenues over (under) expenditures	(279,127)	1,574,119	1,853,246
Appropriated net position	279,127	-	(279,127)
Revenues and appropriated net position over (under) expenditures and other financing uses	\$ -	1,574,119	\$ 1,574,119
<b>Reconciliation from financial plan basis (modified accrual) to full accrual</b>			
Reconciling items		-	
Change in net position		\$ 1,574,119	

**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, 2023**

**Exhibit F-7**

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Operating revenues			
Premium charges to departments	\$	\$ 1,365,482	\$
Premium charges to employees		3,481	
Other operating		76,545	
Total operating revenues	<u>1,491,812</u>	<u>1,445,508</u>	<u>(46,304)</u>
Nonoperating revenues			
Investment earnings		58,265	
Total nonoperating revenues	<u>900</u>	<u>58,265</u>	<u>57,365</u>
Total revenues	<u>1,492,712</u>	<u>1,503,773</u>	<u>11,061</u>
<b>Expenditures</b>			
Salaries and employee benefits		231,425	
Administration		137,445	
Premiums		844,458	
Claims		1,077,491	
Capital Outlay		28,521	
Debt service			
Principal retirement		5,127	
Interest and other charges		228	
Total expenditures	<u>2,484,842</u>	<u>2,324,695</u>	<u>160,147</u>
Revenues over (under) expenditures	(992,130)	(820,922)	171,208
Appropriated net position	<u>992,130</u>	<u>-</u>	<u>(992,130)</u>
Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	(820,922)	<u>\$ (820,922)</u>
<b>Reconciliation from financial plan basis to modified accrual basis</b>			
Initial implementation of SBITA standard			
Subscription liabilities issued		10,525	
Capital outlay		<u>(10,525)</u>	
Revenues and appropriated net position over (under) expenditures		<u>(820,922)</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, 2023**

**Exhibit F-7**  
*continued*

	Financial Plan	Actual	Variance Positive (Negative)
<b>Reconciliation from financial plan basis (modified accrual) to full accrual</b>			
Revenues and appropriated net position over (under) expenditures		\$ (820,922)	
Reconciling items			
Principal retirement		5,127	
Subscription liabilities issued		(10,525)	
Capital outlay		39,046	
Depreciation - capital assets		(15,008)	
Amortization - right to use subscription assets		(3,518)	
Change in accrued interest		(1)	
(Increase) decrease in compensated absences payable		1,390	
Increase (decrease) in deferred outflows of resources - pensions		27,409	
(Increase) decrease in net pension liability		(73,915)	
(Increase) decrease in deferred inflows of resources - pensions		37,049	
Increase (decrease) in deferred outflows of resources - OPEB		(4,843)	
(Increase) decrease in total OPEB liability		13,548	
(Increase) decrease in deferred inflows of resources - OPEB		(10,936)	
Total reconciling items		4,823	
Change in net position		\$ (816,099)	

**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, 2023**

**Exhibit F-8**

	Financial Plan	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Administrative charges general fund	\$	\$ 690,582	\$
Administrative charges electric fund		2,229,157	
Administrative charges water/wastewater fund		905,309	
Administrative charges natural gas fund		1,272,615	
Administrative charges stormwater fund		229,925	
Other operating		1,585,374	
Total operating revenues	6,539,588	6,912,962	373,374
Nonoperating revenues			
Investment earnings		90,748	
Sale of property		17,900	
Total nonoperating revenues	600,700	108,648	(492,052)
Total revenues	7,140,288	7,021,610	(118,678)
<b>Expenditures</b>			
Utility administration			
Salaries and employee benefits		43,868	
Administration		31,632	
Total utility administration	95,564	75,500	20,064
Utility services			
Salaries and employee benefits		1,333,420	
Administration		824,015	
Capital outlay		16,509	
Total utility administration	2,682,672	2,173,944	508,728
Customer service			
Salaries and employee benefits		1,005,450	
Administration		977,125	
Capital outlay		73,603	
Total customer service	2,473,522	2,056,178	417,344
Warehousing			
Salaries and employee benefits		129,283	
Administration		39,080	
Total warehousing	270,229	168,363	101,866

*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, 2023**

**Exhibit F-8**  
*continued*

	Financial Plan	Actual	Variance Positive (Negative)
Meter reading			
Salaries and employee benefits	\$	\$ 266,551	\$
Administration		175,434	
Capital outlay		25,326	
Total meter reading	492,664	467,311	25,353
Marketing			
Salaries and employee benefits		61,659	
Administration		341,501	
Total marketing	669,829	403,160	266,669
Debt service			
Principal retirement		736,729	
Interest and other charges		420,949	
Total debt service	1,157,682	1,157,678	4
Total expenditures	7,842,162	6,502,134	1,340,028
Revenues over (under) expenditures	(701,874)	519,476	1,221,350
<b>Other financing sources</b>			
Installment purchase debt issued	1,400,000	-	(1,400,000)
Transfers to other funds			
Utility Administration Projects Fund	(2,052,000)	(2,052,000)	-
Total other financing sources	(652,000)	(2,052,000)	(1,400,000)
Revenues and other financing sources over (under) expenditures	(1,353,874)	(1,532,524)	(178,650)
Appropriated net position	1,353,874	-	(1,353,874)
Revenues and appropriated net position over (under) expenditures	\$ -	(1,532,524)	\$ (1,532,524)
<b>Reconciliation from financial plan basis to modified accrual basis</b>			
Initial implementation of SBITA standard			
Subscription liabilities issued		26,965	
Capital outlay		(26,965)	
Revenues and appropriated net position over (under) expenditures		(1,532,524)	

*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, 2023**

**Exhibit F-8**  
*continued*

	Financial Plan	Actual	Variance Positive (Negative)
<b>Reconciliation from modified accrual basis to full accrual</b>			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ (1,532,524)	
Reconciling items			
Principal retirement		736,729	
Subscription liabilities issued		(26,965)	
Capital outlay		142,403	
Depreciation - capital assets		(154,184)	
Amortization - right to use leased assets		(3,825)	
Amortization - right to use subscription assets		(13,615)	
Gain (loss) on sale of property		(227,982)	
Provision for uncollectable accounts		(75,308)	
Change in accrued interest		(7,500)	
Change in arbitrage rebate payable		(30,154)	
(Increase) decrease in compensated absences payable		(35,091)	
Increase (decrease) in deferred outflows of resources - pensions		377,102	
(Increase) decrease in net pension liability		(971,151)	
(Increase) decrease in deferred inflows of resources - pensions		457,275	
Increase (decrease) in deferred outflows of resources - OPEB		(39,839)	
(Increase) decrease in total OPEB liability		94,653	
(Increase) decrease in deferred inflows of resources - OPEB		(114,920)	
Items related to subfund - Utility Administration Projects Fund			
Investment earnings		457,996	
Expense not capitalized		(149,927)	
Transfer from Utility Administration Fund		2,052,000	
Total reconciling items		2,467,697	
Change in net position		\$ 935,173	

**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, 2023**

**Exhibit F-9**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
City Centre Project					
Investment earnings	\$ -	\$ 15,475	\$ 438,505	\$ 453,980	\$ 453,980
Total	-	15,475	438,505	453,980	453,980
Workorder System Project					
Investment earnings	17,362	14,450	19,491	33,941	16,579
Total	17,362	14,450	19,491	33,941	16,579
Total revenues	17,362	29,925	457,996	487,921	470,559
<b>Expenditures</b>					
City Centre Project	16,000,000	1,132,420	6,790,569	7,922,989	8,077,011
Work Order System Project	444,362	227,982	149,927	377,909	66,453
Total expenditures	16,444,362	1,360,402	6,940,496	8,300,898	8,143,464
Revenues over (under) expenditures	(16,427,000)	(1,330,477)	(6,482,500)	(7,812,977)	8,614,023
<b>Other financing sources</b>					
City Centre Project					
Installment purchase debt issued	14,000,000	14,000,000	-	14,000,000	-
Transfers from other funds					
Utility Administration Fund	2,000,000	-	2,000,000	2,000,000	-
Total	16,000,000	14,000,000	2,000,000	16,000,000	-
Workorder System Project					
Transfers from other funds					
Utility Administration Fund	427,000	375,000	52,000	427,000	-
Total	427,000	375,000	52,000	427,000	-
Total other financing sources	16,427,000	14,375,000	2,052,000	16,427,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 13,044,523	\$ (4,430,500)	\$ 8,614,023	\$ 8,614,023

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**SUPPLEMENTAL FINANCIAL DATA**

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**SUPPLEMENTAL FINANCIAL DATA**

This section includes additional information on property taxes.

*Schedule of Ad Valorem Taxes Receivable – General Fund*

*Analysis of Current Tax Levy – City-Wide Levy*



**City of Lexington, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2023**

**Exhibit G-1**

Fiscal Year	Uncollected Balance June 30, 2022	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2023
2022-23	\$ -	\$ 11,756,856	\$ 11,463,221	\$ 293,635
2021-22	261,778	-	142,349	119,429
2020-21	118,052	-	51,125	66,927
2019-20	82,605	-	36,688	45,917
2018-19	66,534	-	19,883	46,651
2017-18	57,192	-	17,394	39,798
2016-17	43,280	-	14,192	29,088
2015-16	34,759	-	11,975	22,784
2014-15	32,309	-	10,863	21,446
2013-14	41,715	-	8,682	33,033
Prior	263,741	-	27,314	236,427
	<u>\$ 1,001,965</u>	<u>\$ 11,756,856</u>	<u>\$ 11,803,686</u>	<u>955,135</u>

Less: allowance for uncollectible accounts:  
General Fund

853,000

Ad valorem taxes receivable - net

\$ 102,135

Reconciliation to revenues

Ad valorem taxes - General Fund

\$ 11,937,529

Reconciling items

Interest collected

(139,367)

Abatements and releases - prior years

5,524

Total reconciling items

(133,843)

Total collections and credits

\$ 11,803,686

**City of Lexington, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**For the fiscal year ended June 30, 2023**

**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	\$ 1,819,865,964	\$ 0.650	\$ 11,829,149	\$ 10,797,953	\$ 1,031,196
Penalties	<u>-</u>		<u>8,745</u>	<u>8,745</u>	<u>-</u>
Total	<u>1,819,865,964</u>		<u>11,837,894</u>	<u>10,806,698</u>	<u>1,031,196</u>
Discoveries					
Current year taxes	7,503,958	0.650	48,776	48,776	-
Prior year taxes	-		37,027	37,027	-
Penalties	<u>-</u>		<u>1,222</u>	<u>1,222</u>	<u>-</u>
Total	<u>7,503,958</u>		<u>87,025</u>	<u>87,025</u>	<u>-</u>
Abatements	<u>(25,210,071)</u>		<u>(168,063)</u>	<u>(168,063)</u>	<u>-</u>
Total property valuation	<u>\$ 1,802,159,851</u>				
Net levy			11,756,856	10,725,660	1,031,196
Uncollected taxes at June 30			<u>(293,635)</u>	<u>(293,635)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 11,463,221</u>	<u>\$ 10,432,025</u>	<u>\$ 1,031,196</u>
Current levy collection percentage			<u>97.50%</u>	<u>97.26%</u>	<u>100.00%</u>

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**City of Lexington, North Carolina**  
**Analysis of Current Tax Levy**  
**City - Wide Levy**  
**For the fiscal year ended June 30, 2023**

**Exhibit G-2**  
*continued*

Secondary Market Disclosures

Assessed Valuation	
Assessment Ratio <sup>1</sup>	100%
Real Property	\$ 1,392,717,639
Personal Property	228,552,218
Public Service Company Property <sup>2</sup>	22,244,480
Registered Motor Vehicles	158,645,514
Total Assessed Valuation	1,802,159,851
City-wide Tax Rate	0.650
Levy (includes discoveries, releases and abatements) <sup>3</sup>	\$ 11,756,856

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

Municipal Service District	
Total Assessed Valuation	\$ 41,041,904
Additional District Tax Rate	0.200
Additional District Levy (includes discoveries, releases and abatements) <sup>3</sup>	\$ 82,134

<sup>1</sup>Percentage of appraised value has been established by statute.

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

<sup>3</sup>The levy includes interest and penalties.







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**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, 2023**

**Exhibit H-1**

	ABC Board	Tourism Authority	Uptown Lexington	Front Street- Lexington	Totals
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 322,125	\$ 861,301	\$ 141,463	\$ 56,783	\$ 1,381,672
Due from primary government	-	42,213	-	-	42,213
Loans receivable	-	-	-	-	-
Inventories	1,224,559	-	-	2,644,836	3,869,395
Deposits and prepaid items	20,886	-	-	535	21,421
Total current assets	<u>1,567,570</u>	<u>903,514</u>	<u>141,463</u>	<u>2,702,154</u>	<u>5,314,701</u>
<b>Noncurrent assets</b>					
<b>Capital assets</b>					
Capital assets not being depreciated	253,386	-	-	-	253,386
Capital assets, net of accumulated depreciation	713,252	-	-	-	713,252
Right to use assets, net of accumulated amortization	-	52,974	-	-	52,974
Total capital assets	<u>966,638</u>	<u>52,974</u>	<u>-</u>	<u>-</u>	<u>1,019,612</u>
Total noncurrent assets	<u>966,638</u>	<u>52,974</u>	<u>-</u>	<u>-</u>	<u>1,019,612</u>
Total assets	<u>2,534,208</u>	<u>956,488</u>	<u>141,463</u>	<u>2,702,154</u>	<u>6,334,313</u>
<b>Deferred outflows of resources</b>	<u>177,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,970</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	446,666	2,114	1,576	50,202	500,558
Due to primary government	74,062	-	-	-	74,062
Compensated absences	-	8,565	-	-	8,565
Lease liabilities	-	15,703	-	-	15,703
Installment purchases payable	36,766	-	-	-	36,766
Total current liabilities	<u>557,494</u>	<u>26,382</u>	<u>1,576</u>	<u>50,202</u>	<u>635,654</u>
<b>Noncurrent liabilities</b>					
Net pension liability	182,218	-	-	-	182,218
Lease liabilities	-	38,740	-	-	38,740
Installment purchases payable	84,166	-	-	2,076,588	2,160,754
Total noncurrent liabilities	<u>266,384</u>	<u>38,740</u>	<u>-</u>	<u>2,076,588</u>	<u>2,381,712</u>
Total liabilities	<u>823,878</u>	<u>65,122</u>	<u>1,576</u>	<u>2,126,790</u>	<u>3,017,366</u>
<b>Deferred inflows of resources</b>	<u>770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>770</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Nonmajor Component Units**  
**Combining Statement of Net Position**  
**June 30, 2023**

**Exhibit H-1**  
*continued*

	<u>ABC Board</u>	<u>Tourism Authority</u>	<u>Uptown Lexington</u>	<u>Front Street- Lexington</u>	<u>Totals</u>
<b>Net position</b>					
Net investment in capital assets	\$ 845,706	\$ (1,469)	\$ -	\$ -	\$ 844,237
Restricted for					
Stabilization by state statute	-	42,213	-	-	42,213
Tourism promotion	-	850,622	-	-	850,622
Uptown revitalization	-	-	139,887	-	139,887
Economic development, nonexpendable	-	-	-	281,928	281,928
Working capital	239,428	-	-	-	239,428
Unrestricted	<u>802,396</u>	<u>-</u>	<u>-</u>	<u>293,436</u>	<u>1,095,832</u>
Total net position	<u>\$ 1,887,530</u>	<u>\$ 891,366</u>	<u>\$ 139,887</u>	<u>\$ 575,364</u>	<u>\$ 3,494,147</u>

**City of Lexington, North Carolina**

**Exhibit H-2**

**Nonmajor Component Units**

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

**For the fiscal year ended June 30, 2023**

	<u>ABC Board</u>	<u>Tourism Authority</u>	<u>Uptown Lexington</u>	<u>Front Street- Lexington</u>	<u>Totals</u>
<b>Operating revenues</b>					
Sales and services	\$ 8,072,302	\$ 60,595	\$ -	\$ 50,000	\$ 8,182,897
Payment from City of Lexington	-	496,402	149,375	-	645,777
Other grants and donations	-	-	59,902	-	59,902
Total operating revenues	<u>8,072,302</u>	<u>556,997</u>	<u>209,277</u>	<u>50,000</u>	<u>8,888,576</u>
<b>Operating expenses</b>					
Cost of sales and services	6,017,570	-	-	-	6,017,570
Other operating expenses	1,207,614	416,204	185,409	59,202	1,868,429
Total operating expenses	<u>7,225,184</u>	<u>416,204</u>	<u>185,409</u>	<u>59,202</u>	<u>7,885,999</u>
Operating income (loss)	<u>847,118</u>	<u>140,793</u>	<u>23,868</u>	<u>(9,202)</u>	<u>1,002,577</u>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	2,916	26,454	1,956	-	31,326
Other nonoperating revenues	-	140	125	-	265
Interest and other charges	(4,648)	(802)	-	-	(5,450)
Required distributions	<u>(403,589)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(403,589)</u>
Total nonoperating revenues (expenses)	<u>(405,321)</u>	<u>25,792</u>	<u>2,081</u>	<u>-</u>	<u>(377,448)</u>
Change in net position	441,797	166,585	25,949	(9,202)	625,129
Net position - beginning	<u>1,445,733</u>	<u>724,781</u>	<u>113,938</u>	<u>584,566</u>	<u>2,869,018</u>
Net position - ending	<u>\$ 1,887,530</u>	<u>\$ 891,366</u>	<u>\$ 139,887</u>	<u>\$ 575,364</u>	<u>\$ 3,494,147</u>

**Uptown Lexington, Inc.**  
**(A component unit of the City of Lexington, North Carolina)**  
**Balance Sheet**  
**June 30, 2023**

**Exhibit H-3**

**Assets**

Cash and cash equivalents	\$ 141,463
Emergency business assistance loans receivable	<u>-</u>
Total assets	<u><u>\$ 141,463</u></u>

**Liabilities**

Accounts payable and accrued liabilities	<u>\$ 1,576</u>
Total liabilities	<u>1,576</u>

**Fund balance**

Restricted	
Uptown revitalization	<u>139,887</u>
Total fund balance	<u>139,887</u>

Total liabilities and fund balance	<u><u>\$ 141,463</u></u>
------------------------------------	--------------------------



**Uptown Lexington, Inc.**  
**(A component unit of the City of Lexington, North Carolina)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the fiscal year ended June 30, 2023**

**Exhibit H-4**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Contribution from City of Lexington			
Special district property tax	\$ 80,000	\$ 82,965	\$ 2,965
Other grants from City of Lexington	75,000	66,410	(8,590)
Grant from Davidson County	-	-	-
Donations/fund raisers	55,000	59,902	4,902
Investment earnings	200	1,956	1,756
Miscellaneous	-	125	125
Total revenues	210,200	211,358	1,158
<b>Expenditures</b>			
Salaries and employee benefits	82,285	64,959	17,326
Operations	127,915	118,900	9,015
Bad debt expense	-	1,550	(1,550)
Total expenditures	210,200	185,409	24,791
Net change in fund balance	\$ -	25,949	\$ 25,949
Fund balance - beginning		113,938	
Fund balance - ending		\$ 139,887	

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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.

<b>Contents</b>	<b>Pages</b>
Financial Trends	219-230
<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	231-240
<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	241-247
<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	248-249
<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	250-254
<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.

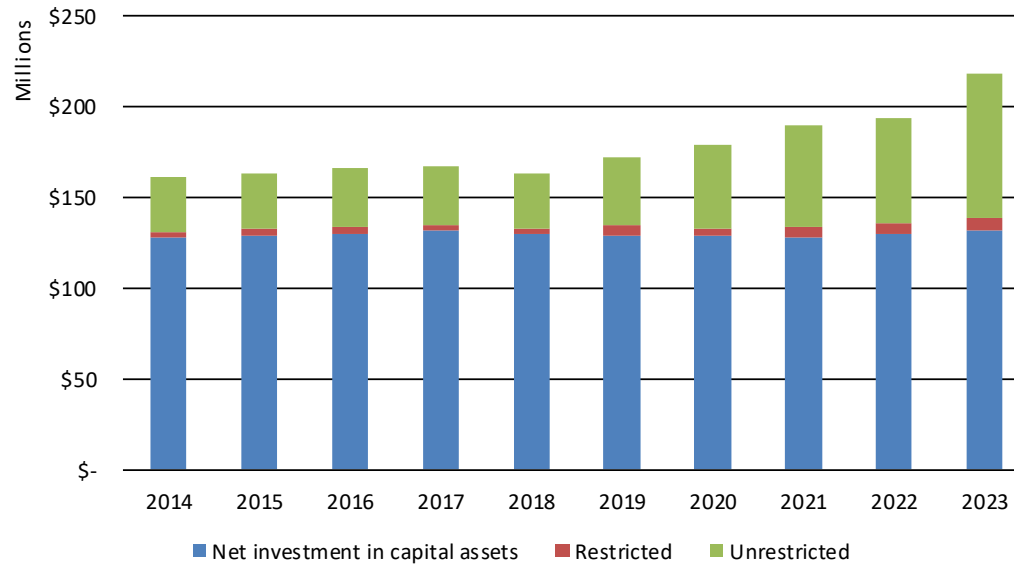


**City of Lexington, North Carolina**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

**Table 1**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Governmental activities</b>										
Net investment in capital assets	\$ 40,515,571	\$ 39,963,277	\$ 40,746,459	\$ 39,724,703	\$ 38,072,669	\$ 36,749,294	\$ 35,056,704	\$ 33,673,104	\$ 31,904,622	\$ 29,870,283
Restricted	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	6,542,298
Unrestricted	4,622,411	3,257,506	3,615,660	4,316,593	(872,267)	1,101,426	2,200,347	1,410,009	706,137	9,088,398
<b>Total governmental activities net position</b>	<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>	<u>\$ 45,500,979</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 87,427,567	\$ 88,722,117	\$ 89,108,109	\$ 92,174,754	\$ 91,584,949	\$ 92,457,973	\$ 93,366,084	\$ 93,874,486	\$ 97,535,227	\$102,040,289
Unrestricted	25,170,883	27,313,675	28,413,442	27,875,935	31,663,603	36,381,153	43,973,398	54,750,195	56,957,391	70,671,108
<b>Total business-type activities net position</b>	<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>	<u>\$172,711,397</u>
<b>Primary government</b>										
Net investment in capital assets	\$127,943,138	\$128,685,394	\$129,854,568	\$131,899,457	\$129,657,618	\$129,207,267	\$128,422,788	\$127,547,590	\$129,439,849	\$131,910,572
Restricted	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	6,542,298
Unrestricted	29,793,294	30,571,181	32,029,102	32,192,528	30,791,336	37,482,579	46,173,745	56,160,204	57,663,528	79,759,506
<b>Total primary government net position</b>	<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>	<u>\$218,212,376</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental activities										
General government	\$ 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	\$ 5,143,326
Public safety	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	15,043,883
Highways and streets	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	2,447,632
Sanitation	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	2,587,139
Culture and recreation	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	2,406,899
Economic and physical development	143,139	73,939	1,380,493	835,883	514,067	1,938,504	1,346,325	838,166	2,457,306	1,073,204
Interest on long-term debt	141,426	183,188	179,867	194,869	186,736	191,366	192,520	176,099	152,248	153,994
Total governmental activities expenses	<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>	<u>28,856,077</u>
Business-type activities										
Electric	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	42,089,909
Water and Wastewater	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	13,355,496
Natural Gas	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	13,355,743
Stormwater	-	-	-	-	-	-	50,162	315,219	954,143	1,223,335
Golf	809,312	815,233	871,926	944,635	1,129,231	909,770	1,033,354	1,024,420	1,162,440	1,328,078
Total business-type activities expenses	<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>	<u>71,352,561</u>
Total primary government expenses	<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>	<u>\$100,208,638</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 241,521	\$ 88,413	\$ 15,021	\$ 11,799	\$ 18,397	\$ 3,914	\$ 2,463	\$ 7,970	\$ 4,298	\$ 48,761
Public safety	194,359	305,823	382,193	330,857	436,522	478,041	514,218	376,824	472,025	579,678
Highways and streets	4,406	2,009	290	1,599	3,183	23,549	4,024	2,265	1,867	3,468
Sanitation	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	1,564,478
Culture and recreation	84,643	85,667	106,829	295,567	134,419	206,565	94,278	122,094	142,589	132,883
Economic and physical development	170,481	232,908	200,114	89,775	212,290	214,482	199,271	183,116	214,328	204,231
Operating grants and contributions	1,049,845	830,907	2,035,092	968,124	962,406	2,306,497	1,246,636	1,522,514	1,382,085	1,578,280
Capital grants and contributions	714,152	25,000	578,556	89,591	128,393	405,590	-	-	-	-
Total governmental activities program revenues	<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>	<u>4,111,779</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Business-type activities										
Charges for services										
Electric	\$ 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	\$ 46,469,906
Water and Wastewater	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	13,857,822
Natural Gas	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	15,142,475
Stormwater	-	-	-	-	-	-	5,007	415,909	1,158,348	1,310,317
Golf	646,750	648,358	653,191	628,632	729,107	635,234	528,856	713,688	995,244	928,428
Operating grants and contributions	614,114	46,368	823,343	445,525	139,919	448,776	7,508,462	9,287,751	1,423	183,416
Capital grants and contributions	633,527	-	-	24,000	-	-	-	78,525	209,739	5,000,000
Total business-type activities program revenues	<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>	<u>82,892,364</u>
Total primary government program revenues	<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>	<u>\$ 87,004,143</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (24,744,298)
Business-type activities	<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>	<u>11,539,803</u>
Total primary government net expense	<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>	<u>\$ (13,204,495)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes	\$ 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	\$ 11,980,395
Other taxes	265,561	314,466	318,347	320,251	327,810	367,932	675,730	783,490	913,891	959,025
Unrestricted intergovernmental revenues	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	9,916,202
Unrestricted investment earnings	27,417	27,756	53,649	77,321	195,401	515,476	367,621	13,523	53,712	1,372,429
Unrestricted miscellaneous	-	5,881	4,988	4,233	4,318	974	37,159	63,723	16,774	911,158
Restricted intergovernmental revenues (transferred to business-type activities)	-	-	-	-	-	-	-	-	-	6,033,899
Special items	-	-	-	-	-	-	-	-	-	4,562,661
Transfers	2,322,130	1,902,390	2,182,526	2,046,943	1,868,825	2,838,056	1,982,947	1,531,917	1,871,571	(4,331,482)
Total governmental activities	<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>	<u>31,404,287</u>
Business-type activities										
Unrestricted investment earnings	41,360	44,803	94,784	120,279	292,858	700,319	581,368	59,329	109,771	2,347,494
Transfers	(2,322,130)	(1,902,390)	(2,182,526)	(2,046,943)	(1,868,825)	(2,838,056)	(1,982,947)	(1,531,917)	(1,871,571)	4,331,482
Total business-type activities	<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>	<u>6,678,976</u>
Total primary government	<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>	<u>\$ 38,083,263</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (1,063,803)	\$ (222,840)	\$ 750,104	\$ 368,891	\$ 644,870	\$ 2,719,681	\$ (2,610,237)	\$ (279,194)	\$ 173,102	\$ 6,659,989
Business-type activities	<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>	<u>18,218,779</u>
Total primary government	<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>	<u>\$ 24,878,768</u>

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

**Table 3**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 12,698	\$ 3,920	\$ 3,329	\$ 3,329	\$ 15,829	\$ 3,789	\$ 4,000	\$ 169,605	\$ 160,863	\$ 90,094
Spendable										
Restricted	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	6,265,978
Committed	15,939	13,902	15,329	13,524	13,691	14,034	9,370	82,306	169,551	4,339,933
Assigned	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	2,367,586
Unassigned	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	7,193,517
Total General Fund	<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>	<u>\$ 20,257,108</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 903	\$ 590
Spendable										
Restricted	656,816	1,523,329	1,875,021	346,882	320,030	611,533	317,060	589,569	141,675	276,320
Committed	290,250	267,921	269,596	208,761	656,308	813,053	853,781	599,986	371,940	2,832,322
Unassigned	(14)	(227,371)	(292,943)	(89,750)	-	(31,934)	-	-	5,073	-
Total all other governmental funds	<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>	<u>\$ 3,109,232</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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Ad valorem taxes	\$ 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	\$ 12,021,983
Other taxes and licenses	264,000	316,532	318,347	320,251	327,810	367,932	675,730	783,490	913,891	959,025
Unrestricted intergovernmental	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	9,916,202
Restricted intergovernmental	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	7,546,845
Permits and fees	168,223	225,193	212,467	181,616	221,521	300,901	352,071	264,636	280,228	359,879
Sales and services	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	2,192,179
Investment earnings	18,763	19,054	36,776	50,371	109,056	280,167	187,694	6,699	30,901	878,874
Miscellaneous	157,656	230,437	281,403	231,006	687,928	1,223,092	77,204	42,834	41,577	54,096
<b>Total revenues</b>	<b>18,863,460</b>	<b>18,568,847</b>	<b>20,520,575</b>	<b>20,159,513</b>	<b>21,430,676</b>	<b>23,322,311</b>	<b>22,589,260</b>	<b>23,591,581</b>	<b>26,048,977</b>	<b>33,929,083</b>
<b>Expenditures</b>										
General government	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	4,874,345
Public safety	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	13,696,355
Highways and streets	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	1,283,525
Sanitation	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	2,126,398
Culture and recreation	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	1,771,848
Economic and physical development	223,608	194,250	1,504,578	639,316	514,989	1,937,769	1,313,160	859,590	1,420,952	1,041,487
Capital outlay	1,099,879	441,262	1,770,495	720,952	1,152,229	107,332	2,705,025	1,476,103	1,701,825	2,900,709
Construction in progress	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	586,744	623,053	681,960	699,790	816,723	848,132	844,229	918,074	1,640,037	1,230,120
Interest and other charges	141,426	154,414	168,945	197,772	184,812	185,040	198,871	179,724	158,006	145,963
<b>Total expenditures</b>	<b>21,865,587</b>	<b>22,240,261</b>	<b>24,571,105</b>	<b>24,150,447</b>	<b>23,564,007</b>	<b>24,565,185</b>	<b>26,034,584</b>	<b>24,568,709</b>	<b>27,826,111</b>	<b>29,070,750</b>
Excess of revenues over (under) expenditures	(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)	4,858,333

*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)**

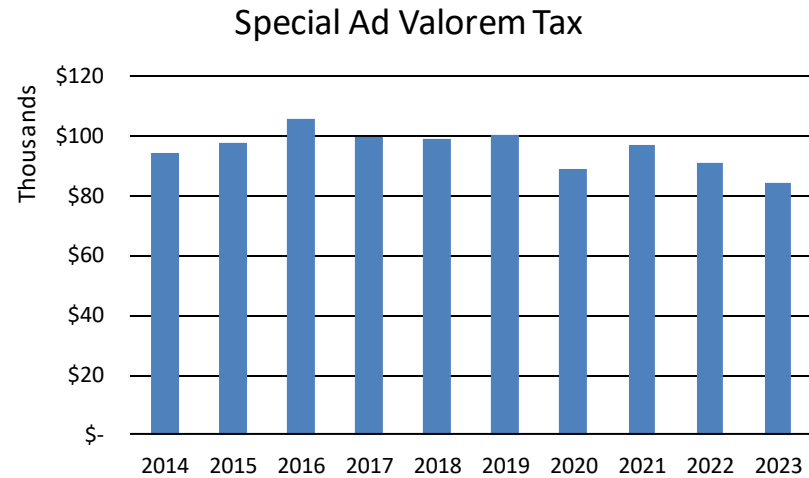
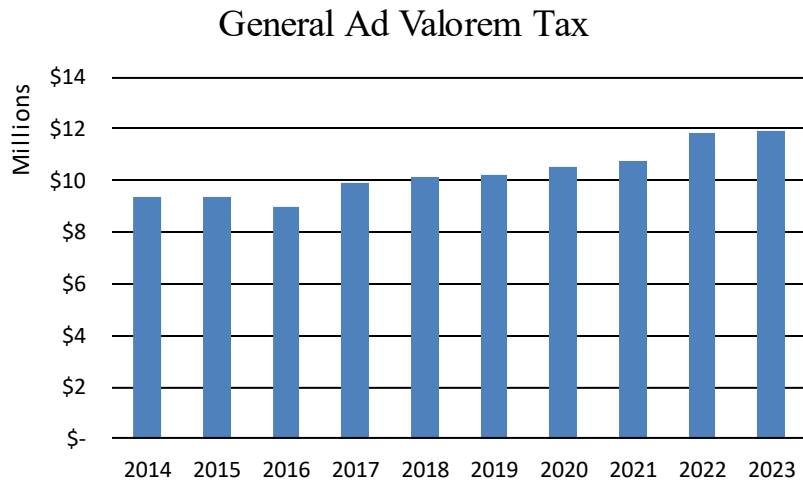
**Table 4**  
*continued*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Other financing sources (uses)</b>										
Subscription liabilities issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,833
Installment purchase debt issued	582,807	2,410,000	2,084,980	-	1,035,527	1,140,000	-	2,302,487	149,591	1,497,094
Transfers from other funds	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	4,935,657
Transfers to other funds	(456,674)	(568,584)	(802,174)	(945,757)	(804,389)	(575,192)	(549,707)	(725,000)	(909,291)	(9,267,139)
Sale of capital assets	-	18,607	61,575	2,295	4,442	47,388	253,457	56,534	433,119	2,102,416
Total other financing sources (uses)	<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>	<u>(709,139)</u>
<b>Special item</b>										
Distribution from Front Street-Lexington	-	-	-	-	-	-	-	-	-	4,856,097
Net change in fund balances	<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>	<u>\$ 9,005,291</u>
Debt service as a percentage of noncapital expenditures	3.6%	3.9%	4.1%	4.2%	4.5%	4.4%	4.5%	5.0%	6.9%	5.3%
Debt service as a percentage of total expenditures	3.3%	3.5%	3.5%	3.7%	4.3%	4.2%	4.0%	4.5%	6.5%	4.7%
Capital outlay as a percentage of total expenditures	7.4%	11.2%	16.0%	11.3%	5.0%	5.0%	11.0%	9.9%	6.2%	10.0%

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

**Table 5**

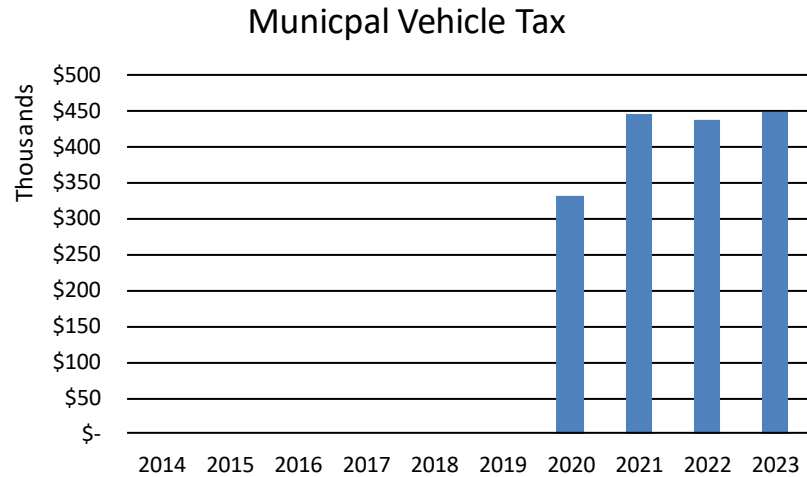
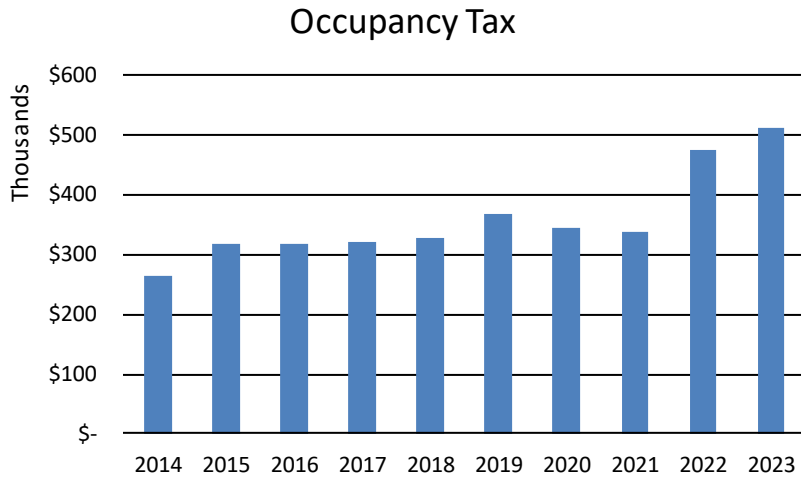
Fiscal Year	General Ad Valorem Tax	Special Ad Valorem Tax	Total
2014	\$ 9,390,723	\$ 94,355	\$ 9,485,078
2015	9,362,764	97,777	9,460,541
2016	8,989,843	105,524	9,095,367
2017	9,880,081	99,406	9,979,487
2018	10,122,823	99,196	10,222,019
2019	10,254,723	100,370	10,355,093
2020	10,504,426	89,027	10,593,453
2021	10,760,803	96,707	10,857,510
2022	11,851,784	90,774	11,942,558
2023	11,937,529	84,454	12,021,983



**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
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
2023	511,755	-	447,270	959,025



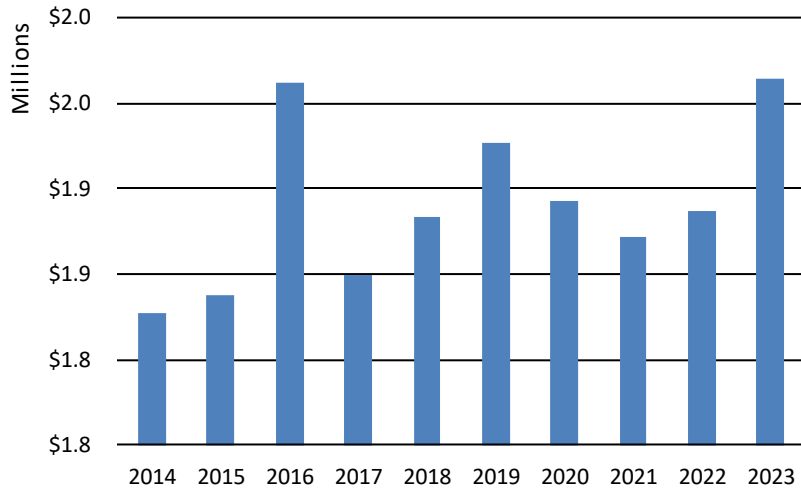
**City of Lexington, North Carolina**  
**Unrestricted Intergovernmental Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

**Table 7**

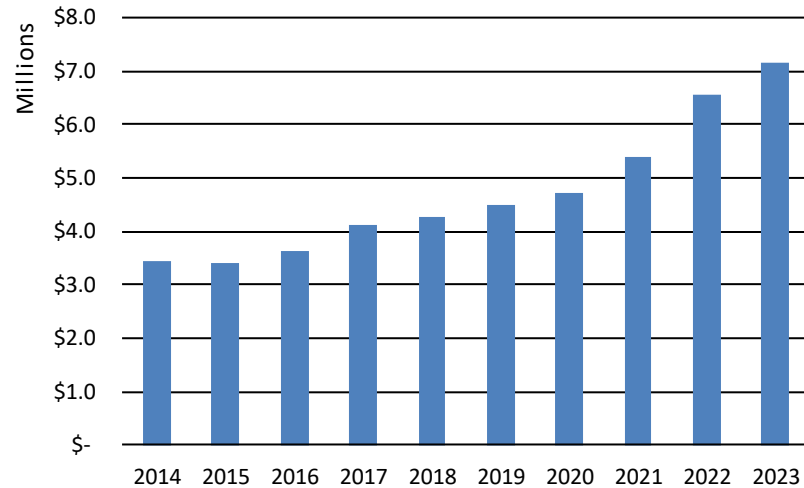
Fiscal Year	Build America Bond Interest Credit	Utilities Sales Tax	Piped Natural Gas Tax	Telecom-munications Tax	Video Franchise Tax	Payments in Lieu of Tax	Beer and Wine Tax	Local Option Sales Tax	ABC Revenues	Total
2014	\$ 30,944	\$ 1,827,102	\$ 2,427	\$ 299,966	\$ 172,657	\$ 13,681	\$ 81,484	\$ 3,428,265	\$ 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
2023	8,805	1,963,988	216,746	100,399	130,952	1,591	89,060	7,173,661	231,000	9,916,202

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Operating revenues</b>										
Charges for service	\$ 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	\$ 44,644,078
Other operating revenues	<u>2,396,323</u>	<u>273,825</u>	<u>915,867</u>	<u>666,864</u>	<u>443,691</u>	<u>685,451</u>	<u>378,660</u>	<u>330,110</u>	<u>277,869</u>	<u>634,781</u>
Total operating revenues	<u>54,320,797</u>	<u>53,679,028</u>	<u>51,300,549</u>	<u>50,797,110</u>	<u>51,546,031</u>	<u>50,877,723</u>	<u>47,178,992</u>	<u>47,055,769</u>	<u>46,362,739</u>	<u>45,278,859</u>
<b>Operating expenses</b>										
Salaries and benefits	1,466,247	1,302,963	1,479,210	1,595,559	1,751,140	109,651	-	-	-	-
Operating expenses	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	11,716,159
Purchases of power for resale	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	28,067,499
Depreciation	<u>949,226</u>	<u>956,873</u>	<u>998,503</u>	<u>1,048,465</u>	<u>1,033,041</u>	<u>1,081,713</u>	<u>1,329,794</u>	<u>1,281,967</u>	<u>1,353,136</u>	<u>1,346,483</u>
Total operating expenses	<u>51,652,590</u>	<u>50,910,968</u>	<u>49,344,281</u>	<u>47,630,569</u>	<u>45,948,712</u>	<u>46,604,187</u>	<u>43,799,247</u>	<u>43,279,451</u>	<u>44,529,063</u>	<u>41,130,141</u>
Operating income (loss)	<u>2,668,207</u>	<u>2,768,060</u>	<u>1,956,268</u>	<u>3,166,541</u>	<u>5,597,319</u>	<u>4,273,536</u>	<u>3,379,745</u>	<u>3,776,318</u>	<u>1,833,676</u>	<u>4,148,718</u>
<b>Non-operating revenues (expenses)</b>										
Investment earnings	16,136	16,907	37,028	48,105	128,915	346,784	323,224	16,256	54,236	1,077,463
Working capital refund	-	-	-	-	-	-	7,505,400	9,287,751	-	-
Interest and other charges	(152,401)	(189,818)	(141,749)	(180,709)	(155,722)	(131,967)	(115,060)	(100,755)	(86,591)	(72,180)
Other	<u>61,532</u>	<u>(15,964)</u>	<u>(5,698)</u>	<u>(9,157)</u>	<u>(37,982)</u>	<u>(99,316)</u>	<u>(15,569)</u>	<u>24,745</u>	<u>52,070</u>	<u>133,125</u>
Total non-operating revenues (expenses)	<u>(74,733)</u>	<u>(188,875)</u>	<u>(110,419)</u>	<u>(141,761)</u>	<u>(64,789)</u>	<u>115,501</u>	<u>7,697,995</u>	<u>9,227,997</u>	<u>19,715</u>	<u>1,138,408</u>
Income before transfers	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	5,287,126
Capital contributions	-	-	-	24,000	-	2,466,547	-	78,525	-	-
Transfers from (to) other funds	<u>(520,204)</u>	<u>(2,774,154)</u>	<u>(2,171,161)</u>	<u>(1,452,514)</u>	<u>(1,433,688)</u>	<u>(1,426,993)</u>	<u>(1,431,106)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>
Change in net position	<u>\$ 2,073,270</u>	<u>\$ (194,969)</u>	<u>\$ (325,312)</u>	<u>\$ 1,596,266</u>	<u>\$ 4,098,842</u>	<u>\$ 5,428,591</u>	<u>\$ 9,646,634</u>	<u>\$ 11,882,840</u>	<u>\$ 653,391</u>	<u>\$ 4,087,126</u>



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

**Table 9**

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Operating revenues</b>										
Water charges for service	\$ 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	\$ 5,622,257
Wastewater charges for service	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	7,255,845
Other operating revenues	209,105	177,518	188,028	215,264	181,570	440,280	375,112	637,548	625,968	495,567
<b>Total operating revenues</b>	<b>8,723,752</b>	<b>8,710,757</b>	<b>8,595,901</b>	<b>9,029,721</b>	<b>9,484,603</b>	<b>10,718,813</b>	<b>10,729,801</b>	<b>10,500,236</b>	<b>11,998,946</b>	<b>13,373,669</b>
<b>Operating expenses</b>										
Water plant	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	4,541,445
Waste treatment plant	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	5,701,249
Water and wastewater	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	1,265,092
Depreciation	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	1,452,784
<b>Total operating expenses</b>	<b>8,115,008</b>	<b>7,578,100</b>	<b>7,926,197</b>	<b>8,964,000</b>	<b>9,146,999</b>	<b>9,439,191</b>	<b>11,224,751</b>	<b>12,327,633</b>	<b>11,760,246</b>	<b>12,960,570</b>
Operating income (loss)	608,744	1,132,657	669,704	65,721	337,604	1,279,622	(494,950)	(1,827,397)	238,700	413,099
<b>Non-operating revenues (expenses)</b>										
Investment earnings	11,693	12,480	25,440	32,864	77,212	169,334	133,319	15,888	20,257	474,447
Interest and other charges	(139,249)	(124,747)	(60,462)	(45,310)	(30,334)	(17,219)	(10,589)	(13,206)	(60,307)	(95,805)
Other	(1,069)	(17,379)	-	(39,873)	-	(2,067)	-	39,239	161,593	237,924
<b>Total non-operating revenues (expenses)</b>	<b>(128,625)</b>	<b>(129,646)</b>	<b>(35,022)</b>	<b>(52,319)</b>	<b>46,878</b>	<b>150,048</b>	<b>122,730</b>	<b>41,921</b>	<b>121,543</b>	<b>616,566</b>
Income before contributions and transfers	480,119	1,003,011	634,682	13,402	384,482	1,429,670	(372,220)	(1,785,476)	360,243	1,029,665
Capital contributions	633,527	-	-	-	-	-	-	-	209,739	5,000,000
Transfers from (to) other funds	(511,795)	553,776	127,090	(75,000)	36,000	3,511,968	-	-	-	6,226,854
<b>Change in net position</b>	<b>\$ 601,851</b>	<b>\$ 1,556,787</b>	<b>\$ 761,772</b>	<b>\$ (61,598)</b>	<b>\$ 420,482</b>	<b>\$ 4,941,638</b>	<b>\$ (372,220)</b>	<b>\$ (1,785,476)</b>	<b>\$ 569,982</b>	<b>\$ 12,256,519</b>

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

**Table 10**

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Operating revenues</b>										
Charges for service	\$ 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	\$ 14,462,361
Other operating revenues	<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>	<u>66,448</u>
Total operating revenues	<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>	<u>14,528,809</u>
<b>Operating expenses</b>										
Salaries and benefits	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	1,955,200
Operating expenses	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	2,613,152
Purchases of natural gas for resale	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	7,593,394
Depreciation	<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>	<u>705,234</u>
Total operating expenses	<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>	<u>12,866,980</u>
Operating income (loss)	<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>	<u>1,661,829</u>
<b>Non-operating revenues (expenses)</b>										
Investment earnings	9,997	12,018	25,085	28,956	62,180	160,744	100,484	26,194	14,788	208,703
Interest and other charges	(158,855)	(176,581)	(121,392)	(60,592)	(39,677)	(34,925)	(30,005)	(24,937)	(19,624)	(22,046)
Other	<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>	<u>9,704</u>
Total nonoperating revenues (expenses)	<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>	<u>196,361</u>
Income before contributions and transfers	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	1,858,190
Capital contributions	-	-	-	-	-	-	-	-	-	-
Transfers from (to) other funds	<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>	<u>(1,145,372)</u>
Change in net position	<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>	<u>\$ 712,818</u>

**City of Lexington, North Carolina**  
**Assessed Value and Estimated Actual Value of Taxable Property<sup>1</sup>**  
**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			
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
2023	1,736,236,245	229,414,457	22,244,480	158,645,514	343,518,606	862,239	1,802,159,851	0.650	1,802,159,851

Sources:

Davidson County Tax Department  
NC Department of Revenue

Notes:

<sup>1</sup>Property 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	
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
2023	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, 2023 and June 30, 2014**

**Table 13**

Taxpayer	Type of Business	2023				2014			
		Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation
Halyard North Carolina LLC (1)	Healthcare Products	\$ 112,610,615	1	\$ 731,968	6.25%	\$ 82,935,383	1	\$ 497,612	5.26%
Moran Foods Inc.	Food Distributor	25,026,455	2	162,671	1.39%	-	-	-	-
Wal-Mart	Retail	21,398,428	3	139,088	1.19%	15,211,110	5	91,266	0.97%
Masterbrand Cabinets Inc.	Wood Kitchen Cabinets	16,747,013	4	108,854	0.93%	-	-	-	-
Vitacost.com Inc.	Online Retail	13,362,223	5	86,854	0.74%	20,310,293	2	121,861	1.29%
MPS HRL LLC dba Lexington Cartons (2)	Printing	12,607,935	6	81,951	0.70%	8,105,276	8	48,635	0.51%
Arneg Holdings USA Inc.	Refrigeration Equipment	9,333,653	7	60,668	0.52%	7,822,713	9	46,936	0.50%
Windstream Communications Inc.	Communications	8,287,349	8	53,867	0.46%	-	-	-	-
Childress Winery LLC	Viniculture	8,078,003	9	52,507	0.45%	8,116,092	7	48,697	0.52%
Carter Lumber of the South Inc	Retail Building Materials	6,865,082	10	44,622	0.38%	-	-	-	-
First National Bank (3)	Banking	-	-	-	-	18,745,506	3	112,473	1.19%
Jeld-Wen Inc.	Windows and Doors	-	-	-	-	17,382,956	4	104,298	1.10%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	-	-	-	-	9,609,231	6	57,655	0.61%
Parkdale Mills Inc.	Textiles	-	-	-	-	7,647,326	10	45,884	0.49%
<b>Total</b>		<b>\$ 234,316,756</b>		<b>\$ 1,523,050</b>	<b>13.01%</b>	<b>\$ 195,885,886</b>		<b>\$ 1,175,317</b>	<b>12.44%</b>

Source:

Davidson County Tax Department

Note:

(1) Formerly Kimberly Clark Corp

(2) Formerly Chesapeake Printing & Packaging Co.

(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
2014	\$ 9,477,350	\$ 9,027,238	95.25%	\$ 417,079	\$ 9,444,317	99.65%
2015	9,267,995	8,943,133	96.49%	303,416	9,246,549	99.77%
2016	9,128,784	8,811,858	96.53%	294,142	9,106,000	99.75%
2017	9,963,786	9,602,457	96.37%	332,241	9,934,698	99.71%
2018	10,060,422	9,763,912	97.05%	256,712	10,020,624	99.60%
2019	10,163,290	9,843,256	96.85%	273,383	10,116,639	99.54%
2020	10,509,312	10,200,591	97.06%	262,804	10,463,395	99.56%
2021	10,676,169	10,422,095	97.62%	187,147	10,609,242	99.37%
2022	11,712,927	11,451,149	97.77%	142,349	11,593,498	98.98%
2023	11,756,856	11,463,221	97.50%	-	11,463,221	97.50%

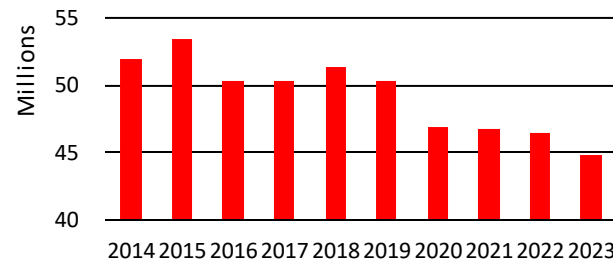
Source:  
Davidson County Tax Department

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

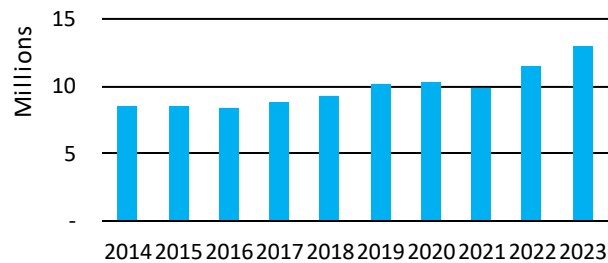
**Table 15**

Fiscal Year	Electric	Water & Wastewater	Natural Gas	Total
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
2023	44,789,015	12,941,890	14,482,414	72,213,319

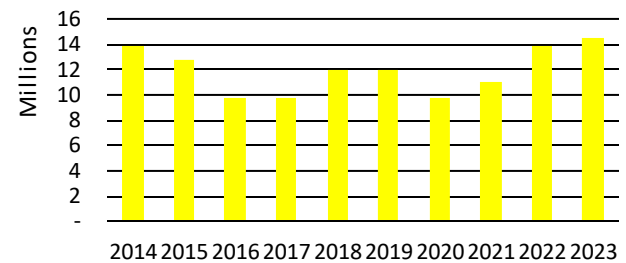
**Electric Fund**  
**Charges for Sales and Services**



**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
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
2023	26,477,871	15,607,966	2,372,235	330,943	44,789,015

Notes:

- (1) Includes Area Lights
  - (2) Renewable Energy Portfolio Standards
- North Carolina General Assembly Senate Bill 3 (Session Law 2007-397)

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

Fiscal Year	Residential	Commercial	Industrial	Total
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
2023	3,136,191	1,537,600	1,012,254	5,686,045

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

Fiscal Year	Residential	Commercial	Industrial	Total
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
2023	3,858,146	2,878,958	518,741	7,255,845

**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
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
2023	5,970,105	4,326,795	4,185,514	14,482,414



**City of Lexington, North Carolina**  
**Schedule of Top Ten Electric Customers**  
**Fiscal Year Ended June 30, 2023**

**Table 16**

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	7,652,820	\$ 1,276,878	2.85%
Davidson County Schools	Public School System	6,340,721	836,276	1.87%
Lexington Medical Center	Hospital	7,881,257	756,486	1.69%
Davidson County	Government	4,567,921	525,941	1.17%
Lexington City Schools	Public School System	4,615,464	523,043	1.17%
Food Lion	Grocery Store Chain	5,751,870	521,517	1.16%
Cardinal Container	Corrugated Fiber Boxes	5,046,179	442,460	0.99%
Paris Food Corp	Frozen Fruit and Vegetables	2,713,283	234,106	0.52%
Wal-Mart	Retail	4,022,662	214,630	0.48%
The NC Moulding Company	Custom Moulding Manufacturer	1,412,678	211,142	0.47%
		<u>50,004,855</u>	<u>\$ 5,542,479</u>	<u>12.37%</u>

**City of Lexington, North Carolina**  
**Schedule of Top Ten Water Customers**  
**Fiscal Year Ended June 30, 2023**

**Table 17**

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Electric Glass Fiber America (1)	Glass Products	171,561	\$ 620,697	4.80%
Halyard North Carolina	Healthcare Products	40,708	119,423	0.92%
City of Lexington	Government	31,215	111,084	0.86%
Parkdale Mills, Inc.	Textiles	32,515	90,245	0.70%
Lexington Medical Center	Hospital	17,901	61,260	0.47%
Davidson County	Government	13,996	60,532	0.47%
Cardinal Container	Corrugated Fiber Boxes	7,834	51,857	0.40%
NC Department of Public Safety	Prison	18,295	49,376	0.38%
Lexington City Schools	Public School System	6,077	47,887	0.37%
Terrace Lanes Association	Residential Complex	9,829	27,438	0.21%
		<u>349,931</u>	<u>\$ 1,239,799</u>	<u>9.58%</u>

Notes:

(1) Formerly PPG Industries

**City of Lexington, North Carolina**  
**Schedule of Top Ten Wastewater Customers**  
**Fiscal Year Ended June 30, 2023**

**Table 18**

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	20,355	\$ 334,063	2.58%
Atrium Companies Inc.	Vinyl Windows & Doors	12,307	119,742	0.93%
Lexington Medical Center	Hospital	35,633	96,246	0.74%
Davidson County	Government	14,423	92,438	0.71%
Halyard North Carolina	Healthcare Products	15,255	87,230	0.67%
NC Department of Public Safety	Prison	18,295	86,263	0.64%
Cardinal Container	Corrugated Fiber Boxes	7,759	82,967	0.45%
Brookstone Rest Home	Residential Care	6,112	58,343	0.45%
ASCO Power Technologies	Electric Equipment	4,612	48,282	0.37%
Terrace Lanes Association	Residential Complex	9,829	47,255	0.37%
		<u>144,580</u>	<u>\$ 1,052,829</u>	<u>7.91%</u>

**City of Lexington, North Carolina**  
**Schedule of Top Ten Natural Gas Customers**  
**Fiscal Year Ended June 30, 2023**

**Table 19**

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Egger Wood Products	Particleboard Manufacturer	716,674	\$ 661,502	4.57%
Electric Glass Fiber America (1) (2)	Glass Products	572,014	571,187	3.94%
Matcor Metal Fabrication	Machine Tools	50,162	460,188	3.18%
Kurz Transfer Products LP	Stamping Technology	47,125	454,954	3.14%
Hanes Construction Company	Paving	35,153	358,934	2.48%
Lexington Medical Center	Hospital	36,506	339,953	2.35%
Wilderness, NC	Hardwood Products	29,579	323,130	2.23%
Kepley Frank Hardwood Company	Hardwood Products	24,927	249,527	1.72%
Halyard North Carolina (2)	Healthcare Products	116,916	244,736	1.69%
J T Russell and Sons	Paving	26,474	244,438	1.69%
		<u>1,655,530</u>	<u>\$ 3,908,549</u>	<u>26.99%</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	Subscription Liabilities	General Obligation Bonds	Revenue Bonds	Installment Purchases	Lease Liabilities	Subscription Liabilities			
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	1.40%	674
2022	-	4,983,320	130,776	-	-	-	24,536,170	9,748	-	29,660,014	NA	1,509
2023	-	5,280,619	111,853	16,829	-	-	22,566,636	5,875	72,410	28,054,222	NA	1,402

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)
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%	-
2023	-	-	-	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, 2023**

**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	\$ 88,966,926	9.94%	\$ 8,843,312
Subtotal, overlapping debt			8,843,312
City of Lexington, direct debt			5,409,301
Total direct and overlapping debt			<u>\$ 14,252,613</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 \$1,802,159,851 divided by the County's assessed valuation of \$18,127,663,376.

**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
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%
2023	144,172,788	27,847,255	116,325,533	19.32%

***Legal Debt Margin Calculation for Fiscal Year 2023***

Total Assessed Valuation	\$ 1,802,159,851
Debt limit (8 percent of total assessed value)	144,172,788
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	-
Outstanding debt not evidenced by bonds	
Direct placement installment purchases	27,847,255
Less: Statutory deductions for electric bonds	-
Total net debt applicable to limit	<u>27,847,255</u>
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 116,325,533</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	
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
2023	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	
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
2023	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	
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
2023	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)
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	944,024,352	48,086	5.7%
2022	19,650	43.3	NA	NA	3.6%
2023	20,010	42.2	NA	NA	3.2%

Sources:

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

Notes:

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	2023			2014		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.25%+	1000+	1	1.36%+
Atrium Corporation	1000+	2	1.25%+	500-999	3	0.68%-1.36%
County of Davidson	1000+	3	1.25%+	500-999	2	0.68%-1.36%
Wal-Mart Associates Inc.	500-999	4	0.62%-1.25%	500-999	5	0.68%-1.36%
Old Dominion Freight Line	500-999	5	0.62%-1.25%	500-999	4	0.68%-1.36%
Food Lion	500-999	6	0.62%-1.25%	500-999	10	0.68%-1.36%
Pergo LLC	500-999	7	0.62%-1.25%	250-499	23	0.34%-0.68%
Jeld-Wen	500-999	8	0.62%-1.25%	250-499	13	0.34%-0.68%
Bradley Personnel Inc.	500-999	9	0.62%-1.25%	NA	NA	NA
Asco Power Technologies LP	500-999	10	0.62%-1.25%	250-499	16	0.34%-0.68%
Novant Health Thomasville Medical	500-999	11	0.62%-1.25%	500-999	8	0.68%-1.36%
Lexington Medical Center	500-999	12	0.62%-1.25%	500-999	7	0.68%-1.36%
Davidson-Davie County Community College	500-999	13	0.62%-1.25%	500-999	9	0.68%-1.36%
Lexington City Schools	250-499	14	0.31%-0.62%	500-999	11	0.68%-1.36%
Egger Wood Products LLC	250-499	15	0.31%-0.62%	NA	NA	NA
Ennis Flint, Inc.	250-499	16	0.31%-0.62%	NA	NA	NA
Thomasville City Schools	250-499	17	0.31%-0.62%	250-499	12	0.34%-0.68%
Aristofraft/Decora/Schrock	250-499	18	0.31%-0.62%	NA	NA	NA
City of Lexington	250-499	19	0.31%-0.62%	250-499	17	0.34%-0.68%
Cook Out Office	250-499	20	0.31%-0.62%	NA	NA	NA
City of Thomasville	250-499	21	0.31%-0.62%	250-499	22	0.34%-0.68%
United Church Homes and Services	250-499	22	0.31%-0.62%	NA	NA	NA
RCR Race Operations LLC	250-499	23	0.31%-0.62%	250-499	18	0.34%-0.68%
Matcor Metal Fabrication	100-249	24	0.12%-0.31%	NA	NA	NA
US Xpress Inc.	100-249	25	0.12%-0.31%	NA	NA	NA

Source:

NC Department of Commerce Labor & Economic Analysis Division

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

**Table 29**

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	26	25	24	25	27	28	27	28	26	29
Public safety										
Police										
Officers	65	64	61	62	62	57	62	62	62	62
Civilians	9	9	10	10	10	10	10	10	10	10
Fire										
Firefighters and officers	50	50	50	51	51	51	51	52	52	52
Civilians	1	1	1	1	1	1	1	1	1	1
Business & community development	9	9	9	8	9	9	9	9	11	12
Highways and streets										
Engineering (1)	4	2	-	-	-	-	-	-	-	-
Public services administration (2)	-	-	4	4	4	4	4	5	5	5
Street	15	15	13	13	13	13	13	11	10	9
Sanitation	18	17	14	14	14	14	14	13	13	13
Culture and recreation	18	18	18	18	18	18	18	18	18	18
Electric (3)	21	23	23	24	25	-	-	-	-	-
Water & Wastewater	43	43	44	44	44	45	45	45	46	48
Natural Gas	21	20	20	20	20	20	20	20	23	24
Stormwater (4)	-	-	-	-	-	-	-	3	4	5
Golf	5	5	5	6	6	7	8	8	8	8
Fleet Management	7	7	5	6	6	6	7	7	7	7
Group Insurance	-	-	1	1	1	1	1	1	1	1
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	24	24	25	25	25	32	34	34	37	39
<b>Total</b>	<b>338</b>	<b>334</b>	<b>329</b>	<b>334</b>	<b>338</b>	<b>318</b>	<b>326</b>	<b>329</b>	<b>336</b>	<b>345</b>

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>Governmental Activities</i>										
Public safety										
Police										
Physical arrests	2,532	3,132	3,058	2,709	2,653	2,359	2,284	1,922	1,990	1,924
Parking tickets	1,656	1,644	1,188	1,324	1,658	1,040	147	-	-	-
Calls for service	47,125	46,531	48,421	49,649	48,116	47,483	56,420	50,690	48,366	46,966
Citations	1,604	1,101	1,435	2,365	1,889	1,676	2,246	1,849	1,811	1,689
Fire										
Number of calls answered	1,181	1,181	1,237	1,066	1,164	1,288	1,165	1,208	1,548	1,643
Inspections	831	789	909	798	773	658	481	754	1,907	971
Business & community development										
Number of minimum housing inspections	2,494	1,977	2,901	1,444	1,080	1269 (4)	1,290	1,297	1,650	1,796
Number of building inspections	1,582	2,456	2,507	2,554	2,702	3,373	3,501	3,367	4,886	5,531
Number of nuisance complaints	2,405	2,048	2,143	2,252	2,306	2,902	2,318	2,145	2,586	2,407
Highways and streets										
Street resurfacing (miles)	4.12	3.67	0.00	2.85	2.29	0.00	2.32	0.00	5.13	0.00
Feet of sidewalk replaced/repared	384	527	1,532	759	1,611	1,074	1,761	721	556	1,654
Sanitation										
Refuse collected (tons/year)	7,036	6,884	7,386	7,240	7,152	8,240	8,237	8,726	8,843	8,694
Recyclables collected (tons/year)	568	634	755	918	957	268	797	1,045	991	1,017
Yard waste collected (tons/year)	7,151 (1)	3,965	3,731	3,561	3,448	1,540	1,576	1,608	1,954	1,354
Culture and recreation										
Athletic program enrollment	1,185	1,072	967	904	757	364	198	165	228	316
Park reservations	342	394	415	410	432	323	154	369	457	568
Pool admissions	3,295	9,322 (2)	17,879 (3)	12,635	10,767	10,703	6,273	4,901	11,708	8,158
Recreational program enrollment	523	948	969	1,738	1,009	1,220	922	358	813	1,430

*Continued on next page.*

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

**Table 30**  
*continued*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>Business-type activities</i>										
Electric										
kWh sold	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	381,789,361
Number of customers	18,445	18,515	18,593	18,589	18,704	18,940	19,133	19,838	19,382	19,762
Water										
ccf sold	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	978,821
Number of customers	8,252	8,272	8,304	8,377	8,381	8,409	8,450	8,585	8,495	8,672
Wastewater										
ccf sold	824,727	810,697	798,931	819,071	814,118	821,675	826,148	793,241	809,962	859,051
Number of customers	7,988	8,022	8,082	8,262	8,377	8,441	8,629	8,816	8,809	9,226
Natural gas										
dt sold	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	2,516,112
Number of customers	9,093	9,224	9,276	9,355	9,467	9,502	9,573	9,707	10,607	10,014
Golf course										
Rounds sold	28,574	28,429	26,928	25,576	24,494	25,364	23,160	28,314	32,671	32,948
Number of passholders	100	94	73	76	67	65	51	58	81	70

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>Governmental Activities</i>										
General Government										
Motor pool vehicles	86	80	85	90	90	96	48	41	4	-
Motor pool equipment	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	71	70	72	77	78	81	90	75	78	74
Fire										
Fire stations	3	3	3	3	3	3	3	4	4	4
Fire trucks	8	8	9	9	9	9	9	9	7	8
Highways and streets										
Streets (miles)	125.3	125.3	125.3	125.4	125.4	125.2	125.2	125.6	125.6	124.63
Sanitation										
Collection trucks and equipment	25	22	22	24	26	25	31	29	32	31
Culture and recreation										
Parks	20	20	20	20	20	20	21	21	21	21
Swimming pools	2	2	1	1	1	2	2	2	2	2
Tennis courts	15	15	15	15	15	15	15	15	15	15
Basketball courts	13	13	13	13	13	13	16	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*

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>Business-type activities</i>										
Electric										
Distribution overhead lines (miles)	616	620	716	716	716	863	930	930	930	931
Distribution underground lines (miles)	-	-	-	-	-	352	374	383	396	407
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	3
Water and Wastewater										
Water lines (miles)	192.0	192.0	192.0	192.9	192.9	192.9	192.9	192.9	192.9	192.9
Wastewater lines (miles)	216.0	216.0	247.0	248.6	248.6	248.6	248.6	216.0	225.0	225.0
Maximum daily treatment capacity water (millions of gallons)	7.2	7.2	7.2	7.2	9.3	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)	673	704	715	731	731	752	761	758	764	793

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 (*Government Auditing Standards*), 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, 2023 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 30, 2023. 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 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 30, 2023

# MARTIN STARNES

## & ASSOCIATES, CPAs, P.A.

*“A Professional Association of Certified Public Accountants and Management Consultants”*

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

##### ***Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2023. The City of Lexington’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

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 federal programs for the year ended June 30, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 federal 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 federal programs.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Lexington'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 federal 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will



not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 30, 2023

**CITY OF LEXINGTON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1. Summary of Auditor's Results**

**Financial Statements**

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

**Federal Awards**

Internal control over federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No

Identification of major federal programs:

<b><u>Federal Program</u></b>	<b><u>AL Number</u></b>
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	No
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**2. Financial Statement Findings**

None reported.

**3. Federal Award Findings and Questioned Costs**

None reported.

**CITY OF LEXINGTON, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

None reported.

**City of Lexington, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2023**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal AL#</b>	<b>Grantor's Number</b>	<b>Federal (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>	<b>Pass-through to Subrecipients</b>	<b>Local Expenditures</b>
<b>Federal Grants</b>						
<b>Cash Programs</b>						
<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-2935	\$ 149,154	\$ -	\$ -	\$ 149,154
<i>U.S. Department of Justice</i>						
Direct Programs						
Bulletproof Vest Partnership Program	16.607	2020BUBX20022096	2,902	-	-	2,902
Bulletproof Vest Partnership Program	16.607	2022BUBX22030275	1,758	-	-	1,758
Equitable Sharing Program	16.922	NC0290100	64,194	-	-	-
Passed-through N.C. Department of Public Safety						
Violence Against Women Formula Grants Program	16.588	15JOVW-21-GG-00533- STOP	16,074	-	-	-
Violence Against Women Formula Grants Program	16.588	15JOVW-22-GG-00436- STOP	50,064	-	-	31,616
<i>U.S. Department of Transportation</i>						
Direct Programs						
National Infrastructure Investments	20.933	69A36522403630BLDNC	32,213	-	-	270,142

*Continued on next page.*

**City of Lexington, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2023**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal AL#</b>	<b>Grantor's Number</b>	<b>Federal (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>	<b>Pass-through to Subrecipients</b>	<b>Local Expenditures</b>
<b><i>U.S. Department of Treasury</i></b>						
Direct Programs						
Coronavirus State and Local Fiscal Recovery Funds	21.027	NC0255	\$ 6,033,899	\$ -	\$ -	\$ -
Passed-through N.C. Department of Environmental Quality						
Coronavirus State and Local Fiscal Recovery Funds	21.027	SRP-W-ARP-0257	183,416	-	-	-
<b><i>U.S. Department of Homeland Security</i></b>						
Direct Programs						
Assistance to Firefighters Grant Program	97.044	EMW-2021-FP-00234	28,130	-	-	1,407
Passed-through N.C. Department of Public Safety						
Disaster Grants - Public Assistance (Presidentially Declared Diasters)	97.036	FEMA-4487-DR-NC	3,223	-	-	-
Total assistance - federal programs			<u>6,565,027</u>	<u>-</u>	<u>-</u>	<u>456,979</u>
<b>State Grants</b>						
<b>Cash Programs</b>						
<b><i>N.C. Office of State Management and Budget</i></b>						
Direct Program						
State Capital Infrastructure Funds		11871	-	56,100	-	-
<b><i>N.C. State Bureau of Investigation</i></b>						
Passed-through N.C. Sherriffs' Association						
Internet Crimes Against Children			-	58,188	-	-

*Continued on next page.*

**City of Lexington, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2023**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal AL#</b>	<b>Grantor's Number</b>	<b>Federal (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>	<b>Pass-through to Subrecipients</b>	<b>Local Expenditures</b>
<i>N.C. Department of Commerce</i>						
Direct Program						
Rural Building Reuse Program		2022-096-3201-2587	\$ -	\$ 50,000	\$ -	\$ 52,500
Rural Building Reuse Program		2023-033-3201-2587	-	130,000	-	136,500
<i>N.C. Department of Transportation</i>						
Direct Program						
Powell Bill, DOT-4		32570	-	78,225	-	-
Total assistance - state programs			-	372,513	-	189,000
Total assistance			<u>\$ 6,565,027</u>	<u>\$ 372,513</u>	<u>\$ -</u>	<u>\$ 645,979</u>

**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, 2023. 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.

