

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FISCAL YEAR ENDED
June 30, 2019**

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City of Lexington

Fiscal Year Ended June 30, 2019



**City Council
Newell Clark, Mayor**

**L. Wayne Alley, Mayor Pro Tem
Whitney Brooks
D. Linwood Bunce, II
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**Donald R. Holt
Tonya A. Lanier
James B. Myers
Tobin H. Shepherd**

**City Manager
Terra A. Greene**

**Finance Director
John M. Overton**



**City of Lexington, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019**

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INTRODUCTORY SECTION





FINANCE DEPARTMENT
INTEGRITY FIRST

October 9, 2019

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Lexington, North Carolina for your review and use. This report was prepared by the City's Finance Department, and it is the comprehensive publication of the City's financial position and results of operations as of and for the fiscal year ended June 30, 2019. 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, 2019.

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

As noted earlier, the City is required by state law to have an annual independent financial audit. A compliance audit on state financial assistance is also required under applicable sections of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Martin Starnes & Associates, CPAs, P.A., conducted the audits and concluded in an unmodified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the City of Lexington, North Carolina, as of June 30, 2019. The independent auditor's report on the basic financial statements is presented as the first component of the financial section of this report. The auditors' compliance reports are included in the compliance section of this report.

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

Profile of the Government

The City of Lexington, North Carolina, was settled in the industrial region of North Carolina known as the "Piedmont Triad Area" in 1775. Lexington incorporated in 1828 under North Carolina General Statutes and became the county seat of Davidson County in 1847. Lexington's land area is 18 square miles with an 2018 estimated population of between 18,148 (NC OSBM) and 18,917 (US Census Bureau).

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, and Uptown Lexington, Inc., each of which are reported separately within the City of Lexington's financial statements. Additional information on these three legally separate entities can be found in Note 1.A. in the notes to the financial statements.

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

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

Local Economy

The City of Lexington has recently emerged as one of the major centers comprising the Piedmont Triad region. It functions on multiple levels, serving as a quaint urban housing market for Winston-Salem and Greensboro, while also standing independently with a strong tourism industry and a growing manufacturing base. Major employers include new manufacturers, warehousing and distribution, retail and service businesses, schools, government, and hospital and medical facilities.

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

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

After years of stagnant economic growth, the City is experiencing significant new development and redevelopment, which is expected to continue into the foreseeable future. Since 2014, over 500 certificates of occupancy were issued for new businesses. Since January, more than \$58 million in commercial and residential development was completed or is underway, which is up 30% from the previous two years. This is attributed to a variety of initiatives working in unison to redefine post-recession Lexington by capitalizing on authentic strengths such as: industrial recruitment and new job announcements; tourist draws including world famous *Lexington-style* barbecue, the Childress Winery, a historic and vibrant Uptown/Main Street; progressive leadership; ample infrastructure and an ideal location for logistics; business development assistance and recruitment efforts by the City and its partners; a passenger rail line opportunity; former manufacturing building space appropriate for redevelopment; and a flexible workforce skilled in furniture, assembly, and textiles. The cumulative effects are resulting in growth.

The unemployment rate in Lexington is 3.7% (U.S. avg. is 3.9%). Recent job growth is Positive. Lexington jobs have increased by 1.6%. Future job growth over the next ten years is predicted to be 34.0%, which is higher than the US average of 33.5%. (Sperling's BestPlaces). This ambitious projection is supported by a recent upswing in the local economy, including the monumental announcement that Egger Wood Products is building its North American headquarters in the nearby I-85 Corporate Center bringing 770 new jobs with \$700 million in investment and a 4.2 million square-foot facility over a 15-year period. While Egger will provide a tremendous boost to the local economy, leadership's commitment to diversification through multi-faceted initiatives remains at the forefront for long-term stability. Egger's 770 new jobs are a driving force in the local housing shortage and the resulting upswing in dense urban residential construction. The new residents will, in turn, bolster the community's ability to increase investment in quality of life initiatives. Egger has demonstrated a consistent job multiplier of 3 in all of their previous 20 worldwide locations. In addition, improvements to the school system and the new living options have improved the

desirability of owning a home within the City. The City's holistic approach to community improvement should result in value-added economic development.

Halyard North Carolina (formerly Kimberly-Clark Health Care), a global healthcare products company, continues to be the City's largest taxpayer, with 6.41% of the City's assessed valuation. Moran Foods, Wal-Mart, Jeld-Wen, and Masterbrand Cabinets round out the top five at 1.48%, 1.35%, 1.03%, and 1.02%, respectively, of the assessed valuation. (Please refer to Table 12 for the Schedule of Principal Property Taxpayers in the Statistical Section for a complete list.)

In an effort to attract new industry, the City continues to support the Davidson County Economic Development Commission (EDC) and demonstrate a willingness to offer economic development incentive grants. Due to the EDC's efforts, in 2007, 2010, 2011, and 2012 the Thomasville-Lexington micropolitan area was ranked among the top micropolitan areas for economic development success by *Site Selection* magazine out of close to 600 micropolitan areas in the United States. Since that time, Lexington has become part of Winston-Salem's metropolitan statistical area and although not individually listed, remains a serious contender for industrial location.

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

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

However, while new industrial development is underway, some former manufacturing sites are being reinvented to support a quality of life for the new jobs. In 2007, the City purchased the former Lexington Home Brands plant adjacent to the historic Uptown area. It included over 1 million square feet of building space located across an 18-acre campus. One of the buildings was demolished and replaced with a new amphitheater. One of the larger buildings burned in December 2017 and the site is planned for new development, including a passenger rail station. All of the other remaining buildings have been sold or are currently leased. The entire district is being redeveloped as a master-planned, mixed-use, transit-based destination with entertainment, music and culture, restaurants and breweries, jobs, and urban living offerings. Current redevelopment projects include Green Works of Lexington Agricultural Research Center, Bull City Ciderworks, Goose and the Monkey Brewhouse, and the Railroad Street Market. The Depot District will support and further industrial and business recruitment efforts.

Tourism is also a major local economic driver. The Lexington Tourism Authority (visitlexingtonnc.com) actively promotes the community's attractions and coordinates tourism events each year. The economic

impact of visitor spending to Davidson County in 2018 was \$176.3 million, a 5.3 % increase from 2017. This includes \$9.8 million in state tax receipts and \$5.7 million in local tax receipts. Attractions include historic Uptown Lexington, the Breeden Insurance Amphitheater, the Richard Childress Winery, the Lexington Skate Park, the Richard Childress Racing Museum, the Bob Timberlake Gallery, the annual Barbecue Festival, the annual Lexington Music Festival, events at the nearby Denton Farm Park, the Bass Masters Tournament at High Rock Lake, and many more.

The 36th annual Barbecue Festival is scheduled for October 26, 2019. The Festival brings in close to 200,000 people to Lexington and is recognized as one of the Top Ten Food Festivals in the U.S. by *Travel and Leisure* Magazine and one of the Top Twenty Events for the month of October by the Southeast Tourism Society. It was featured in *People* Magazine in October 2009. In 2012, the *US News and World Report* ranked Lexington as #4 on its list of the best cities for barbecue, not to mention the annual Barbecue Festival event is listed in the book *1,000 Places to See in the USA and Canada Before You Die*. In July 2015, Fox News included Lexington among *11 sites that are distinctly American*. In September 2015, *Only In Your State* included Lexington as one of the ten best places to retire in North Carolina.

Uptown Lexington, Inc. (ULI) manages the historic uptown with added financial support from a municipal service tax district. The organization is a member of North Carolina's Main Street Program, having won numerous awards over the years and earned a reputation as one of the top redevelopment programs in the state. ULI promotes historic preservation through façade grants, attracts patrons to the Uptown with special events and promotions, and facilitates new businesses. The tax value within the district totals approximately \$49.9 million.

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

With the revitalization of the uptown area, the burgeoning tourism industry, the strategic use of economic development incentive grants, increased redevelopment of existing buildings, and the increased occupancy and expansions in the industrial park, it is anticipated that Lexington's economic base will see growth in the future.

Long-Term Financial Planning and Major Initiatives

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

- City of **Unity**...safe, inclusive, welcoming, warm, inviting
- City of **Activity**...engaging, fun, lively, healthy, active, savory food
- City of **Urban Design**...aesthetics, historic, evolving, green space, sense of place
- City of **Innovation**...technology, education, smart, bright ideas, sustainable
- City of **Imagination**...art, textured, inspiring

- City of **Connectivity**...mobile, accessible, accommodating, central, network
- City of **Opportunity**...commerce, equity, prosperous, competitive edge utilities.

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

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

In regards to Lexington Utilities services, emphasis is placed on the need to broaden customer access in the digital age, leverage technology for security and utility monitoring, address unfunded federal and state mandates; and to operate each utility as a separate self-supporting business with an ongoing goal to add customers to spread costs over a larger customer base which will help alleviate the rate burden for all utility customers in the long run. Planning for future growth areas and utility system reliability remain of extreme importance to ensure cost-competitive service delivery and sustainability in the future.

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

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

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

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

Baseball Park were also completed in 2017. The City recently celebrated the opening of a Skate/BMX Park professionally designed by Team Pain and acclaimed to be the best in several states. The tourism draws from the Park are already evident in town.

The Depot District. 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, which is projected to begin within 3 years. A federal TIGER planning grant was awarded for planning and engineering for the future station. Those plans are now complete and the project is ready to build. A federal BUILD grant application has been submitted for construction funding and the City anxiously awaits award notifications. U.S. Congressman Ted Budd and U.S. Senator Richard Burr have graciously leant their support to the project.

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

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

Comprehensive long range financial planning is essential to maintaining the sound fiscal integrity of the City’s financial position in an ever changing environment while addressing economic development opportunities, capital infrastructure needs, and personnel costs. Decisions in these areas affect the City’s fiscal condition. The City’s five-year Financial Planning Model is used to help discover future weaknesses. The analysis provided by the financial model 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 Financial Planning Model every year in concert with the City Council retreat and annual budget development. The business plans for the utilities were

completely evaluated and updated in fiscal year 2014-15. The plans identify and recommend ways to effectively deal with areas of uncertainty, reliability of utility infrastructure, and increased risks due to adverse changes in the local economy. These plans are periodically adjusted to aid in long range scenario financial planning for the utilities, which represent over 72% of the annual operating budget. The City uses these plans along with the Financial Planning Model to adjust to various pressures facing each of the utilities in future years.

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

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Lexington for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink, reading "John M. Overton". The signature is written in a cursive, flowing style.

John M. Overton
Finance Director



Government Finance Officers Association

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

Presented to

**City of Lexington
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

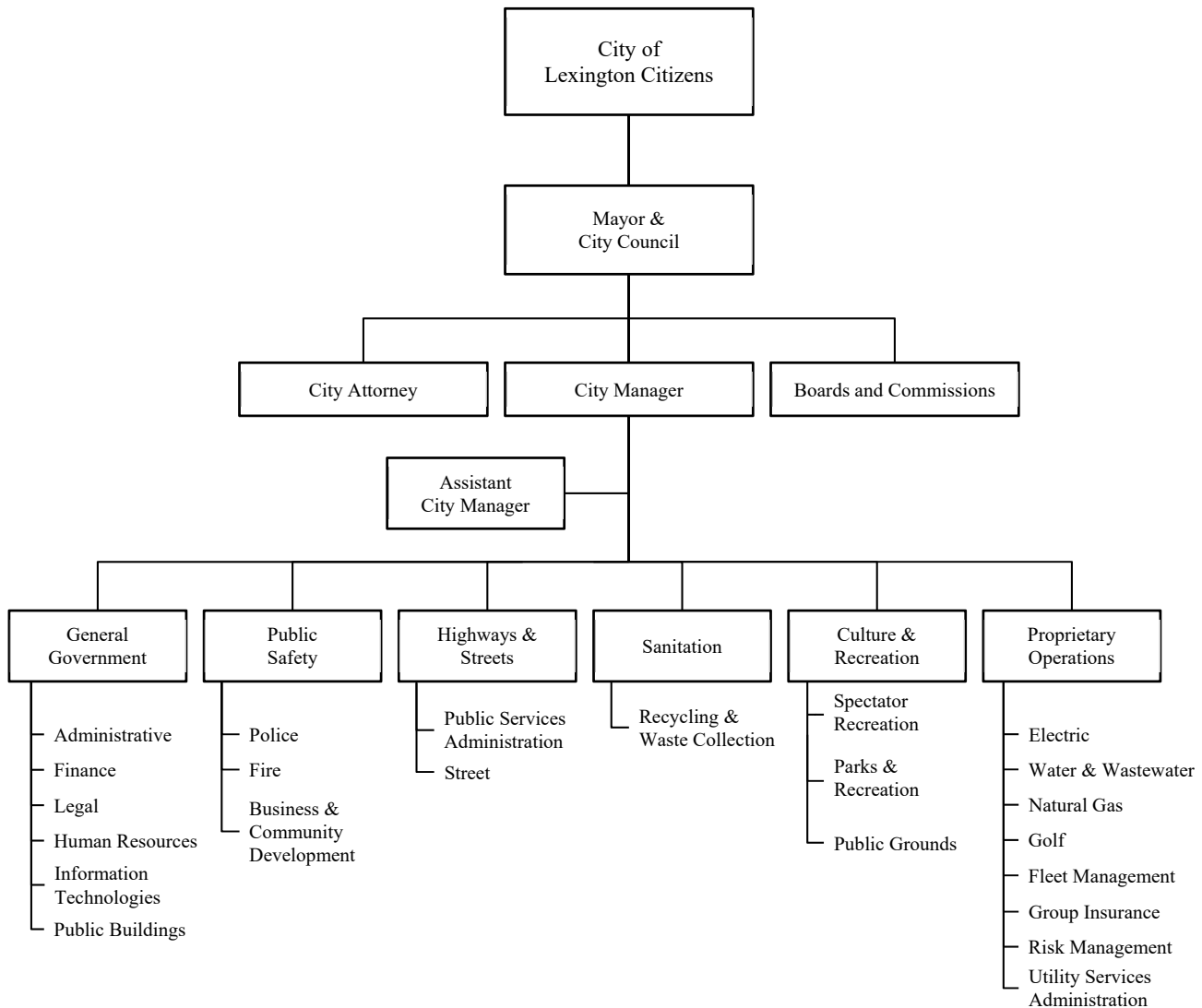
June 30, 2018

Christopher P. Morrell

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of City of Lexington ABC Board which represents 71 percent, 62 percent, and 89 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the City of Lexington ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Lexington ABC Board and the Lexington Tourism Authority were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 85 through 86, the Firefighters' and Rescue Squad Workers' Pension Funds' Schedule of the Proportionate Share of Net Pension Liability on page 87, the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee payroll on pages 88 through 89, and the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund financial statements, budgetary schedules, other schedules, component unit statements, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, component unit statements, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019 on our consideration of the City of Lexington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lexington's internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* in considering the City of Lexington's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 9, 2019

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, 2019. 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-x of this report, and the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

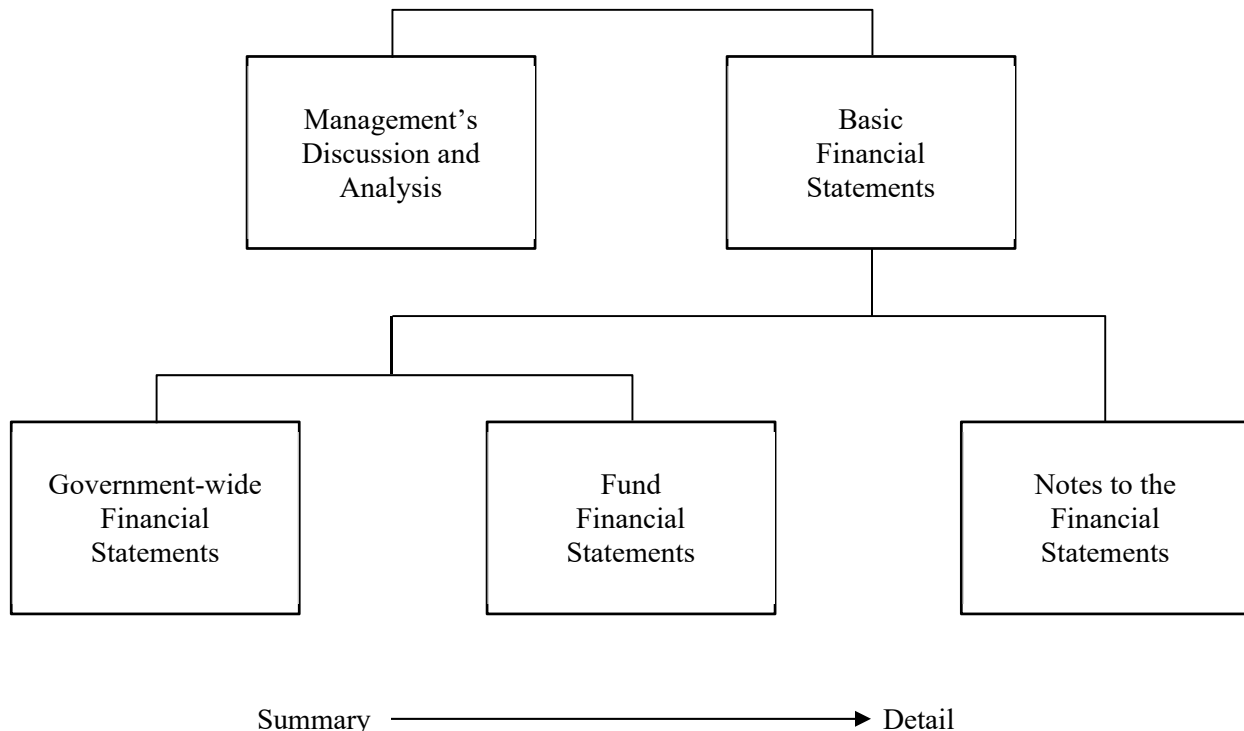
- The assets and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$172,129,496 (*net position*).
- The government's total net position increased by \$8,669,888, primarily due to increases in property tax revenues, increases in unrestricted intergovernmental revenues such as sales taxes, increases in waste collection fees, 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 \$13,712,063, which is an increase of \$2,415,502 in comparison with the prior year. Approximately 39.7% of this total amount, or \$5,443,439, is non spendable or restricted. The increase is primarily driven by increased property tax, sales tax, and waste collection revenues as well as an accumulation of resources to be used for demolition and redevelopment within the *Lexington Furniture Industries, Inc. Plant # 1 Project*, one of the City's projects accounted for in the Capital Projects Fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,909,075, or 27.2% 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 \$14,374,048, which decreased by \$1,025,695 (6.7%) during the current fiscal year. The City issued installment purchase debt in the amount of \$1,102,000 for a Recreation BMX/Skate Park and \$200,000 for the acquisition of property from Davidson County. The key factor in the overall decrease was the payment of scheduled principal payments.
- The City of Lexington continues to maintain its Aa3 bond rating by Moody's, which has been in place since May 2016. In addition, the City continues to maintain its AA- bond rating by Standard and Poor's, which has been in place since June 2010.
- For 27 consecutive years, the City of Lexington has received a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) presented by the Government Finance Officers Association of the United States and Canada.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the City's basic services such as general government, public safety, highways and streets, sanitation, culture and recreation, and economic and physical development. Property taxes, sales taxes, intergovernmental revenues, user fees, along with various Federal and State grants finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the City's electric, water and wastewater, and natural gas utilities, as well as a municipally owned golf course. The final category is component units. The City includes three separate legal entities as component units in its report – the Lexington ABC Board, the Lexington Tourism Authority and Uptown Lexington. Although legally separate entities from the City, the ABC Board, the Tourism Authority and Uptown Lexington are important to the City. The City exercises control over the Boards 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 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, and natural gas 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. In addition, the City uses internal service funds to account for the accumulation of resources for future capital needs of the Electric, Water and Wastewater, Natural Gas, and Fleet Management Funds and the accumulation of resources for rate stabilization in the Electric and Natural Gas Funds. The Capital Reserve Internal Service Fund was closed during the year ended June 30, 2019 and capital reserve subfunds were established for the Electric, Water and Wastewater, Natural Gas, and Fleet Management Funds. Also, the Rate Stabilization Internal Service Fund was closed during the year ended June 30, 2019 and rate stabilization subfunds were established for the Electric and Natural Gas Funds. With the exception of utility administration, capital reserve and rate stabilization, the majority of the internal service funds benefit predominantly governmental rather than business-type activities and have been included within the governmental activities in the government-wide financial statements.

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 39 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Lexington's progress in funding its obligation to provide pension and postemployment benefits to its employees. Required supplementary information can be found beginning on page 85 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Lexington's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 25,259,495	\$ 20,178,432	\$ 49,086,698	\$ 44,235,939	\$ 74,346,193	\$ 64,414,371
Capital assets	42,526,240	43,776,448	100,767,663	101,157,202	143,293,903	144,933,650
Total assets	67,785,735	63,954,880	149,854,361	145,393,141	217,640,096	209,348,021
Deferred outflows of resources	4,369,887	2,951,401	1,847,479	1,348,984	6,217,366	4,300,385
Current liabilities	1,786,472	1,592,112	6,800,813	6,773,023	8,587,285	8,365,135
Long-term liabilities outstanding	25,948,202	24,171,163	15,639,946	16,334,629	41,588,148	40,505,792
Total liabilities	27,734,674	25,763,275	22,440,759	23,107,652	50,175,433	48,870,927
Deferred inflows of resources	1,130,578	931,950	421,955	385,921	1,552,533	1,317,871
Net position						
Net investment in capital assets	36,749,294	38,072,669	92,457,973	91,584,949	129,207,267	129,657,618
Restricted	5,439,650	3,010,654	-	-	5,439,650	3,010,654
Unrestricted	1,101,426	(872,267)	36,381,153	31,663,603	37,482,579	30,791,336
Total net position	\$ 43,290,370	\$ 40,211,056	\$ 128,839,126	\$ 123,248,552	\$ 172,129,496	\$ 163,459,608

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 \$172,129,493 as of June 30, 2019. The City's net position increased by \$8,669,888 for the fiscal year ended June 30, 2019. However, the largest portion (75.06%) of net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure such as roads and bridges, and plants and distribution systems). The City of Lexington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lexington's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Lexington's net position, \$5,439,650, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$37,482,579 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 96.85%. The statewide average in fiscal year 2017-18 was 99.23%.
- Increased sales tax revenues of approximately \$228,000, due to economic growth in the City.
- Increased waste collection fees of approximately \$202,000, due to a \$2.00 increase in the monthly waste collection fee from \$13.00 to \$15.00.
- Decreased revenues for electricity sales of approximately \$1,032,000, or 2.0%, primarily due to an average 2% rate decrease for customers.
- Decreased cost of electricity purchased for resale of approximately \$3,221,000, primarily due to continuing decreases in wholesale rates paid for purchased power over the last several years. These decreases made it possible to decrease electric retail rates charged to residential and commercial customer in 2015-16, 2016-17, and 2018-19. In addition, reduced wholesale rates paid have provided the City resources to fund line relocations, delayed infrastructure maintenance, and to positively impact the financial position and liquidity of the Electric utility.
- Increased revenues for water and wastewater charges, primarily due to a 10% rate increase for water and wastewater customers.
- Overall operating profitability of the utilities, which include Electric, Water and Wastewater, and Natural Gas, positively impacted the business-type activities unrestricted net position.
- Increase in investment earnings of approximately \$716,000, due to a rising interest rate environment.
- 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	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 2,440,171	\$ 2,117,133	\$ 74,661,938	\$ 74,773,975	\$ 77,102,109	\$ 76,891,108
Operating grants and contributions	2,306,497	962,406	448,776	139,919	2,755,273	1,102,325
Capital grants and contributions	405,590	128,393	-	-	405,590	128,393
General revenues						
Property taxes	10,203,898	10,070,975	-	-	10,203,898	10,070,975
Other taxes	367,932	327,810	-	-	367,932	327,810
Other general revenues	7,829,677	7,285,102	688,962	292,858	8,518,639	7,577,960
Total revenues	<u>23,553,765</u>	<u>20,891,819</u>	<u>75,799,676</u>	<u>75,206,752</u>	<u>99,353,441</u>	<u>96,098,571</u>

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Expenses						
General government	\$ 4,274,241	\$ 4,157,905	\$ -	\$ -	\$ 4,274,241	\$ 4,157,905
Public safety	10,792,937	10,979,166	-	-	10,792,937	10,979,166
Highways and streets	2,473,426	2,743,916	-	-	2,473,426	2,743,916
Sanitation	1,965,427	1,764,804	-	-	1,965,427	1,764,804
Culture and recreation	2,036,239	1,769,180	-	-	2,036,239	1,769,180
Economic and physical development	1,938,504	514,067	-	-	1,938,504	514,067
Interest on long-term debt	191,366	186,736	-	-	191,366	186,736
Electric	-	-	47,277,891	46,639,150	47,277,891	46,639,150
Water and Wastewater	-	-	9,382,370	9,121,189	9,382,370	9,121,189
Natural gas	-	-	9,441,382	10,137,799	9,441,382	10,137,799
Golf	-	-	909,770	1,129,231	909,770	1,129,231
Total expenses	<u>23,672,140</u>	<u>22,115,774</u>	<u>67,011,413</u>	<u>67,027,369</u>	<u>90,683,553</u>	<u>89,143,143</u>
Increase (decrease) in net position before transfers	(118,375)	(1,223,955)	8,788,263	8,179,383	8,669,888	6,955,428
Transfers	<u>3,197,689</u>	<u>2,226,301</u>	<u>(3,197,689)</u>	<u>(2,226,301)</u>	<u>-</u>	<u>-</u>
Increase in net position	<u>3,079,314</u>	<u>1,002,346</u>	<u>5,590,574</u>	<u>5,953,082</u>	<u>8,669,888</u>	<u>6,955,428</u>
Net position, beginning, previously reported	40,211,056	47,143,167	123,248,552	120,050,689	163,459,608	167,193,856
Restatement	-	(7,934,457)	-	(2,755,219)	-	(10,689,676)
Net position, beginning	<u>40,211,056</u>	<u>39,208,710</u>	<u>123,248,552</u>	<u>117,295,470</u>	<u>163,459,608</u>	<u>156,504,180</u>
Net position, ending	<u>\$ 43,290,370</u>	<u>\$ 40,211,056</u>	<u>\$ 128,839,126</u>	<u>\$ 123,248,552</u>	<u>\$ 172,129,496</u>	<u>\$ 163,459,608</u>

Governmental activities - Governmental activities increased the City's net position by \$3,079,314 accounting for 35.5% of the total growth in the net position of the City of Lexington. Key elements of this increase are as follows:

- Charges for services increased by approximately \$323,000, primarily due to a \$2.00 increase in the monthly charge for waste collection services.
- Operating grants and contributions increased by approximately \$1,344,000, primarily due to insurance proceeds of \$1,050,000 and a state grant of \$180,000 for demolition costs related to unoccupied property in the Depot District that was destroyed by fire in December 2017. The costs of demolition are included in economic and physical development expenses, which increased by approximately \$1,424,000 from the prior year.
- Capital grants and contributions included the donation of a building and land valued at \$130,590 and grants and donations totaling \$275,000 for the Recreation Center Acquisition and Development Project.
- As the economy continued to slowly improve, unrestricted intergovernmental revenues including local option sales taxes increased by approximately \$227,000.
- Increase in investment earnings of approximately \$320,000, representing a 62% increase, due to a rising interest rate environment.
- Adjustments to employee pay impacted the City's net position by approximately \$554,000. These adjustments primarily related to merit and cost of living increases.
- Governmental activities reflect a transfer from the Capital Reserve Fund of \$726,701 which was used to create the Fleet Management Capital Reserve subfund. The Capital Reserve Fund, which was reported as a business-type activity, was closed during the year and the Fleet Management Capital Reserve subfund, reported as a governmental activity, was created.

- City management continued to evaluate opportunities for savings in personnel costs by reorganizations and delays in hiring.

Business-type activities - Business-type activities increased the City of Lexington's net position by \$5,590,574. Key elements of the business-type increase are as follows:

- Continuing benefits from decreased rates paid for purchased electric power, increases in the number of electric system customers and kWh sold, a ten percent increase in water and wastewater rates, a five percent increase in natural gas base rates, and cost containment measures contributed to operating margins in the three utility funds of Electric, Water and Wastewater and Natural Gas, resulting in an aggregate positive change of \$5,851,332 in the business-type activities net position.
- Business-type activities reflect a transfer from the Capital Reserve Fund of \$726,701 which was used to create the Fleet Management Capital Reserve subfund. The Capital Reserve Fund, which was reported as a business-type activity, was closed during the year and the Fleet Management Capital Reserve subfund, reported as a governmental activity, was created.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The General Fund is the chief operating fund of the City of Lexington. At the end of the current fiscal year, City of Lexington fund balance available for appropriation in the General Fund was \$7,637,214, while total fund balance reached \$12,319,411. 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 34.29% of General Fund expenditures, while total fund balance represents 55.31% of the same amount. Of the fund balance available, \$149,709 is restricted in what it can be used for and \$14,034 has been committed for specific purposes. The City Council has appropriated \$1,564,396 of the fund balance available for use in the year ended June 30, 2019.

At June 30, 2019, the governmental funds of the City of Lexington reported a combined fund balance of \$13,712,063, with a net increase in fund balance of \$2,415,502. Included in this change in fund balance is an increase of \$1,999,188 in the General Fund and an increase of \$402,679 in the Capital Projects Fund. Much of the increase in the General Fund is due to increases in property taxes and unrestricted intergovernmental revenues resulting from a continued improving economy. Vacancies, delays in hiring, and savings in health insurance costs also resulted in budgetary savings. The increase in the Capital Projects Fund is temporary and is primarily related to unexpended debt proceeds and other cash being used to fund projects.

General Fund Budgetary Highlights – During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased appropriations by \$2,828,936, representing a 11.9 percent increase from the original budget. These included the following significant amendments: 1) \$316,214 for re-appropriation of prior year outstanding encumbrances, 2) \$225,100 in a midyear adjustment for Sanitation truck repair costs and unplanned retirements, 3) \$154,500 in additional funding for costs associated with the Skate/BMX Park Project, and 4) \$1,808,894 for implementation of a vehicle replacement plan for Police, Fire, and Sanitation in order to address escalating vehicle repair and maintenance costs in those areas. Amendments made during the year were funded with additional appropriations

of fund balance totaling \$924,142, additional budgeted revenues totaling \$95,900, and an increase in planned debt issuance of \$1,808,894 for implementation of a vehicle replacement plan for Police, Fire, and Sanitation.

Revenues were \$1,465,169 higher than the final budgeted amounts. Ad valorem tax revenues exceeded those amounts estimated with the budget by \$597,223, primarily because the collection rate and collections on past due taxes exceeded the original estimates used in the budget. In addition taxable property values exceeded values estimated with the budget and account for approximately \$202,000 of this positive budgetary variance. Unrestricted intergovernmental revenues exceeded budgeted amounts by \$414,251. Included in this category are the local option sales tax, utilities sales tax, and ABC profit distributions with revenues exceeding budgeted amounts by \$268,601, \$107,272 and \$39,100, respectively. Restricted intergovernmental revenues were more than budgeted amounts by \$138,044, primarily due to higher than expected reimbursements from the North Carolina Department of Transportation for street maintenance activities on State-owned streets and disaster assistance related to Hurricane Florence and Hurricane Michael. Investment earnings were \$168,181 more than budgeted amounts due to a rising interest rate environment.

Expenditures were \$4,387,621, or 16.8%, lower than the final budgeted amounts. Personnel costs were \$1,207,017 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 \$482,712. The most significant part of this variance is represented by outstanding encumbrances at June 30, 2019, which totaled \$2,120,566 for the General Fund. These purchase and contractual commitments, although originally authorized under budgetary appropriations for the year ended June 30, 2019, will be reflected as expenditures in the subsequent fiscal year. These purchase commitments include \$1,767,169 related to the implementation of a vehicle replacement plan for Police, Fire, and Sanitation. Debt service was \$93,372 lower than budget amounts, primarily because \$75,161 in repayments on internal borrowings were budgeted as debt service. Other expenditures were held in check by management in an effort to mitigate the continued impact of the economic downturn.

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 Electric, Water and Wastewater, Natural Gas, and Golf funds at the end of the fiscal year amounted to \$17,576,904, \$8,443,065, \$7,979,234, and (\$303,058), respectively. Total unrestricted net position for all enterprise funds amounted to \$33,696,145.

The total change in net position for the Electric, Water and Wastewater, Natural Gas, and Golf funds were \$5,428,591, \$4,582,005, \$3,331,258, and \$112,073, respectively. These changes include changes in net position invested in capital assets for the respective funds of \$707,549, (\$523,236), \$756,013, and \$30,166. The remaining changes represent changes in unrestricted net position for the funds.

Electric unrestricted net position increased by \$4,721,042. The Capital Reserve Fund and the Rate Stabilization Fund (internal service funds) were closed during the year and transfers of \$1,851,873 and \$614,674, respectively, were made from these funds to the Electric Fund. These transfers were used to create the Electric Capital Reserve subfund and the Electric Rate Stabilization subfund. Other increases are primarily due to continuing benefits from a 6.65% decrease in 2015-16 in the rate paid for purchased power as well as other continuing decreases in these rates. These 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%, and 2.0% in rates charged to the City’s residential and commercial customers in 2015-16, 2016-17, and 2018-19, respectively, and to positively impact the financial position and liquidity of the Electric utility. In addition, the Electric utility sold approximately 4,950,000 kWh more than in the previous year, representing a 1.3% increase. Water and Wastewater unrestricted net position increased by \$5,105,241. A transfer of \$3,511,968 was made from the Capital Reserve Fund when that fund was closed. This transfer was used to create the Water and Wastewater Capital Reserve subfund. Other increases are primarily due to a 10% increase in water and wastewater rates. Natural Gas unrestricted net position increased by \$2,575,245. Transfers of \$1,008,225 and \$503,782 were made from the Capital Reserve Fund and the Rate Stabilization Fund, when those funds were closed. These transfers were used to create the Natural Gas Capital Reserve subfund and the Natural Gas Rate Stabilization subfund. Other increases are primarily due to a 5% increase in natural gas base rates and continued overall operating profitability. Golf unrestricted net position increased by \$81,907. Declining national trends in golf rounds continue to have an adverse

impact on golf rounds and revenues. Golf course fees and cart rentals were \$10,649 less than final budgeted amounts. Cost containment efforts in the Golf fund resulted in expenditures being \$112,066 less than the final budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2019, the City of Lexington had \$143,293,903 invested in a broad range of capital assets, net of accumulated depreciation, for its governmental and business-type activities. This amount includes assets such as land, buildings, vehicles and equipment, roads and bridges, park facilities, and various utility plants, substations, and distribution system infrastructure.

Major capital asset transactions during the year include the following:

- Construction in progress for the Skate/BMX Park at a cost of \$1,111,483.
- Acquisition of land and building on Main Street through a donation valued at \$130,590.
- Infrastructure improvements in the Electric Fund at a cost of \$844,122.
- Generators for the Water and Wastewater Plants in the Water and Wastewater Fund at a cost of \$199,064.
- Infrastructure improvements in the Natural Gas Fund at a cost of \$1,021,383.
- Acquisition of property on N State Street in the Utilities Administration Fund at a cost of \$200,000.

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

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,538,814	\$ 2,304,979	\$ 2,293,083	\$ 2,075,883	\$ 4,831,897	\$ 4,380,862
Buildings	8,799,530	5,981,604	7,960,751	2,594,039	16,760,281	8,575,643
Other improvements	3,728,639	2,573,955	2,149,346	2,700,611	5,877,985	5,274,566
Machinery & equipment	4,283,804	4,977,108	2,330,430	2,056,385	6,614,234	7,033,493
Intangibles	445,415	572,209	244,495	145,388	689,910	717,597
Infrastructure	16,165,588	17,181,353	-	-	16,165,588	17,181,353
Plant & distribution systems	-	-	85,387,618	85,595,307	85,387,618	85,595,307
Construction in progress	6,564,450	10,185,240	401,940	5,989,589	6,966,390	16,174,829
Total	\$ 42,526,240	\$ 43,776,448	\$ 100,767,663	\$ 101,157,202	\$ 143,293,903	\$ 144,933,650

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

Long-term Debt – At June 30, 2019, the City had installment purchase debt outstanding of \$14,374,048. Installment purchase debt represents contracts entered into by the City for the acquisition or construction of capital assets and are secured by the assets being financed.

City of Lexington's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Direct placement general obligation bonds	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ 300,000
Direct placement installment purchases	6,064,358	5,827,490	8,309,690	9,272,253	14,374,048	15,099,743
Total	\$ 6,064,358	\$ 5,827,490	\$ 8,309,690	\$ 9,572,253	\$ 14,374,048	\$ 15,399,743

The City of Lexington's total debt decreased by \$1,025,695 (6.7%), primarily due to debt retirements totaling \$2,365,695. The City issued installment purchase debt in the amount of \$1,102,000 for Recreation BMX/Skate Park and \$200,000 for the acquisition of property from Davidson County.

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 \$110,636,625. The City has no bonds authorized but unissued at June 30, 2019.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic Factors

- Unemployment. The local unemployment rate of 3.7% was slightly lower than the state rate of 4.4% at the end of the fiscal year, reflecting an improving trend from the previous year when the local unemployment rate was 4.0%. The state unemployment rate from the previous year was 4.2%
- Principal property tax payers. Halyard North Carolina is the largest taxpayer in the City, with 6.41% of total assessed valuation.
- Principal utility customers. For the year ended June 30, 2018, the City of Lexington was the largest electric customer providing 2.73% of total electric revenue, Electric Glass Fiber America was the largest water customer providing 8.51% of total water revenue, Davidson County schools was the largest wastewater customer providing 1.93% of total wastewater revenue, and Electric Glass Fiber America was the largest natural gas customer providing 4.83% of total natural gas revenue.
- Inspections for commercial construction in the City totaled 714 with a value of \$7.8 million, representing a decrease in inspections from prior year inspections totaling 826 with a value of \$14.2 million.
- Inspections for residential construction in the City totaled 1,901 with a value of \$26.7 million, representing an increase in inspections from prior year inspections totaling 1,671 with a value of \$22.3 million.
- The City took a significant step in attempting to control its own economic future by purchasing the Lexington Furniture Industries, Inc. Plant 1 property for \$1,000,000 with acquisition payments in previous fiscal years. However, redevelopment planning costs and Tiger II grant funding for this initiative are reflected in this financial report. Plant 1, which has been closed since 2003, contains 18 acres of land and over one million square feet of building space and is located adjacent to the heart of uptown Lexington and the newly renovated depot district. The City faced real threats of declining appearance and tax base due to the expected acquisition of the property by absentee ownership if the City decided against the purchase. This acquisition has financial impacts on current and future City budgets as the huge task of redevelopment of the property is addressed and additional grants are sought. However, it is considered a financial risk worth taking.
- Economic development grant initiatives landed United Furniture Industries locating in Lexington in May 2010, resulting in a gain of over \$5 million capital investment in the facility and equipment and 150 new manufacturing jobs pledged for the community over a three year period. In addition, an economic development grant partnership with Davidson County resulted in Moran Foods Save-A-Lot building a distribution center in Lexington Business Center, with over \$23 million capital investment and a minimum of 42 jobs pledged over a three year period. Moran Foods benefitted from the City acquiring \$504,000 in CDBG economic development grants to provide the needed water infrastructure to support their operations. Also, Halyard North Carolina (formerly Kimberly Clark) invested over \$24 million in its facility and equipment and pledged to add 30 new full-time positions.
- CDBG economic development grants in the form of building reuse grants were announced in July 2015 for Piedmont Candy Company and for Masterbrand Cabinets. Piedmont Candy Company expects to add \$2 million in private investment and thirty-eight full time jobs as part of its expansion. Masterbrand Cabinets expects to add \$8 million in private investment and thirty-eight full time jobs as part of its expansion.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities – Budgeted revenue is expected to be 6.2% higher than for 2018-19. A new \$30 annual motor vehicle license tax per vehicle that takes effect July 1, 2019 represents a 2.2% increase in budgeted revenue. This new revenue source will primarily be used to fund public transportation and public streets that are not part of the State highway system. Unrestricted intergovernmental revenues and sales and services are expected to increase budgeted revenue by 2.6%. The property tax rate for 2019-20 remains unchanged at \$0.65 per \$100 of assessed valuation. Increases in anticipated taxable property values and collection rates are expected to increase budgeted revenue by 1.3%. Despite the recent unfavorable effects of the population decline from the Census 2010 and the aftermath of the ‘great recession’ on City revenue sources, sales tax and utility sales taxes are projected to increase in Fiscal Year 2019-20 from the previous year’s final budget estimates. The City will use its revenues to finance programs currently in place and to make key investments towards City Council’s goals, including green initiatives and recreation. The City plans to begin with the third of a four year phase-in of a residential yard waste rollout program. Plans for multi-year strategic investments in recreation are being continued as well. Construction of a Skate/BMX Park will be finished during 2019-20.

Budgeted expenditures in the General Fund are expected to decrease approximately 1.5% to \$25,705,059. The largest increment of change is a reduction in capital outlay of \$1,071,462. The previous year’s capital outlay budget included \$1,808,894 for the implementation of a vehicle replacement plan for Police, Fire, and Sanitation. An increase in debt service of approximately \$724,565 is primarily related to financing requirements for the vehicle replacement plan. The 2019-20 budget includes the restoration of 5 police officer positions that were not funded in 2018-19 and a provision for merit pay increases of up to 3 to 5 percent, depending on where an employee falls within their pay range. With the addition of the new motor vehicle license tax, funding for street resurfacing is being restored to \$500,000.

Business-type Activities – Rates for electricity will decrease by an average of 5%. Budgeted expenditures in the Electric Fund are expected to decrease approximately 0.4% to \$53,503,097. The 2018-19 budget included transfers to the Electric Capital Reserve Fund and the Electric Rate Stabilization Fund of \$1,851,873 and \$614,674, respectively, to initially establish these two funds. In 2019-20, a one-time refund from North Carolina Municipal Power Agency 1 represents \$7,505,000 for the Electric Fund and will be used to transfer \$6,000,000 to the Electric Capital Reserve Fund for a future power system delivery point and \$400,000 to the Electric Rate Stabilization Fund for required rate stabilization reserves. Significant system maintenance activity was completed in the prior year and maintenance costs are expected to decrease by \$2,759,626. Purchased electricity is expected to decrease by approximately 4.8% based on expected power purchased and expected cost of power purchased.

Water and wastewater rates in the City will increase by 5%, primarily to cover increased costs of operations. The 2018-19 final budget included an unrestricted net position appropriation of \$655,541. The 2019-20 budget includes no unrestricted net position appropriation. Budgeted expenditures in the Water and Wastewater Fund are expected to decrease approximately 26.8% to \$10,885,752. The 2018-19 budget included a transfer to the Water and Wastewater Capital Reserve Fund of \$3,511,968 to initially establish this fund. Personnel expenditures in the Water and Wastewater Fund are expected to increase approximately 9% from the 2018-19 final budget. During 2018-19, approximately \$340,000 in personnel budget was redirected to take care of critical maintenance needs. The 2019-20 personnel budget includes a provision for merit increases. Capital outlay is expected to decrease by approximately \$535,000. Budgeted debt service will decrease by \$238,276 as the 2011 Sanitary Sewer Refunding bonds have been fully paid off.

Base rates for natural gas remain unchanged. Volume rates are adjusted during the year based on cost of gas. Expected cost of gas is budgeted at \$4.00 per dekatherm for 2019-20, unchanged from 2018-19. Budgeted expenditures in the Natural Gas Fund are expected to decrease approximately 12.4% to \$13,179,363. The 2018-19 budget included transfers to the Natural Gas Capital Reserve Fund and the Natural Gas Rate Stabilization Fund of \$1,008,225 and \$503,782, respectively, to initially establish these two funds. Personnel expenditures in the Natural Gas Fund are expected to decrease approximately 5%, primarily due to changes in requested positions. Personnel expenditures include a provision for merit increases. Purchased natural gas is expected to increase by approximately 4% based on expected cost of gas and expected sales volumes.

REQUESTS FOR INFORMATION

This report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money received for the reporting period of July 1, 2018 through June 30, 2019. Questions concerning any of the information found in this report or requests for additional information should be directed to the City of Lexington Finance Department, 28 West Center Street, Lexington, NC 27292 or visit the City's website at www.LexingtonNC.gov.

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BASIC FINANCIAL STATEMENTS

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City of Lexington, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington
ASSETS						
Cash and cash equivalents	\$ 24,572,400	\$ 32,182,486	\$ 56,754,886	\$ 442,788	\$ 431,407	\$ 97,422
Receivables (net)						
Taxes	506,622	-	506,622	-	-	-
Accounts - billed	214,258	4,165,634	4,379,892	-	-	-
Accounts - unbilled	94,627	4,557,775	4,652,402	-	-	-
Interest	18,641	25,897	44,538	-	-	-
Due from other governments	2,237,441	666,710	2,904,151	-	-	-
Due from component units	126,787	-	126,787	-	-	-
Due from primary government	-	-	-	-	32,063	-
Internal balances	(3,212,679)	3,212,679	-	-	-	-
Inventories	160,488	3,059,506	3,219,994	339,434	-	-
Prepaid items	3,789	17,000	20,789	9,539	-	-
Restricted cash and cash equivalents	537,121	838,201	1,375,322	-	-	-
Equity interest in joint venture	-	360,810	360,810	-	-	-
Capital assets						
Land and other non-depreciable assets	9,103,264	2,695,023	11,798,287	347,882	-	-
Other capital assets, net of accumulated depreciation	33,422,976	98,072,640	131,495,616	232,437	-	-
Total capital assets	42,526,240	100,767,663	143,293,903	580,319	-	-
Total assets	67,785,735	149,854,361	217,640,096	1,372,080	463,470	97,422
DEFERRED OUTFLOWS OF RESOURCES	4,369,887	1,847,479	6,217,366	51,649	-	-

Continued on next page.

City of Lexington, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1
continued

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington
LIABILITIES						
Accounts payable and accrued liabilities	\$ 1,392,915	\$ 5,962,612	\$ 7,355,527	\$ 342,874	\$ 2,928	\$ 1,653
Due to component units	32,063	-	32,063	-	-	-
Due to primary government	-	-	-	126,787	-	-
Payable from restricted assets	361,494	838,201	1,199,695	-	-	-
Long-term liabilities						
Due in one year	1,358,229	1,265,475	2,623,704	9,341	4,115	-
Due in more than one year	24,589,973	14,374,471	38,964,444	38,194	-	-
Total liabilities	<u>27,734,674</u>	<u>22,440,759</u>	<u>50,175,433</u>	<u>517,196</u>	<u>7,043</u>	<u>1,653</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,130,578</u>	<u>421,955</u>	<u>1,552,533</u>	<u>198</u>	<u>-</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	36,749,294	92,457,973	129,207,267	570,978	-	-
Restricted for						
Stabilization by state statute	4,685,977	-	4,685,977	-	32,063	-
Council chamber improvements	3,100	-	3,100	-	-	-
Law enforcement	150,406	-	150,406	-	-	-
Highways and streets	146,609	-	146,609	-	-	-
Capital projects	453,558	-	453,558	-	-	-
Uptown revitalization	-	-	-	-	-	95,769
Working capital	-	-	-	150,151	-	-
Tourism promotion	-	-	-	-	424,364	-
Unrestricted	<u>1,101,426</u>	<u>36,381,153</u>	<u>37,482,579</u>	<u>185,206</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 43,290,370</u>	<u>\$ 128,839,126</u>	<u>\$ 172,129,496</u>	<u>\$ 906,335</u>	<u>\$ 456,427</u>	<u>\$ 95,769</u>

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

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2019

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position					
					Primary Government			Component Units		
			Operating	Capital	Business-					
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Governmental	type	Total	ABC Board	Tourism	Uptown
		Services	Contributions	Contributions	Activities	Activities			Authority	Lexington
Primary government										
Governmental Activities										
General government	\$ 4,274,241	\$ 3,914	\$ 1,838	\$ 130,590	\$ (4,137,899)	\$ -	\$ (4,137,899)			
Public safety	10,792,937	478,041	234,030	-	(10,080,866)	-	(10,080,866)			
Highways and streets	2,473,426	23,549	636,002	-	(1,813,875)	-	(1,813,875)			
Sanitation	1,965,427	1,513,620	39,661	-	(412,146)	-	(412,146)			
Culture and recreation	2,036,239	206,565	108,991	275,000	(1,445,683)	-	(1,445,683)			
Economic and physical development	1,938,504	214,482	1,285,975	-	(438,047)	-	(438,047)			
Interest on long-term debt	191,366	-	-	-	(191,366)	-	(191,366)			
Total governmental activities	23,672,140	2,440,171	2,306,497	405,590	(18,519,882)	-	(18,519,882)			
Business-type activities										
Electric	47,277,891	50,953,717	334,783	-	-	4,010,609	4,010,609			
Water and Wastewater	9,382,370	10,779,418	111,747	-	-	1,508,795	1,508,795			
Natural Gas	9,441,382	12,293,569	756	-	-	2,852,943	2,852,943			
Golf	909,770	635,234	1,490	-	-	(273,046)	(273,046)			
Total business-type activities	67,011,413	74,661,938	448,776	-	-	8,099,301	8,099,301			
Total primary government	\$ 90,683,553	\$ 77,102,109	\$ 2,755,273	\$ 405,590	(18,519,882)	8,099,301	(10,420,581)			
Component units										
ABC Board	\$ 4,936,262	\$ 5,062,983	\$ -	\$ -				\$ 126,721	\$ -	\$ -
Tourism Authority	358,153	16,405	372,174	-				-	30,426	-
Uptown Lexington	235,471	-	249,701	-				-	-	14,230
Total component units	\$ 5,529,886	\$ 5,079,388	\$ 621,875	\$ -				126,721	30,426	14,230

Continued on next page.

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2019

Exhibit 2
continued

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	ABC Board	Tourism Authority	Uptown Lexington
General revenues										
Taxes										
Property taxes					\$ 10,203,898	\$ -	\$ 10,203,898	\$ -	\$ -	\$ -
Other taxes					367,932	-	367,932	-	-	-
Grants and contributions not restricted to specific programs					7,313,227	-	7,313,227	-	-	-
Investment earnings, unrestricted					515,476	688,962	1,204,438	643	7,601	987
Miscellaneous, unrestricted					974	-	974	-	-	1,280
Total general revenues not including transfers					18,401,507	688,962	19,090,469	643	7,601	2,267
Transfers					3,197,689	(3,197,689)	-	-	-	-
Total general revenues and transfers					21,599,196	(2,508,727)	19,090,469	643	7,601	2,267
Change in net position					3,079,314	5,590,574	8,669,888	127,364	38,027	16,497
Net position - beginning, previously reported					40,211,056	123,248,552	163,459,608	811,522	418,400	79,272
Restatement					-	-	-	(32,551)	-	-
Net position - beginning, restated					40,211,056	123,248,552	163,459,608	778,971	418,400	79,272
Net position - ending					<u>\$ 43,290,370</u>	<u>\$ 128,839,126</u>	<u>\$ 172,129,496</u>	<u>\$ 906,335</u>	<u>\$ 456,427</u>	<u>\$ 95,769</u>

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

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	<u>Total Non-</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Major Funds</u>	<u>Funds</u>
Assets			
Cash and cash equivalents	\$ 10,468,861	\$ 1,516,949	\$ 11,985,810
Receivables (net)			
Property taxes	500,691	5,931	506,622
Accounts - billed	176,770	-	176,770
Accounts - unbilled	94,627	-	94,627
Interest	8,738	618	9,356
Due from other governments	2,162,754	27,577	2,190,331
Due from other funds	25,808	-	25,808
Due from component unit	126,787	-	126,787
Prepaid items	3,789	-	3,789
Restricted cash and cash equivalents			
Customer deposits	78,100	-	78,100
Powell bill	146,609	-	146,609
Economic development deposit	25,000	-	25,000
Unexpended debt proceeds	15,080	272,332	287,412
Total assets	<u>\$ 13,833,614</u>	<u>\$ 1,823,407</u>	<u>\$ 15,657,021</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 577,644	\$ 140,622	\$ 718,266
Due to other funds	75,161	25,808	100,969
Due to component units	32,063	-	32,063
Liabilities payable from restricted assets			
Accounts payable	-	258,394	258,394
Deposits	103,100	-	103,100
Advance from other funds	187,902	-	187,902
Total liabilities	<u>975,870</u>	<u>424,824</u>	<u>1,400,694</u>
Deferred inflows of resources	<u>538,333</u>	<u>5,931</u>	<u>544,264</u>

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3
continued

	<u>Major Fund</u> General Fund	<u>Total Non- Major Funds</u>	<u>Total Governmental Funds</u>
Fund balances			
Nonspendable			
Prepaid items	\$ 3,789	\$ -	\$ 3,789
Restricted			
Stabilization by state statute	4,678,408	7,569	4,685,977
Council chamber improvements	3,100	-	3,100
Law enforcement	-	150,406	150,406
Streets	146,609	-	146,609
Capital projects			
Recreation improvements	-	272,332	272,332
Business park development	-	181,226	181,226
Committed			
Recreation improvements	-	261,250	261,250
Other	14,034	551,803	565,837
Assigned			
Subsequent year's expenditures	1,564,396	-	1,564,396
Unassigned	5,909,075	(31,934)	5,877,141
Total fund balances	<u>12,319,411</u>	<u>1,392,652</u>	<u>13,712,063</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,833,614</u>	<u>\$ 1,823,407</u>	<u>\$ 15,657,021</u>

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3
continued

		Total Governmental Funds
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Fund balances as reported on the Balance Sheet of Governmental Funds		\$ 13,712,063
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 108,159,974	
Accumulated depreciation	(65,633,734)	
Less internal service funds' net capital assets included in net position adjustment below	<u>(1,235,895)</u>	41,290,345
Deferred outflows of resources related to pensions and OPEB are not reported in the funds		
Deferred outflows of resources for governmental activities related to pensions	3,266,968	
Deferred outflows of resources for governmental activities related to OPEB	1,102,919	
Less internal service funds' deferred outflows of resources included in net position adjustment below	<u>(183,697)</u>	4,186,190
Other long-term assets are not available to pay for current-period expenditures and are therefore inflows of resources in the funds.		544,264
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(45,043)	
Bonds and installment financing	(6,064,358)	
Compensated absences	(1,105,155)	
Landfill monitoring	<u>(20,000)</u>	(7,234,556)
Net pension liability - LGERS		
Net pension liability for governmental activities	(4,002,231)	
Add internal service funds' net pension liability included in net position adjustment below	<u>196,983</u>	(3,805,248)
Total pension liability - LEO		(2,389,543)
Total OPEB liability		
Total OPEB liability for governmental activities	(12,327,989)	
Add internal service funds' total OPEB liability included in net position adjustment below	<u>371,924</u>	(11,956,065)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds		
Deferred inflows of resources for governmental activities related to pensions	(189,473)	
Deferred inflows of resources for governmental activities related to OPEB	(941,105)	
Add internal service funds' deferred inflows of resources included in net position adjustment below	<u>32,746</u>	(1,097,832)
Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk Management) to individual funds.		
Net position of governmental-type internal service funds	12,990,368	
Portion of net position allocated to business type activities	<u>(2,949,616)</u>	10,040,752
Net position of governmental activities		<u><u>\$ 43,290,370</u></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, 2019

Exhibit 4

	Major Fund General Fund	Total Non- Major Funds	Total Governmental Funds
Revenues			
Ad valorem taxes	\$ 10,254,723	\$ 100,370	\$ 10,355,093
Other taxes and licenses	367,932	-	367,932
Unrestricted intergovernmental	7,313,227	-	7,313,227
Restricted intergovernmental	848,984	618,564	1,467,548
Permits and fees	300,901	-	300,901
Sales and services	1,886,644	127,707	2,014,351
Investment earnings	259,581	20,586	280,167
Miscellaneous	148,092	1,075,000	1,223,092
Total revenues	<u>21,380,084</u>	<u>1,942,227</u>	<u>23,322,311</u>
Expenditures			
Current			
General government	4,400,487	-	4,400,487
Public safety	10,816,422	139,167	10,955,589
Highways and streets	1,304,093	-	1,304,093
Sanitation	1,962,598	-	1,962,598
Culture and recreation	1,804,994	1,166,483	2,971,477
Economic and physical development	376,443	1,561,326	1,937,769
Debt service			
Principal	848,132	-	848,132
Interest and other charges	185,040	-	185,040
Total expenditures	<u>21,698,209</u>	<u>2,866,976</u>	<u>24,565,185</u>
Revenues over (under) expenditures	<u>(318,125)</u>	<u>(924,749)</u>	<u>(1,242,874)</u>
Other financing sources (uses)			
Installment purchase debt issued	-	1,140,000	1,140,000
Transfers from other funds	2,891,680	154,500	3,046,180
Transfers to other funds	(575,192)	-	(575,192)
Sales of capital assets	825	46,563	47,388
Total other financing sources (uses)	<u>2,317,313</u>	<u>1,341,063</u>	<u>3,658,376</u>
Net change in fund balances	1,999,188	416,314	2,415,502
Fund balances - beginning	10,320,223	976,338	11,296,561
Fund balances - ending	<u>\$ 12,319,411</u>	<u>\$ 1,392,652</u>	<u>\$ 13,712,063</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, 2019

Exhibit 4
continued

		Total Governmental Funds
<hr/>		
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds	\$	2,415,502
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 1,273,815	
Capital outlay recharacterized as principal payment on seller financed debt	(55,000)	
Donations/capital contributions for governmental assets	130,590	
Depreciation expense for governmental assets	<u>(2,538,642)</u>	(1,189,237)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		
		768,252
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		
		146,564
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		
		852,454
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Proceeds from the sale of assets	(47,388)	
Gain (loss) on disposal of capital assets	(11,469)	
Change in unavailable revenues	<u>(149,501)</u>	(208,358)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	(1,140,000)	
Principal payments on long-term debt	848,132	
Principal payment on seller financed debt (recharacterized from capital outlay)	55,000	
Decrease (increase) in accrued interest payable	<u>(6,326)</u>	(243,194)
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	(36,432)	
Pension expense	(1,255,336)	
OPEB plan expense	(844,681)	
Landfill monitoring	<u>20,000</u>	(2,116,449)
Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk Management) to individual funds.		
Net revenue of governmental-type internal service funds	3,143,208	
Portion of revenue allocated to business-type activities	<u>(489,428)</u>	2,653,780
Total change in net position of governmental activities	\$	<u><u>3,079,314</u></u>

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

City of Lexington, North Carolina
General Fund

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2019

	Budget			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Ad valorem taxes	\$ 9,657,500	\$ 9,657,500	\$ 10,254,723	\$ 597,223
Other taxes and licenses	350,200	380,200	367,932	(12,268)
Unrestricted intergovernmental	6,898,976	6,898,976	7,313,227	414,251
Restricted intergovernmental	699,940	710,940	848,984	138,044
Permits and fees	203,400	203,400	300,901	97,501
Sales and services	1,778,873	1,832,773	1,886,644	53,871
Investment earnings	91,400	91,400	259,581	168,181
Miscellaneous	138,726	139,726	148,092	8,366
Total revenues	<u>19,819,015</u>	<u>19,914,915</u>	<u>21,380,084</u>	<u>1,465,169</u>
Expenditures				
Current				
General government	4,845,039	4,927,908	4,400,487	527,421
Public safety	11,603,597	12,443,988	10,816,422	1,627,566
Highways and streets	1,609,864	1,698,989	1,304,093	394,896
Sanitation	1,821,025	3,215,917	1,962,598	1,253,319
Culture and recreation	1,979,137	2,214,710	1,804,994	409,716
Economic and physical development	426,188	457,774	376,443	81,331
Debt service				
Principal	935,294	935,294	848,132	87,162
Interest and other charges	191,250	191,250	185,040	6,210
Total expenditures	<u>23,411,394</u>	<u>26,085,830</u>	<u>21,698,209</u>	<u>4,387,621</u>
Revenues over (under) expenditures	<u>(3,592,379)</u>	<u>(6,170,915)</u>	<u>(318,125)</u>	<u>5,852,790</u>
Other financing sources (uses)				
Installment purchase debt issued	-	1,808,894	-	(1,808,894)
Transfers from other funds	2,891,680	2,891,680	2,891,680	-
Transfers to other funds	(420,692)	(575,192)	(575,192)	-
Sales of capital assets	5,000	5,000	825	(4,175)
Total other financing sources (uses)	<u>2,475,988</u>	<u>4,130,382</u>	<u>2,317,313</u>	<u>(1,813,069)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,116,391)</u>	<u>(2,040,533)</u>	<u>1,999,188</u>	<u>4,039,721</u>
Fund balance appropriated	<u>1,116,391</u>	<u>2,040,533</u>	<u>-</u>	<u>(2,040,533)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,999,188</u>	<u>\$ 1,999,188</u>
Fund balance - beginning			<u>10,320,223</u>	
Fund balance - ending			<u>\$ 12,319,411</u>	

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

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

Exhibit 6

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas	Golf		
Assets						
Current assets						
Cash and cash equivalents	\$ 12,061,008	\$ 5,086,072	\$ 4,841,219	\$ 242,355	\$ 22,230,654	\$ 6,870,595
Receivables (net)						
Accounts - billed	2,987,067	767,084	387,901	-	4,142,052	61,070
Accounts - unbilled	3,612,126	588,857	356,792	-	4,557,775	-
Interest	12,705	6,592	5,733	185	25,215	9,967
Due from other governments	462,079	141,094	28,830	12,938	644,941	68,879
Due from other funds	-	-	140,814	-	140,814	-
Restricted cash and cash equivalents						
Customer deposits	646,756	52,685	135,135	3,625	838,201	-
Inventories	1,702,426	375,612	981,468	-	3,059,506	160,488
Prepaid items	-	-	-	-	-	17,000
Total current assets	<u>21,484,167</u>	<u>7,017,996</u>	<u>6,877,892</u>	<u>259,103</u>	<u>35,639,158</u>	<u>7,187,999</u>
Noncurrent assets						
Advances to other funds	-	-	260,780	-	260,780	-
Designated cash and cash equivalents						
Capital reserve	2,351,873	3,453,704	1,708,225	-	7,513,802	941,281
Rate stabilization	627,895	-	814,699	-	1,442,594	-
Group insurance reserve	-	-	-	-	-	5,770,150
Equity interest in joint venture	-	360,810	-	-	360,810	-
Capital assets						
Land and other non-depreciable assets	637,286	1,082,503	303,049	40,728	2,063,566	646,457
Other capital assets, net of accumulated depreciation	<u>34,769,821</u>	<u>35,828,504</u>	<u>22,207,515</u>	<u>963,110</u>	<u>93,768,950</u>	<u>5,524,585</u>
Total capital assets	<u>35,407,107</u>	<u>36,911,007</u>	<u>22,510,564</u>	<u>1,003,838</u>	<u>95,832,516</u>	<u>6,171,042</u>
Total noncurrent assets	<u>38,386,875</u>	<u>40,725,521</u>	<u>25,294,268</u>	<u>1,003,838</u>	<u>105,410,502</u>	<u>12,882,473</u>
Total assets	<u>59,871,042</u>	<u>47,743,517</u>	<u>32,172,160</u>	<u>1,262,941</u>	<u>141,049,660</u>	<u>20,070,472</u>
Deferred outflows of resources	<u>124,565</u>	<u>811,317</u>	<u>344,224</u>	<u>133,534</u>	<u>1,413,640</u>	<u>617,536</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2019

Exhibit 6
continued

	Business-type Activities - Enterprise Funds					
	Electric	Water and Wastewater	Natural Gas	Golf	Total Enterprise Funds	Internal Service Funds
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	4,866,212	365,610	490,895	25,530	5,748,247	456,969
Due to other funds	-	-	-	65,653	65,653	-
Unpaid claims costs	-	-	-	-	-	387,002
Compensated absences	-	120,000	54,000	18,000	192,000	93,000
Installment purchases payable	632,391	42,648	120,836	-	795,875	207,600
Liabilities payable from restricted assets						
Customer deposits	646,756	52,685	135,135	3,625	838,201	-
Total current liabilities	<u>6,145,359</u>	<u>580,943</u>	<u>800,866</u>	<u>112,808</u>	<u>7,639,976</u>	<u>1,144,571</u>
Noncurrent liabilities						
Compensated absences	\$ -	\$ 118,482	\$ 52,982	\$ 14,842	\$ 186,306	\$ 67,512
Net pension liability	-	883,869	348,771	136,112	1,368,752	662,199
Total OPEB liability	1,392,338	1,524,223	870,632	330,794	4,117,987	1,250,333
Installment purchases payable	4,421,781	240,218	680,616	-	5,342,615	1,963,600
Advances from other funds:						
Natural gas fund	-	-	-	72,878	72,878	-
Total noncurrent liabilities	<u>5,814,119</u>	<u>2,766,792</u>	<u>1,953,001</u>	<u>554,626</u>	<u>11,088,538</u>	<u>3,943,644</u>
Total liabilities	<u>11,959,478</u>	<u>3,347,735</u>	<u>2,753,867</u>	<u>667,434</u>	<u>18,728,514</u>	<u>5,088,215</u>
Deferred inflows of resources	<u>106,290</u>	<u>135,893</u>	<u>74,171</u>	<u>28,261</u>	<u>344,615</u>	<u>110,086</u>
Net position						
Net investment in capital assets	30,352,935	36,628,141	21,709,112	1,003,838	89,694,026	3,999,842
Unrestricted	<u>17,576,904</u>	<u>8,443,065</u>	<u>7,979,234</u>	<u>(303,058)</u>	<u>33,696,145</u>	<u>11,489,865</u>
Total net position	<u>\$ 47,929,839</u>	<u>\$ 45,071,206</u>	<u>\$ 29,688,346</u>	<u>\$ 700,780</u>	<u>123,390,171</u>	<u>\$ 15,489,707</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					2,499,339	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>2,949,616</u>	
Net position of business-type activities					<u>\$ 128,839,126</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, 2019

Exhibit 7

	Business-type Activities - Enterprise Funds					
	Electric	Water and Wastewater	Natural Gas	Golf	Total Enterprise Funds	Internal Service Funds
Operating revenues						
Charges for sales and services	\$ 50,192,272	\$ 10,192,681	\$ 11,975,674	\$ 632,827	\$ 72,993,454	\$ 12,575,777
Restricted intergovernmental	334,561	111,657	612	1,490	448,320	456
Other operating	350,890	414,475	34,700	2,407	802,472	1,694,811
Total operating revenues	<u>50,877,723</u>	<u>10,718,813</u>	<u>12,010,986</u>	<u>636,724</u>	<u>74,244,246</u>	<u>14,271,044</u>
Operating expenses						
Cost of sales and services	8,617,512	394,658	2,846,616	796,746	12,655,532	1,656,566
Purchases for resale	35,236,370	-	5,276,012	-	40,512,382	-
Water treatment	-	1,914,599	-	-	1,914,599	-
Waste collection and treatment	-	2,775,952	-	-	2,775,952	-
Water and wastewater construction	-	1,566,512	-	-	1,566,512	-
Administration	2,215,870	1,584,606	1,569,449	13,068	5,382,993	3,924,862
Premiums	-	-	-	-	-	1,241,439
Claims	-	-	-	-	-	4,629,364
Depreciation	1,081,713	1,261,484	528,377	135,241	3,006,815	760,082
Overhead capitalized	(547,278)	(58,620)	(1,021,383)	-	(1,627,281)	-
Total operating expenses	<u>46,604,187</u>	<u>9,439,191</u>	<u>9,199,071</u>	<u>945,055</u>	<u>66,187,504</u>	<u>12,212,313</u>
Operating income (loss)	4,273,536	1,279,622	2,811,915	(308,331)	8,056,742	2,058,731
Nonoperating revenues (expenses)						
Federal Build America Bond interest credit	-	6,259	17,733	-	23,992	-
Investment earnings	346,784	169,334	149,387	4,692	670,197	274,660
Gain (loss) on sale of property	(99,316)	(2,067)	(13,429)	-	(114,812)	-
Interest and other charges	(131,967)	(23,478)	(41,301)	(4,980)	(201,726)	(52,442)
Total nonoperating revenues (expenses)	<u>115,501</u>	<u>150,048</u>	<u>112,390</u>	<u>(288)</u>	<u>377,651</u>	<u>222,218</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, 2019

Exhibit 7
continued

	Business-type Activities - Enterprise Funds					
	Electric	Water and Wastewater	Natural Gas	Golf	Total Enterprise Funds	Internal Service Funds
Income (loss) before transfers	\$ 4,389,037	\$ 1,429,670	\$ 2,924,305	\$ (308,619)	\$ 8,434,393	\$ 2,280,949
Transfers from other funds	2,466,547	3,511,968	1,512,007	420,692	7,911,214	726,701
Transfers to other funds	<u>(1,426,993)</u>	<u>(359,633)</u>	<u>(1,105,054)</u>	<u>-</u>	<u>(2,891,680)</u>	<u>(8,217,223)</u>
Change in net position	5,428,591	4,582,005	3,331,258	112,073	13,453,927	(5,209,573)
Net position - beginning	<u>42,501,248</u>	<u>40,489,201</u>	<u>26,357,088</u>	<u>588,707</u>		<u>20,699,280</u>
Net position - ending	<u>\$ 47,929,839</u>	<u>\$ 45,071,206</u>	<u>\$ 29,688,346</u>	<u>\$ 700,780</u>		<u>\$ 15,489,707</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(8,352,781)	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>489,428</u>	
Change in net position - business-type activities					<u>\$ 5,590,574</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, 2019

Exhibit 8

	Business-type Activities - Enterprise Funds					
	Electric	Water and Wastewater	Natural Gas	Golf	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities						
Cash received from customers	\$ 50,599,283	\$ 10,050,995	\$ 11,978,508	\$ 632,827	\$ 73,261,613	\$ -
Cash received (paid) for interfund services provided (used)	(2,215,870)	(1,584,606)	(1,569,449)	(13,068)	(5,382,993)	12,628,001
Cash paid for goods and services	(43,971,977)	(3,579,869)	(6,924,138)	(237,581)	(54,713,565)	(9,018,358)
Cash paid to employees	(92,672)	(3,246,602)	(1,306,333)	(545,672)	(5,191,279)	(2,668,744)
Other operating income	350,890	414,475	34,700	2,407	802,472	1,694,811
Net cash provided (used) by operating activities	<u>4,669,654</u>	<u>2,054,393</u>	<u>2,213,288</u>	<u>(161,087)</u>	<u>8,776,248</u>	<u>2,635,710</u>
Cash flows from noncapital financing activities						
Operating grants	123,848	149,378	612	1,490	275,328	-
Advances from (to) other funds	-	-	57,951	17,209	75,160	-
Transfers from other funds	2,466,547	3,511,968	1,512,007	420,692	7,911,214	726,701
Transfers to other funds	<u>(1,426,993)</u>	<u>(359,633)</u>	<u>(1,105,054)</u>	<u>-</u>	<u>(2,891,680)</u>	<u>(8,217,223)</u>
Net cash provided (used) by noncapital financing activities	<u>1,163,402</u>	<u>3,301,713</u>	<u>465,516</u>	<u>439,391</u>	<u>5,370,022</u>	<u>(7,490,522)</u>
Cash flows from capital and related financing activities						
Installment purchase debt issued	-	-	-	-	-	200,000
Acquisition and construction of capital assets	(558,136)	(408,632)	(160,245)	(82,862)	(1,209,875)	(655,256)
Federal Build America Bond interest credit	-	6,259	17,733	-	23,992	-
Principal paid on bonds	(67,945)	(232,055)	-	-	(300,000)	-
Principal paid on installment purchase debt	(715,219)	(41,008)	(116,191)	(82,545)	(954,963)	(207,600)

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2019

Exhibit 8
continued

	Business-type Activities - Enterprise Funds					
	Electric	Water and Wastewater	Natural Gas	Golf	Total Enterprise Funds	Internal Service Funds
Interest and other charges paid on debt	\$ (134,939)	\$ (24,443)	\$ (42,776)	\$ (5,246)	\$ (207,404)	\$ (53,850)
Proceeds from the sale of assets	-	-	-	-	-	2,356
Net cash provided (used) by capital and related financing activities	(1,476,239)	(699,879)	(301,479)	(170,653)	(2,648,250)	(714,350)
Cash flows from investing activities						
Receipts of investment earnings	342,452	167,296	147,386	4,599	661,733	271,809
Net cash provided by investing activities	342,452	167,296	147,386	4,599	661,733	271,809
Net increase (decrease) in cash and cash equivalents	4,699,269	4,823,523	2,524,711	112,250	12,159,753	(5,297,353)
Cash and cash equivalents - beginning	10,988,263	3,768,938	4,974,567	133,730	19,865,498	18,879,379
Cash and cash equivalents - ending	<u>\$ 15,687,532</u>	<u>\$ 8,592,461</u>	<u>\$ 7,499,278</u>	<u>\$ 245,980</u>	<u>\$ 32,025,251</u>	<u>\$ 13,582,026</u>
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating income (loss)	\$ 4,273,536	\$ 1,279,622	\$ 2,811,915	\$ (308,331)	\$ 8,056,742	\$ 2,058,731
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Restricted intergovernmental revenues	(334,561)	(111,657)	(612)	(1,490)	(448,320)	(456)
Depreciation	1,081,713	1,261,484	528,377	135,241	3,006,815	760,082
Overhead capitalized	(547,278)	(58,620)	(1,021,383)	-	(1,627,281)	-

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2019

Exhibit 8
continued

	Business-type Activities - Enterprise Funds					
	Electric	Water and Wastewater	Natural Gas	Golf	Total Enterprise Funds	Internal Service Funds
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	\$ 407,011	\$ (141,686)	\$ 2,834	\$ -	\$ 268,159	\$ 52,224
(Increase) decrease in intergovernmental receivable	(387,098)	(43,800)	3,658	17,731	(409,509)	(6,629)
Increase (decrease) in amounts receivable related to restricted intergovernmental revenues	210,713	(37,721)	-	-	172,992	456
(Increase) decrease in inventory	(341,709)	(13,908)	(58,290)	-	(413,907)	(16,024)
(Increase) decrease in equity interest in joint venture	-	21,212	-	-	21,212	-
(Increase) decrease in deferred outflows of resources - pensions	236,936	(316,296)	(105,491)	(49,503)	(234,354)	(243,609)
(Increase) decrease in deferred outflows of resources - OPEB	(19,878)	(22,374)	(14,825)	(3,739)	(60,816)	(15,437)
Increase (decrease) in accounts payable and accrued liabilities	458,486	(77,529)	8,990	(6,520)	383,427	(89,388)
(Increase) decrease in amounts accrued related to interest on capital debt	2,972	965	1,475	266	5,678	1,408
Increase (decrease) in customer deposits	(44,180)	(139,240)	(113,910)	2,625	(294,705)	-
Increase (decrease) in unpaid claims cost	-	-	-	-	-	(146,302)
Increase (decrease) in compensated absences	-	37,534	1,911	2,686	42,131	395
Increase (decrease) in net pension liability	1,084,657	1,058,478	661,766	260,104	3,065,005	321,884
Increase (decrease) in total OPEB liability	(1,413,186)	(654,910)	(502,569)	(212,907)	(2,783,572)	(51,304)
Increase (decrease) in deferred inflows of resources - pensions	(21,120)	(12,434)	(6,628)	(1,843)	(42,025)	(8,722)
Increase (decrease) in deferred inflows of resources - OPEB	22,640	25,273	16,070	4,593	68,576	18,401
Total adjustments	396,118	774,771	(598,627)	147,244	719,506	576,979
Net cash provided (used) by operating activities	<u>\$ 4,669,654</u>	<u>\$ 2,054,393</u>	<u>\$ 2,213,288</u>	<u>\$ (161,087)</u>	<u>\$ 8,776,248</u>	<u>\$ 2,635,710</u>

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

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**City of Lexington, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2019**

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 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 three discretely presented component units described below are reported in separate columns in the City's financial statements in order to emphasize that they are legally separate from the City.

City of Lexington Board of Alcoholic Control

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

Lexington Tourism Authority

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

Uptown Lexington, Inc.

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

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.

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

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.

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

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

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

Community Development Grants Fund – Revenues for the Community Development Grants Fund are monies received from Federal and State sources and are restricted for community and economic development purposes.

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

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

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

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

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

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 enterprise funds are as follows:

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

Water and Wastewater Fund – This fund is used to account for the City's water and wastewater operations. A Water and Wastewater Projects Fund and a Water and Wastewater Capital Reserve Fund have been consolidated into the Water and Wastewater Fund for financial reporting purposes. The budgetary comparisons for the Water and Wastewater Projects Fund and the Water and Wastewater Capital Reserve Fund have been included in the supplemental information.

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

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

The City reports the following fund type:

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

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

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

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

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

Capital Reserve Fund – The Capital Reserve Fund is used to account for the accumulation of resources for future capital needs of the Electric, Water and Wastewater, Natural Gas and Fleet Management Funds. This fund is reported in the basic financial statements as a business-type activity. The fund was closed during the year ended June 30, 2019 and capital reserve subfunds were established for the Electric, Water and Wastewater, Natural gas, and Fleet Management Funds.

Rate Stabilization Fund – The Rate Stabilization Fund is used to account for the accumulation of resources for rate stabilization in the electric and natural gas utilities. This fund is reported in the basic financial statements as a business-type activity. The fund was closed during the year ended June 30, 2019 and rate stabilization subfunds were established for the Electric and Natural Gas Funds.

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

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

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

D. Budgetary Data

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

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer, defined by state statute as the City Manager, is authorized by the budget ordinance to transfer amounts between appropriations at these levels within a fund up to \$20,000. Any revisions that alter total appropriations of any fund or that change appropriations by more than \$20,000

at these levels must be authorized by a budget ordinance amendment approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. Non-participating interest earnings contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) government money market fund, is measured at fair value. The NCCMT-Term Portfolio's securities are valued at fair value.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

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

City of Lexington Restricted Cash

Governmental Activities

General Fund

Customer deposits	\$ 78,100
Streets	146,609
Economic development deposit	25,000
Unexpended debt proceeds	<u>287,412</u>
Total Governmental Activities	<u>\$ 537,121</u>

Business-type Activities	
Electric Fund	
Customer deposits	\$ 646,756
Water and Wastewater Fund	
Customer deposits	52,685
Natural Gas Fund	
Customer deposits	135,135
Golf Fund	
Customer deposits	<u>3,625</u>
Total Business-type Activities	<u>\$ 838,201</u>
Total Restricted Cash	<u>\$ 1,375,322</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

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

6. Inventories and Prepaid Items

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

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

7. Capital Assets

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

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has several items that meet this criterion – pension and OPEB related deferrals, contributions made to pension plans in the current fiscal year, and benefit payment made by the OPEB plan in the current fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet this criterion, unavailable property taxes receivable, unavailable miscellaneous revenue receivable, and other pension and OPEB related deferrals.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

10. Compensated Absences

The annual leave policy of the City provides for the accumulation of twenty-four (24) days earned annual leave with up to ten years of service, thirty-six (36) days earned annual leave with over ten years of service, and forty-eight (48) days earned annual leave with over twenty years of service. Annual leave is fully

vested when earned up to the accumulation limits. Annual leave earned in excess of the accumulation limits is converted to sick leave at the beginning of each calendar year.

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

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

11. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by unavailable revenues.

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

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

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

Restricted for Capital Projects – portion of fund balance that is restricted by revenue source for various capital projects. These amounts include unexpended debt proceeds for Recreation Improvements as

well as other amounts restricted for the redevelopment of the Lexington Business Center Industrial Park.

Committed Fund Balance – This classification of fund balance can only be used for specific purposes imposed by majority vote by quorum of the City of Lexington’s City Council (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Recreation Improvements – portion of fund balance that is committed for recreation purposes, including \$261,250 for the Recreation Center Development Project

Committed for Other – portion of fund balance that is committed for other purposes, including \$14,034 for City Council improvements to their neighborhoods (neighborhood revitalization program) and \$551,803 for the redevelopment of the Lexington Furniture Industries Inc. Plant #1 property acquired by the City.

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

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

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

The City of Lexington is in the process of formalizing a revenue spending policy that provides guidance for programs with multiple revenue sources. Currently, the Finance Director will use resources in the following hierarchy: bond proceeds, Federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first; followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the City.

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

12. Defined Benefit Cost-Sharing Plans

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

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF) and additions to/deductions from

FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Detailed Notes On All Funds

A. Assets

1. Deposits

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

At June 30, 2019, the City's deposits had a carrying amount of \$4,114,724 and a bank balance of \$4,351,943. Of the City's actual bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2019, the City's petty cash fund totaled \$7,150.

2. Investments

At June 30, 2019, the City had the following investments and maturities:

Investment Type	Valuation Measurement	Fair Value	Less Than 6		
	Method		Months	6-12 Months	1-3 Years
US Government Agencies	Fair Value-Level 2	\$ 6,990,960	\$ 1,497,227	\$ 1,497,514	\$ 3,996,219
Commercial Paper	Fair Value-Level 2	4,982,081	4,982,081	-	-
Municipal Paper	Fair Value-Level 1	2,000,672	2,000,672	-	-
US Treasuries	Fair Value-Level 1	997,422	997,422	-	-
NC Capital Management Trust - Government Portfolio	Fair Value-Level 1	28,796,372	N/A	N/A	N/A
NC Capital Management Trust - Term Portfolio*	Fair Value-Level 1	10,240,827	10,240,827	-	-
Total		<u>\$ 54,008,334</u>	<u>\$ 19,718,229</u>	<u>\$ 1,497,514</u>	<u>\$ 3,996,219</u>

*Because the NC Capital Management Trust Term Portfolio had a duration of 0.11 years, it was presented as an investment with a maturity of less than 6 months.

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

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

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits 20% of the City's investment portfolio to maturities of one to three years. Also, the City's investment policy allows 100% of the portfolio to be invested in investments of less than one year.

Credit Risk. The City's investment policy limits the City's investments to the provisions of G.S. 159-30 and State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2019, the City's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The City's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2019. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The NC Capital Management Trust is a SEC registered money market mutual fund operating in accordance with Rule 2a-7 of the Investment Act of 1940. The City's investments in US Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AAA by Standard and Poor's and Aaa by Moody's Investor Services.

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

<u>Maturity</u>	<u>Maximum Investment</u>
US Agencies	25%
Commercial Paper	20%

US Agencies in total are limited to 50% of the portfolio and commercial paper in total is limited to 30% of the portfolio. More than 5 percent of the City's investments are in Federal Home Loan Mortgage Corporation securities and MUFG Bank Ltd. commercial paper. These investments are 5.16% and 5.15%, respectively, of the City's total investments.

3. **Receivables**

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

<u>General</u>	<u>Other</u>	<u>Total</u>
<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
<u>\$ 686,000</u>	<u>\$ 150</u>	<u>\$ 686,150</u>

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

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

	Governmental Activities	Business-Type Activities	Total
Local option sales tax	\$ 1,200,083	\$ -	\$ 1,200,083
Utilities sales tax	444,928	-	444,928
Piped natural gas sales tax	54,226	-	54,226
Telecommunications tax	47,603	-	47,603
Local video programming revenue	25,703	-	25,703
Solid waste disposal tax	3,364	-	3,364
Sales and use tax refund	152,938	302,881	455,819
Federal and state grant funding	65,221	248,890	314,111
NCDOT contract billing	-	114,939	114,939
Unremitted property tax collections	243,375	-	243,375
	<u>\$ 2,237,441</u>	<u>\$ 666,710</u>	<u>\$ 2,904,151</u>

4. Capital Assets

a. Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,289,979	\$ 233,835	\$ -	\$ 2,523,814
Construction in progress	<u>10,185,240</u>	<u>1,111,483</u>	<u>(4,732,273)</u>	<u>6,564,450</u>
Total capital assets not being depreciated	<u>12,475,219</u>	<u>1,345,318</u>	<u>(4,732,273)</u>	<u>9,088,264</u>
Capital assets being depreciated:				
Buildings	14,678,565	3,095,095	-	17,773,660
Other improvements	5,534,966	1,487,370	(7,694)	7,014,642
Machinery & equipment	12,587,265	70,747	(115,543)	12,542,469
Infrastructure	54,234,255	-	-	54,234,255
Intangibles	<u>2,320,986</u>	<u>36,585</u>	<u>-</u>	<u>2,357,571</u>
Total capital assets being depreciated	<u>89,356,037</u>	<u>4,689,797</u>	<u>(123,237)</u>	<u>93,922,597</u>
Less accumulated depreciation for:				
Buildings	8,705,961	277,169	-	8,983,130
Other improvements	2,972,315	331,947	(6,955)	3,297,307
Machinery & equipment	8,811,877	750,382	(103,988)	9,458,271
Infrastructure	37,052,902	1,015,765	-	38,068,667
Intangibles	<u>1,749,762</u>	<u>163,379</u>	<u>-</u>	<u>1,913,141</u>
Total accumulated depreciation	<u>59,292,817</u>	<u>2,538,642</u>	<u>(110,943)</u>	<u>61,720,516</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets not being depreciated	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Capital assets being depreciated:				
Buildings	90,000	-	-	90,000
Other improvements	113,045	-	-	113,045
Machinery & equipment	4,710,287	234,496	(23,561)	4,921,222
Intangibles	9,846	-	-	9,846
Total capital assets being depreciated	<u>4,923,178</u>	<u>234,496</u>	<u>(23,561)</u>	<u>5,134,113</u>
Less accumulated depreciation for:				
Buildings	81,000	-	-	81,000
Other improvements	101,741	-	-	101,741
Machinery & equipment	3,508,567	234,254	(21,205)	3,721,616
Intangibles	8,861	-	-	8,861
Subtotal	<u>3,700,169</u>	<u>234,254</u>	<u>(21,205)</u>	<u>3,913,218</u>
Total accumulated depreciation	<u>62,992,986</u>	<u>2,772,896</u>	<u>(132,148)</u>	<u>65,633,734</u>
Total capital assets being depreciated, net	<u>31,286,229</u>			<u>33,422,976</u>
Governmental activity capital assets, net	<u>\$ 43,776,448</u>			<u>\$ 42,526,240</u>

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

Governmental Activities

Depreciation Expense

General government	\$ 309,070
Public safety	460,390
Highways and streets	1,269,912
Sanitation	164,841
Cultural and recreation	330,598
Economic and physical development	3,831
Capital assets held by internal service funds	<u>234,254</u>
Total depreciation expense	<u>\$ 2,772,896</u>

There was a sale of asset from the Fleet Management Fund, a governmental activity, to the Utility Administration Fund. The Utility Administration Fund paid \$2,356 for the asset, which had an original acquisition cost of \$23,561 and accumulated depreciation of \$21,205.

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ 637,286	\$ -	\$ -	\$ 637,286
Construction in progress	<u>3,319,566</u>	<u>-</u>	<u>(3,319,566)</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,956,852</u>	<u>-</u>	<u>(3,319,566)</u>	<u>637,286</u>
Capital assets being depreciated:				
Buildings	210,000	3,098,544	(210,000)	3,098,544
Plant and distribution systems	60,397,224	1,065,144	(59,130)	61,403,238
Machinery & equipment	<u>1,778,542</u>	<u>261,292</u>	<u>-</u>	<u>2,039,834</u>
Total capital assets being depreciated	<u>62,385,766</u>	<u>4,424,980</u>	<u>(269,130)</u>	<u>66,541,616</u>
Less accumulated depreciation for:				
Buildings	116,597	55,414	(116,597)	55,414
Plant and distribution systems	29,929,547	842,613	(53,217)	30,718,943
Machinery & equipment	<u>813,752</u>	<u>183,686</u>	<u>-</u>	<u>997,438</u>
Total accumulated depreciation	<u>30,859,896</u>	<u>1,081,713</u>	<u>(169,814)</u>	<u>31,771,795</u>
Total capital assets being depreciated, net	<u>31,525,870</u>			<u>34,769,821</u>
Electric Fund capital assets, net	<u>\$ 35,482,722</u>			<u>\$ 35,407,107</u>
Water and Wastewater Fund				
Capital assets not being depreciated:				
Land	\$ 849,390	\$ 17,200	\$ -	\$ 866,590
Construction in progress	<u>130,009</u>	<u>85,904</u>	<u>-</u>	<u>215,913</u>
Total capital assets not being depreciated	<u>979,399</u>	<u>103,104</u>	<u>-</u>	<u>1,082,503</u>
Capital assets being depreciated:				
Buildings	851,923	-	-	851,923
Other improvements	21,000	-	-	21,000
Plant and distribution systems	72,374,512	88,869	(20,664)	72,442,717
Machinery & equipment	<u>1,974,095</u>	<u>275,279</u>	<u>-</u>	<u>2,249,374</u>
Total capital assets being depreciated	<u>75,221,530</u>	<u>364,148</u>	<u>(20,664)</u>	<u>75,565,014</u>
Less accumulated depreciation for:				
Buildings	290,799	10,817	-	301,616
Other improvements	9,135	3,780	-	12,915
Plant and distribution systems	36,991,914	1,057,007	(18,597)	38,030,324
Machinery & equipment	<u>1,201,775</u>	<u>189,880</u>	<u>-</u>	<u>1,391,655</u>
Total accumulated depreciation	<u>38,493,623</u>	<u>1,261,484</u>	<u>(18,597)</u>	<u>39,736,510</u>
Total capital assets being depreciated, net	<u>36,727,907</u>			<u>35,828,504</u>
Water and Wastewater Fund capital assets, net	<u>\$ 37,707,306</u>			<u>\$ 36,911,007</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Natural Gas Fund				
Capital assets not being depreciated:				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	108,499	-	(108,499)	-
Total capital assets not being depreciated	<u>411,548</u>	<u>-</u>	<u>(108,499)</u>	<u>303,049</u>
Capital assets being depreciated:				
Buildings	1,776,503	192,649	-	1,969,152
Plant and distribution systems	31,566,240	1,021,383	(134,295)	32,453,328
Machinery & equipment	<u>428,940</u>	<u>76,095</u>	<u>-</u>	<u>505,035</u>
Total capital assets being depreciated	<u>33,771,683</u>	<u>1,290,127</u>	<u>(134,295)</u>	<u>34,927,515</u>
Less accumulated depreciation for:				
Buildings	188,946	33,443	-	222,389
Plant and distribution systems	11,821,208	462,056	(120,866)	12,162,398
Machinery & equipment	<u>302,335</u>	<u>32,878</u>	<u>-</u>	<u>335,213</u>
Total accumulated depreciation	<u>12,312,489</u>	<u>528,377</u>	<u>(120,866)</u>	<u>12,720,000</u>
Total capital assets being depreciated, net	<u>21,459,194</u>			<u>22,207,515</u>
Natural Gas Fund capital assets, net	<u>\$ 21,870,742</u>			<u>\$ 22,510,564</u>
Golf Fund				
Capital assets not being depreciated:				
Land	\$ 40,728	\$ -	\$ -	\$ 40,728
Total capital assets not being depreciated	<u>40,728</u>	<u>-</u>	<u>-</u>	<u>40,728</u>
Capital assets being depreciated:				
Buildings	61,500	-	-	61,500
Other improvements	2,128,719	-	-	2,128,719
Machinery & equipment	<u>254,604</u>	<u>82,862</u>	<u>-</u>	<u>337,466</u>
Total capital assets being depreciated	<u>2,444,823</u>	<u>82,862</u>	<u>-</u>	<u>2,527,685</u>
Less accumulated depreciation for:				
Buildings	41,715	810	-	42,525
Other improvements	1,247,547	95,592	-	1,343,139
Machinery & equipment	<u>140,072</u>	<u>38,839</u>	<u>-</u>	<u>178,911</u>
Total accumulated depreciation	<u>1,429,334</u>	<u>135,241</u>	<u>-</u>	<u>1,564,575</u>
Total capital assets being depreciated, net	<u>1,015,489</u>			<u>963,110</u>
Golf Fund capital assets, net	<u>\$ 1,056,217</u>			<u>\$ 1,003,838</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 245,430	\$ 200,000	\$ -	\$ 445,430
Construction in progress	2,431,515	115,355	(2,360,843)	186,027
Total capital assets not being depreciated	2,676,945	315,355	(2,360,843)	631,457
Capital assets being depreciated:				
Buildings	1,083,423	2,321,060	-	3,404,483
Other improvements	3,163,255	-	-	3,163,255
Machinery & equipment	430,375	63,343	-	493,718
Intangibles	1,448,763	103,049	-	1,551,812
Total capital assets being depreciated	6,125,816	2,487,452	-	8,613,268
Less accumulated depreciation for:				
Buildings	751,253	51,654	-	802,907
Other improvements	1,355,681	451,893	-	1,807,574
Machinery & equipment	352,237	39,543	-	391,780
Intangibles	1,303,375	3,942	-	1,307,317
Total accumulated depreciation	3,762,546	547,032	-	4,309,578
Total capital assets being depreciated, net	2,363,270			4,303,690
Internal Service Funds capital assets, net	\$ 5,040,215			\$ 4,935,147
Business-type activities capital assets, net	\$ 101,157,202			\$ 100,767,663

There was an acquisition of asset by the Utility Administration Fund from the Fleet Management Fund, a governmental activity. The Utility Administration Fund paid \$2,356 for these asset, which had an original acquisition cost of \$23,561 and accumulated depreciation of \$21,205.

b. Construction Commitments

The government has active construction projects as of June 30, 2019. At year-end, the government's construction in progress was comprised of the following:

	Spent To Date	Remaining Commitments
Community Development Grants Fund		
Economic Development Building Reuse	\$ 366,278	\$ 1,123,722
Total Community Development Grants Fund	\$ 366,278	\$ 1,123,722
General Capital Projects Fund		
Public Buildings Improvements	\$ -	\$ -
Recreation Improvements	\$ 1,790,392	\$ 479,108
Economic Development	8,895,848	800,594
Total General Capital Projects Fund	\$ 10,686,240	\$ 1,279,702

	Spent To Date	Remaining Commitments
Enterprise Funds:		
Water and Wastewater Fund		
System improvements	\$ 213,185	\$ 151,815
Total Water and Wastewater Fund	<u>\$ 213,185</u>	<u>\$ 151,815</u>
Utility Administration Fund		
Work Order System	\$ 186,027	\$ 188,973
Total Utility Administration Fund	<u>\$ 186,027</u>	<u>\$ 188,973</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2019 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities					
General	\$ 259,622	\$ 225,581	\$ 45,043	\$ 92,441	\$ 622,687
Other Governmental	140,332	-	-	290	140,622
Governmental Internal Service	<u>231,407</u>	<u>10,578</u>	<u>-</u>	<u>387,621</u>	<u>629,606</u>
Total - governmental activities	<u>\$ 631,361</u>	<u>\$ 236,159</u>	<u>\$ 45,043</u>	<u>\$ 480,352</u>	<u>\$ 1,392,915</u>
Business-type Activities					
Electric	\$ 4,758,855	\$ -	\$ 26,757	\$ 80,600	\$ 4,866,212
Water and Wastewater	308,125	51,778	3,589	2,118	365,610
Natural Gas	456,608	20,618	10,168	3,501	490,895
Golf	14,453	10,782	-	295	25,530
Business-type Internal Service	<u>109,400</u>	<u>28,071</u>	<u>16,894</u>	<u>60,000</u>	<u>214,365</u>
Total - business-type activities	<u>\$ 5,647,441</u>	<u>\$ 111,249</u>	<u>\$ 57,408</u>	<u>\$ 146,514</u>	<u>\$ 5,962,612</u>

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of Lexington is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail

Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Lexington employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lexington's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Lexington were \$1,178,286 for the year ended June 30, 2019.

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, 2019, the City reported a liability of \$5,836,199 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the City's proportion was 0.246%, which was an increase of 0.006% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,592,234. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 900,387	\$ 30,212
Changes of assumptions	1,548,702	-
Net difference between projected and actual earnings on pension plan investments	801,137	-
Changes in proportion and differences between City contributions and proportionate share of contributions	28,206	98,782
City contributions subsequent to the measurement date	<u>1,178,286</u>	<u>-</u>
Total	<u><u>\$ 4,456,718</u></u>	<u><u>\$ 128,994</u></u>

\$1,178,286 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, 2020. 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:

2020	\$ 1,515,265
2021	985,962
2022	176,016
2023	472,195
2024	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 14,019,055	\$ 5,836,199	\$ (1,001,524)

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>59</u>
Total	<u>67</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, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.64 percent

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

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

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

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

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

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$146,033 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, 2019, the City reported a total pension liability of \$2,389,543. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the City recognized pension expense of \$182,080.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,255	\$ -
Changes of assumptions and other inputs	85,695	101,014
Benefit payments and administrative expenses subsequent to the measurement date	73,778	-
Total	<u>\$ 210,728</u>	<u>\$ 101,014</u>

The City paid \$73,778 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$	8,785
2021		8,785
2022		10,199
2023		13,104
2024		(4,937)
Thereafter		-

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.64 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total pension liability	\$ 2,584,102	\$ 2,389,543	\$ 2,212,657

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

	2019
Beginning balance	\$ 2,395,833
Service Cost	99,412
Interest on the total pension liability	73,352
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	61,214
Changes of assumptions or other inputs	(91,106)
Benefit payments	(149,162)
Other changes	-
Ending balance of the total pension liability	<u>\$ 2,389,543</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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The net pension liability for LGERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability for LEOSSA was measured as of December 31, 2018, with an actuarial valuation date of December 31, 2017. 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	\$ 5,836,199	\$ -	\$ 5,836,199
Proportion of the Net Pension Liability	0.24601%	n/a	
Total Pension Liability	\$ -	\$ 2,389,543	\$ 2,389,543
Pension Expense	\$ 1,592,234	\$ 182,080	\$ 1,774,314

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 900,387	\$ 51,255	\$ 951,642
Changes of assumptions	1,548,702	85,695	1,634,397
Net difference between projected and actual earnings on plan investments	801,137	-	801,137
Changes in proportion and differences between City contributions and proportionate share of contributions	28,206	-	28,206
City contributions (LGERS)/Benefit payments and administrative costs (LEOSSA) paid subsequent to the measurement date	1,178,286	73,778	1,252,064
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 30,212	\$ -	\$ 30,212
Changes of assumptions	-	101,014	101,014
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	98,782	-	98,782

d. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City made contributions of \$143,773 for the reporting year. No amounts were forfeited.

e. Supplemental Retirement Income Plan for General Employees

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

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

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

f. Firefighters' and Rescue Squad Workers' Pension Fund

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

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

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2018, the State contributed \$17,952,000 to the plan. The City of Lexington's proportionate share of the State's contribution is \$21,564.

Refunds of Contributions - Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on

the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2019, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$66,480. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2018 and at June 30, 2017 was 0%.

For the year ended June 30, 2019, the City recognized pension expense of \$18,906 and revenue of \$18,906 for support provided by the State. At June 30, 2019, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

g. Other Postemployment Benefits

1. Postemployment Healthcare Benefits

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

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

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees	Firefighters	Law Enforcement Officers	Total
Retirees and dependents receiving benefits	51	18	25	94
Active plan members	209	51	57	317
Total	260	69	82	411

Total OPEB Liability

The City's total OPEB liability of \$17,324,385 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2017, using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increase, including wage inflation	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%

Municipal Bond Index Rate

Prior Measurement Date	3.56%
Measurement Date	3.89%

Health Care Cost Trends

Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

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

Schedule of Changes in Total OPEB Liability

Total OPEB Liability as of June 30, 2018	<u>\$ 17,439,277</u>
Changes for the year:	
Service cost at the end of the year	717,336
Interest on TOL and cash flows	604,292
Change in benefit terms	-
Differences between expected and actual experience	16,703
Changes of assumptions or other inputs	(515,457)
Benefit payments	(937,766)
Other changes	<u>-</u>
Net changes	<u>(114,892)</u>
Total OPEB Liability as of June 30, 2019	<u>\$ 17,324,385</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increased used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 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 (2.89 percent) or 1 percentage-point higher (4.89 percent) than the current discount rate:

	Discount Rate		
	1% Decrease	(3.89%)	1% Increase
Total OPEB liability	\$ 18,947,721	\$ 17,324,385	\$ 15,876,065

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

	Healthcare Cost Trend Rate (7.50% decreasing to 5.00%)		
	1% Decrease		1% Increase
Total OPEB liability	\$ 15,457,469	\$ 17,324,385	\$ 19,532,192

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,152,520. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 314,710	\$ -
Changes of assumptions and other inputs	-	1,322,525
Benefit payments and administrative expenses subsequent to the measurement date	1,235,210	-
Total	<u>\$ 1,549,920</u>	<u>\$ 1,322,525</u>

\$1,235,210 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, 2020. 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:

2020	\$ (169,108)
2021	(169,108)
2022	(169,108)
2023	(169,108)
2024	(169,108)
Thereafter	(162,275)

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 79 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, 2019, the City made contributions to the State for death benefits of \$12,457. The City's required contributions for employee not engaged in law enforcement and for law enforcement represented 0.07% and 0.14% of covered payroll, respectively.

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

3. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
(Pensions, OPEB) - difference between expected and actual experience	\$ 1,266,352	\$ 30,212
(Pensions, OPEB) - changes of assumptions	1,634,397	1,423,539
(Pensions) - net difference between projected and actual investment earnings	801,137	-
(Pensions) - change in proportion and difference between employer contributions and proportionate share of contributions	28,206	98,782
Contributions to pension plan subsequent to the measurement date (LGRS)	1,178,286	-
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)	73,778	-
Benefit payments for the OPEB plan paid subsequent to measurement date	1,235,210	-
Unavailable revenue		
Property taxes receivable		
Taxes receivable, net (General Fund)	-	500,691
Taxes receivable, net (Special Revenue Fund)	-	5,931
Miscellaneous receivables (General Fund)	-	37,642
Total	<u>\$ 6,217,366</u>	<u>\$ 2,096,797</u>

4. Risk Management

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

The City's insurance deductible for property is \$50,000 per occurrence. The property insurance limit is \$97,446,274. The self-insurance retention for general liability, employee benefit liability, police professional, public officials and auto is \$300,000 per occurrence. The general liability, public official's liability and police liability insurance limits are \$1,000,000 per occurrence; \$2,000,000 aggregate. The employee benefit liability limits are \$1,000,000 per occurrence; \$2,000,000 aggregate. The auto liability has a combined single limit of \$1,000,000. The auto physical damage coverage is a catastrophic only limit of \$1,000,000 and a \$50,000 per occurrence deductible. The City also purchased excess liability coverage of \$10,000,000 per occurrence. This applies to all liabilities except workers' compensation. Workers' Compensation has a self-insured retention of \$600,000 per occurrence with excess coverage up to the statutory limit. Crime has a \$2,500 deductible and a \$200,000 limit. All claims under \$10,000 can be settled by the City Manager. Claims up to \$50,000 can be settled by the City's Claims Committee, which includes the Risk Safety Manager, Management, Mayor and the City

Attorney. Claims \$50,000 and over are reviewed by the City's third party administrator and must be approved by the City Council.

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

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

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

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

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

Unpaid claims, 7/1	\$ 98,727
Incurred claims	1,151,259
Claim payments	<u>(1,215,833)</u>
Unpaid claims, 6/30	<u>\$ 34,153</u>

5. Group Health Insurance

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

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

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

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

Unpaid claims, 7/1	\$ 434,577
Incurred claims	3,331,803
Claim payments	<u>(3,413,531)</u>
Unpaid claims, 6/30	<u>\$ 352,849</u>

6. Claims, Judgments and Contingent Liabilities

At June 30, 2019, the City of Lexington was a defendant in various lawsuits. In the opinion of the City's attorneys and management, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

7. Long-Term Obligations

a. Installment Purchases

\$4,200,000 direct placement installment purchase Build America Bond with Bank of America dated April 15, 2010 for a utilities operations center for Natural Gas and Public Works, the relocation of Fire Station #2, and equipment sheds for the Street and Recycling & Waste Collection departments due in semi-annual installments ranging from \$231,757 to \$188,949 including interest beginning on October 15, 2010 through April 15, 2025; interest at 6.09% (3.959%, net of 35% federal credit); secured by a deed of trust on the property; in the event of default, lender may declare all principal and accrued interest due and payable and may sell the property. \$ 1,980,059

\$582,807 direct placement installment purchase contract with BB&T dated August 15, 2013 for a 75' aerial ladder fire apparatus due in semi-annual installments of \$44,263 including interest beginning on August 15, 2013 through February 15, 2020; interest at 1.92%; secured by fire apparatus; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of and sell the fire apparatus. 87,268

\$4,223,000 direct placement installment purchase contract with First Tennessee Bank dated January 15, 2015 for Public Building Improvements, Recreation Improvements and Electric System Improvements due in semi-annual payments of \$169,893 including interest beginning on June 1, 2015 through December 1, 2029; interest at 2.56%; secured by a deed of trust on City Hall; in the event of default, lender may declare all principal and accrued interest due and payable and may sell City Hall. 3,111,153

\$2,359,548 direct placement refinancing installment purchase contract with First Tennessee Bank dated January 15, 2015 for the Arcadia electric substation and various electric system reliability improvements due in semi-annual payments of \$159,239 including interest beginning on June 1, 2015 through December 1, 2022; interest at 1.89%; secured by a deed of trust on City Hall; in the event of default, lender may declare all principal and accrued interest due and payable and may sell City Hall.	1,073,705
\$377,980 direct placement installment purchase contract with BB&T dated September 28, 2015 for a police animal control vehicle and a refuse truck due in semi-annual payments of \$37,798 plus interest beginning on March 1, 2016 through September 1, 2020; interest at 1.66%; secured by vehicles; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of and sell the vehicles.	113,394
\$7,527,000 direct placement installment purchase contract with BB&T dated March 11, 2016 for recreation improvements, construction of an Electric Operations Center, and construction of a Warehouse Center due in semi-annual payments of \$250,900 plus interest beginning on September 1, 2016 through March 1, 2031; interest at 2.52%; secured by a deed of trust on the Electric Operations and Warehouse Centers; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the Electric Operations and Warehouse Centers.	6,021,600
\$1,035,527 direct placement installment purchase contract with Regions Bank dated September 1, 2017 for public safety communications equipment due in semi-annual payments of \$103,553 plus interest beginning on February 1, 2018 through August 1, 2022; interest at 1.73%; secured by equipment; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of and sell the equipment.	724,869
\$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.	1,102,000
\$200,000 direct placement installment purchase contract with Davidson County dated October 26, 2018 for acquisition of property located at 200 N. State Street and 209 N. State Street due in annual payments of \$40,000 beginning on October 26, 2018 through October 26, 2022; no interest; secured by deed of trust on the property; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the property.	160,000
	<u>\$ 14,374,048</u>

Annual debt service payments of installment purchase contracts as of June 30, 2019, including \$2,006,685 of interest, net of 35% federal credit, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 844,229	\$ 180,382	\$ 1,003,474	\$ 230,820
2021	728,411	156,793	1,018,595	202,402
2022	700,177	134,972	1,034,159	173,401
2023	606,513	113,017	890,943	143,794
2024	513,188	93,287	703,671	118,091
2025-2029	2,006,510	241,511	2,810,832	298,757
2030-2034	<u>665,330</u>	<u>36,182</u>	<u>848,016</u>	<u>25,366</u>
Total Principal & Interest	<u>\$ 6,064,358</u>	956,144	<u>\$ 8,309,690</u>	1,192,631
35% Federal Credit		<u>(64,279)</u>		<u>(77,811)</u>
Interest, Net of Credit		<u>\$ 891,865</u>		<u>\$ 1,114,820</u>

At June 30, 2019, the City of Lexington had a legal debt margin of \$110,636,625.

b. Solid Waste Landfill Post-closure Care Costs

The City of Lexington closed its landfill during the fiscal year ended June 30, 1990. As of the current period, an administrative agreement on consent has been entered into, and an assessment plan is now complete. The \$20,000 liability recorded in the statement of net position is based on the estimated annual cost to complete periodic monitoring required by N.C. Department of Environment, Health and Natural Resources Division of Solid Waste Management, Solid Waste Section, for 1 year. The estimates are updated annually based on current technology and regulatory requirements. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

c. Economic Development Grants

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

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

- Save-A-Lot, Ltd. – As part of an economic development grant, land co-owned with Davidson County in the Lexington Business Center is being leased to Save-A-Lot, Ltd. and will be conveyed to the company when the 12-year lease agreement is fulfilled in December 2022. Save-A-Lot is meeting the terms of both the lease and economic development incentive agreements and remitting \$72,917 annually in a lease payment. Under the terms of the economic development incentive agreement when the company submits timely documentation evidencing fulfillment of its obligations under the contract, the lease amount is returned to the company in the form of an economic development incentive grant with the final payment anticipated in 2023. For the 2018-19 fiscal year, the company was paid \$72,917 under this agreement. As of June 30, 2019, the City's remaining commitment under this contract totals \$291,667.

- United Furniture Industries – The City partnered with Davidson County to purchase land, resulting in a \$68,300 transaction in fiscal year 2009-10 and a \$100,500 transaction in fiscal year 2013-14. As part of an economic development incentive grant, this land is being leased to United Furniture Industries and will be conveyed to the company when the 12-year lease agreement is fulfilled in December 2022. United Furniture is meeting the terms of the lease agreement remitting \$16,858 annually in a lease payment. Under the terms of the economic development incentive agreement when the company submits timely documentation evidencing fulfillment of its obligations under the contract, the lease amount is returned to the company in the form of an economic development incentive grant with final payment anticipated in 2023. For the 2018-19 fiscal year, the company was paid \$16,858 under this agreement. As of June 30, 2019, the City's remaining commitment under this contract totals \$67,433.
- Halyard North Carolina – The City has an economic development incentive agreement with Halyard North Carolina under which Halyard agreed to invest \$24,000,000 in new expanded investment in its manufacturing plant and create and maintain 30 new full-time employment positions. Under the terms of the economic development incentive agreement the City has agreed to make annual grants of \$72,000 each year for a five year period beginning on January 1, 2017, subject to the company's submission of timely documentation evidencing fulfillment of its obligations under the contract. For the 2018-19 fiscal year, the company was paid \$72,000 under this agreement. As of June 30, 2019, the City's remaining commitment under this contract totals \$144,000.

8. Changes in Long-Term Liabilities

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Governmental activities:</u>					
Direct placement installment purchases	\$ 5,827,490	\$ 1,140,000	\$ 903,132	\$ 6,064,358	\$ 844,229
Compensated absences	1,120,344	670,224	646,487	1,144,081	494,000
Solid waste landfill	40,000	-	20,000	20,000	20,000
Net pension liability (LGERS)	2,400,139	1,602,092	-	4,002,231	-
Total pension liability (LEO)	2,395,833	-	6,290	2,389,543	-
Total OPEB liability	12,387,357	-	59,368	12,327,989	-
Governmental activity long-term liabilities	<u>\$ 24,171,163</u>	<u>\$ 3,412,316</u>	<u>\$ 1,635,277</u>	<u>\$ 25,948,202</u>	<u>\$ 1,358,229</u>
<u>Electric Fund</u>					
Direct placement installment purchases	\$ 5,769,391	\$ -	\$ 715,219	\$ 5,054,172	\$ 632,391
Direct placement general obligation bonds	67,945	-	67,945	-	-
Net pension liability (LGERS)	307,681	-	307,681	-	-
Total OPEB liability	1,413,186	-	20,848	1,392,338	-
Electric Fund long-term liabilities	<u>7,558,203</u>	<u>-</u>	<u>1,111,693</u>	<u>6,446,510</u>	<u>632,391</u>
<u>Water and Wastewater Fund</u>					
Direct placement installment purchases	\$ 323,874	\$ -	\$ 41,008	\$ 282,866	\$ 42,648
Direct placement general obligation bonds	232,055	-	232,055	-	-
Compensated absences	200,948	168,335	130,801	238,482	120,000
Net pension liability (LGERS)	465,745	418,124	-	883,869	-
Total OPEB liability	1,538,779	-	14,556	1,524,223	-
Water and Wastewater Fund long-term liabilities	<u>2,761,401</u>	<u>586,459</u>	<u>418,420</u>	<u>2,929,440</u>	<u>162,648</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Natural Gas Fund</u>					
Direct placement installment purchases	917,643	-	116,191	801,452	120,836
Compensated absences	105,071	73,095	71,184	106,982	54,000
Net pension liability (LGERS)	208,866	139,905	-	348,771	-
Total OPEB liability	851,340	19,292	-	870,632	-
Natural Gas Fund long-term liabilities	2,082,920	232,292	187,375	2,127,837	174,836
<u>Golf Fund</u>					
Direct placement installment purchases	82,545	-	82,545	-	-
Compensated absences	30,156	20,613	17,927	32,842	18,000
Net pension liability (LGERS)	70,690	65,422	-	136,112	-
Total OPEB liability	349,019	-	18,225	330,794	-
Golf Fund long-term liabilities	532,410	86,035	118,697	499,748	18,000
<u>Utility Administration Fund</u>					
Direct placement installment purchases	2,178,800	200,000	207,600	2,171,200	207,600
Compensated absences	108,496	103,861	90,771	121,586	70,000
Net pension liability (LGERS)	212,803	252,413	-	465,216	-
Total OPEB liability	899,596	-	21,187	878,409	-
Utility Administration Fund long-term liabilities	3,399,695	556,274	319,558	3,636,411	277,600
Business activity long-term liabilities	\$ 16,334,629	\$ 1,461,060	\$ 2,155,743	\$ 15,639,946	\$ 1,265,475

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, 2019 consist of the following:

Receivable Fund	Payable Fund	Current	Noncurrent	Total
General Fund	Public Safety Grants Fund	\$ 25,808	\$ -	\$ 25,808
Natural Gas Fund	General Fund	75,161	187,902	263,063
Natural Gas Fund	Golf Fund	65,653	72,878	138,531
Total		\$ 166,622	\$ 260,780	\$ 427,402

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

On December 7, 2015, the General Fund borrowed \$526,125 from the Natural Gas Fund to fund the purchase of two (2) hybrid refuse vehicles. The terms of the arrangement require the General Fund to repay the Natural Gas Fund in fourteen semi-annual installments, plus interest at 1.40%, beginning on April 1, 2016. The outstanding balance of this arrangement at June 30, 2019 was \$263,063.

On August 1, 2017, the Golf Fund borrowed \$112,500 from the Natural Gas Fund to fund the purchase of golf carts. The terms of the arrangement require the Golf Fund to repay the Natural Gas Fund in six semi-

annual installments, plus interest at 1.80%, beginning on December 1, 2017. The outstanding balance of this arrangement at June 30, 2019 was \$37,500.

On September 1, 2017, the Golf Fund borrowed \$57,903 from the Natural Gas Fund to fund the purchase of golf equipment. The terms of the arrangement require the Golf Fund to repay the Natural Gas Fund in ten semi-annual installments, plus interest at 2.09%, beginning on December 1, 2017. The outstanding balance of this arrangement at June 30, 2019 was \$34,742.

On October 1, 2018, the Golf Fund borrowed \$82,862 from the Natural Gas Fund to fund the purchase of golf equipment. The terms of the arrangement require the Golf Fund to repay the Natural Gas Fund in ten semi-annual installments, plus interest at 2.99%, beginning on December 1, 2018. The outstanding balance of this arrangement at June 30, 2019 was \$66,289.

2. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2019 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Electric Fund	\$ 1,200,000
General Fund (payment in lieu of taxes)	Electric Fund (payment in lieu of taxes)	226,993
General Fund (payment in lieu of taxes)	Water and Wastewater Fund (payment in lieu of taxes)	359,633
General Fund	Natural Gas Fund	1,026,480
General Fund (payment in lieu of taxes)	Natural Gas Fund (payment in lieu of taxes)	78,574
General Capital Projects Fund	General Fund	154,500
Electric Fund	Capital Reserve Fund	1,851,873
Electric Fund	Rate Stabilization Fund	614,674
Electric Capital Reserve Fund	Electric Fund	2,351,873
Electric Rate Stabilization Fund	Electric Fund	614,674
Water and Wastewater Fund	Water and Wastewater Capital Reserve Fund	265,000
Water and Wastewater Fund	Capital Reserve Fund	3,511,968
Water and Wastewater Capital Reserve Fund	Water and Wastewater Fund	3,718,704
Natural Gas Fund	Capital Reserve Fund	1,008,225
Natural Gas Fund	Rate Stabilization Fund	503,782
Natural Gas Capital Reserve Fund	Natural Gas Fund	1,708,225
Natural Gas Rate Stabilization Fund	Natural Gas Fund	803,782
Golf Fund	General Fund	420,692
Fleet Management Fund	Fleet Management Capital Reserve Fund	70,345
Fleet Management Fund	Capital Reserve Fund	726,701
Fleet Management Capital Reserve Fund	Fleet Management Fund	1,011,626
Total		<u>\$ 22,228,324</u>

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

The Electric, Water and Wastewater, and Natural Gas Funds made transfers to the General Fund, which consisted of transfers related to payments in lieu of taxes in the amounts of \$226,993, \$359,633, and \$78,574, respectively. The Electric and Natural Gas Funds also made transfers in the amounts of \$1,200,000 and \$1,026,480 as profit distributions to support General Fund services.

The General Capital Projects Fund received a transfer from the General Fund in the amount of \$154,500 to fund construction costs for the BMX/Skate Park capital project.

The Electric Fund received transfers from the Capital Reserve Fund in the amount of \$1,851,873 and the Rate Stabilization Fund in the amount of \$614,674 to close the Capital Reserve and Rate Stabilization Funds and establish individual capital reserve and rate stabilization funds within the Electric Fund for accounting and reporting purposes.

The Electric Capital Reserve Fund received a transfer in the amount of \$1,851,873 from the Electric Fund for establishment of an individual capital reserve fund for Electric and a transfer in the amount of \$500,000 for future capital needs.

The Electric Rate Stabilization Fund received a transfer in the amount of \$614,674 from the Electric Fund for establishment of an individual rate stabilization fund for Electric.

The Water and Wastewater Fund received a transfer from the Water and Wastewater Capital Reserve Fund in the amount of \$265,000 to cover budgeted capital purchases. A transfer in the amount of \$3,511,968 was received from the closing of the Capital Reserve Fund to establish an individual capital reserve fund within the Water and Wastewater Fund for accounting and reporting purposes.

The Water and Wastewater Capital Reserve Fund received a transfer in the amount of \$3,511,968 from the Water and Wastewater Fund for establishment of an individual capital reserve fund for Water and Wastewater. Transfers in the amounts of \$75,000 and \$131,736 were received for future capital needs and system development fees collected, respectively.

The Natural Gas Fund received transfers from the Capital Reserve Fund in the amount of \$1,008,225 and the Rate Stabilization Fund in the amount of \$503,782 to close the Capital Reserve and Rate Stabilization Funds and establish individual capital reserve and rate stabilization funds within the Natural Gas Fund for accounting and reporting purposes.

The Natural Gas Capital Reserve Fund received a transfer in the amount of \$1,008,225 from the Natural Gas Fund for establishment of an individual capital reserve fund for Natural Gas and a transfer in the amount of \$700,000 for future capital needs.

The Natural Gas Rate Stabilization Fund received a transfer in the amount of \$503,782 from the Natural Gas Fund for establishment of an individual rate stabilization fund for Natural Gas. A transfer in the amount \$300,000 for short-term rate management and stabilization needs of Natural Gas utility customers.

The Golf Fund received a transfer from the General Fund in the amount of \$84,169 for principal and interest debt payments on the course renovations and \$336,523 for operational and capital funding.

The Fleet Management Fund received a transfer from the Capital Reserve Fund in the amount of \$70,345 to purchase vehicles and equipment for the City's motor pool fleet and \$726,701 to close the Capital Reserve Fund and establish an individual capital reserve fund within the Fleet Management Fund for accounting and reporting purposes.

The Fleet Management Capital Reserve Fund received a transfer in the amount of \$726,701 from the Fleet Management Fund for establishment of an individual capital reserve fund for Fleet Management and transfers in the total amount of \$284,925 for future capital needs.

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure, on-behalf payments for pension contributions of \$24,436 made by the State for the fifty-two employed firefighters' who perform firefighting duties for the City's fire department. The employees elected to be members of the Firefighters' and Rescue Squad Workers' Pension Fund, a cost sharing multiple employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a State appropriation.

E. Net Investment in Capital Assets

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

	Governmental Activities	Business-Type Activities
Capital assets	\$ 42,526,240	\$ 100,767,663
Less: long-term debt on capital assets	(6,064,358)	(8,309,690)
Unexpended debt proceeds	287,412	-
Net investment in capital assets	<u>\$ 36,749,294</u>	<u>\$ 92,457,973</u>

F. Fund Balance

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

Total fund balance - General Fund	\$ 12,319,411
Less:	
Prepaid Items	(3,789)
Stabilization by State Statute	<u>(4,678,408)</u>
Fund balance available for appropriation	7,637,214
Less: Restrictions, commitments, and assignments of fund balance available for appropriation	
Restricted for general government	(3,100)
Restricted for streets	(146,609)
Committed for general government	(14,034)
Appropriated fund balance in 2019-20 budget	<u>(1,564,396)</u>
Unassigned fund balance	<u>\$ 5,909,075</u>

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

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

	General Fund	Non-Major Funds
Encumbrances	\$ 2,120,566	\$ 6,500

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, 2019 were \$35,236,370. 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, 2019, and there are no bonds authorized but unissued. The cities' governing boards also have joint control over budgeting the operation.

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

Costs of operations are shared equally between the City of Lexington, the City of Thomasville, and Davidson County. The City of Thomasville maintains control over the financial records for assets and liabilities of the lake. Effective July 1, 2009 Davidson County began maintaining control over the financial records of the operation of the lake and bills the City of Lexington for its share of the costs. These costs are included as an operating expenditure in the Water Plant Department in the City's Water and Wastewater Fund. The City spent \$30,002 for the fiscal year ended June 30, 2019.

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, 2019 was \$360,810, 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, 2019. Lake Thom-A-Lex did not issue separate financial statements. The following condensed financial information as of and for the year ended June 30, 2019 has been provided by the City of Thomasville.

Assets

Cash	\$ 314,001
Accounts receivable	42,576
Land	223,395
Buildings	15,000
Other improvements	1,190,537
Equipment	<u>87,018</u>
	1,872,527
Less: accumulated depreciation	<u>(1,150,907)</u>
Total assets	<u>\$ 721,620</u>

Net Position

\$ 721,620

Revenues

Permits, rentals, concessions, etc.	\$ 75,603
Contributions	
City of Thomasville	47,002
City of Lexington	30,002
Davidson County	<u>30,002</u>
Total revenues	182,609

Expenditures

Salaries and employee benefits	115,275
Operating expenditures	<u>67,635</u>
Total expenditures	<u>182,910</u>

Revenues over (under) expenditures	<u>(301)</u>
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Reconciliation from budgetary basis (modified accrual) to full accrual:

Revenues over (under) expenditures	\$ <u>(301)</u>
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Reconciling items:

Depreciation expense	<u>(42,123)</u>
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Change in net position	(42,424)
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Net position

Beginning of year, July 1	<u>764,044</u>
End of year, June 30	<u>\$ 721,620</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.



**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 Six Fiscal Years *

Exhibit A-1

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Lexington's proportion of the net pension liability (asset) (%)	0.24601%	0.23996%	0.25048%	0.25463%	0.25594%	0.25270%
City of Lexington's proportion of the net pension liability (asset) (\$)	\$ 5,836,199	\$ 3,665,924	\$ 5,316,025	\$ 1,142,764	\$ (1,509,396)	\$ 3,046,005
City of Lexington's covered payroll	\$ 15,579,001	\$ 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	37.46%	24.32%	37.66%	8.13%	(10.62%)	21.74%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

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

Exhibit A-2

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,178,286	\$ 1,190,478	\$ 1,114,935	\$ 953,728	\$ 1,005,958	\$ 1,017,648
Contributions in relation to the contractually required contribution	<u>1,178,286</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>
City of Lexington's covered payroll	\$ 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	7.89%	7.64%	7.40%	6.76%	7.16%	7.16%

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

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

Exhibit A-3

Firefighters' and Rescue Squad Workers' Pension

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

*The amounts presented are for the prior year.

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

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

Exhibit A-4

Law Enforcement Officers' Special Separation Allowance

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Balance	\$ 2,395,833	\$ 2,257,382	\$ 2,329,866
Service Cost	99,412	83,433	86,066
Interest on the total pension liability	73,352	84,043	79,843
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	61,214	396	-
Changes of assumptions or other inputs	(91,106)	130,799	(51,650)
Benefit payments	(149,162)	(160,220)	(186,743)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u><u>\$ 2,389,543</u></u>	<u><u>\$ 2,395,833</u></u>	<u><u>\$ 2,257,382</u></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 **Exhibit A-5**
Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll
Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance

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

Notes to the schedules:

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

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

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

Exhibit A-6

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost at end of year	\$ 717,336	\$ 831,349
Interest	604,292	526,656
Changes of benefit terms	-	-
Differences between expected and actual experience	16,703	408,009
Changes of assumptions or other inputs	(515,457)	(1,189,400)
Benefit payments	(937,766)	(1,259,077)
Other	<u>-</u>	<u>-</u>
Net change in Total OPEB Liability	(114,892)	(682,463)
Total OPEB Liability - beginning	<u>17,439,277</u>	<u>18,121,740</u>
Total OPEB Liability - ending	<u><u>\$ 17,324,385</u></u>	<u><u>\$ 17,439,277</u></u>
 Covered-employee payroll	 \$ 14,058,965	 \$ 14,058,965
Total OPEB liability as a percentage of covered-employee payroll	123.23%	124.04%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%

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



**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

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MAJOR GOVERNMENTAL FUNDS

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Major Governmental Funds

General Fund

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

A summary of revenues and expenditures is presented below:

<u>REVENUES BY SOURCE</u>	<u>Amount</u>	<u>Percent of Total</u>
Ad valorem taxes	\$ 10,254,723	42%
Other taxes and licenses	367,932	2%
Unrestricted intergovernmental	7,313,227	30%
Restricted intergovernmental	848,984	3%
Permits and fees	300,901	1%
Sales and services	1,886,644	8%
Investment earnings	259,581	1%
Miscellaneous	148,092	1%
Other financing sources	<u>2,892,505</u>	<u>12%</u>
Total revenues	<u>\$ 24,272,589</u>	<u>100%</u>

EXPENDITURES BY FUNCTION

General government	\$ 4,400,487	20%
Public safety	10,816,422	47%
Highways and streets	1,304,093	6%
Sanitation	1,962,598	9%
Culture and recreation	1,804,994	8%
Economic and physical development	376,443	2%
Debt service	1,033,172	5%
Other financing uses	<u>575,192</u>	<u>3%</u>
Total expenditures	<u>\$ 22,273,401</u>	<u>100%</u>



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

Exhibit B-1

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Taxes	\$	\$ 10,127,922	\$
Interest		126,801	
Total	<u>9,657,500</u>	<u>10,254,723</u>	<u>597,223</u>
Other taxes and licenses			
Occupancy tax		367,932	
Total	<u>380,200</u>	<u>367,932</u>	<u>(12,268)</u>
Unrestricted intergovernmental			
Federal Build America Bond interest credit		19,819	
Utilities sales tax		1,927,328	
Piped natural gas sales tax		169,726	
Telecommunications tax		164,940	
Video franchise tax		114,478	
Payments in lieu of taxes		1,687	
Beer and wine tax		78,548	
Local option sales tax		4,491,601	
ABC revenues		345,100	
Total	<u>6,898,976</u>	<u>7,313,227</u>	<u>414,251</u>
Restricted intergovernmental			
ABC recreation		73,950	
ABC law enforcement		27,023	
Solid waste disposal tax		13,506	
Powell Bill allocation		556,265	
On-behalf of payments - fire		24,436	
Public safety		17,212	
Disaster assistance		54,771	
NC Downtown Revitalization grant		10,000	
Uptown Lexington Facade grant		1,000	
NCDOT reimbursement		70,821	
Total	<u>710,940</u>	<u>848,984</u>	<u>138,044</u>
Permits and fees			
Inspection fees and permits		300,901	

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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services			
Property rental	\$	\$ 6,050	\$
Court cost and parking fees		10,018	
Public safety charges		132,591	
Cemetery fees		85,650	
Mowing and debris removal fees		28,712	
Recreation fees		110,515	
Waste collection fees		1,513,108	
Total	<u>1,832,773</u>	<u>1,886,644</u>	<u>53,871</u>
Investment earnings	<u>91,400</u>	<u>259,581</u>	<u>168,181</u>
Miscellaneous			
Reimbursement of costs		113,019	
Sale of materials		974	
Donations		23,893	
Other		10,206	
Total	<u>139,726</u>	<u>148,092</u>	<u>8,366</u>
Total revenues	<u>19,914,915</u>	<u>21,380,084</u>	<u>1,465,169</u>
Expenditures			
General government			
Governing board			
Salaries and employee benefits		104,553	
Operating expenses		32,890	
Cost redistribution		(113,802)	
Total governing board	<u>62,189</u>	<u>23,641</u>	<u>38,548</u>
City administration			
Salaries and employee benefits		506,160	
Operating expenses		58,073	
Capital outlay		5,021	
Cost redistribution		(384,352)	
City administration	<u>257,672</u>	<u>184,902</u>	<u>72,770</u>

Continued on next page.

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

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Administrative - other			
Retiree benefits	\$	\$ 661,439	\$
Operating expenses		653,032	
Administrative charges risk management fund		754,837	
Administrative charges utility administration fund		414,185	
Grants to other agencies		91,873	
Payment to Lexington Tourism Authority		356,894	
Cost redistribution		(188,705)	
Total administrative - other	<u>2,835,723</u>	<u>2,743,555</u>	<u>92,168</u>
Finance			
Salaries and employee benefits		712,192	
Operating expenses		33,376	
Cost redistribution		(457,393)	
Total finance	<u>399,053</u>	<u>288,175</u>	<u>110,878</u>
Legal			
Operating expenses		31,410	
Cost redistribution		(16,928)	
Total legal	<u>33,572</u>	<u>14,482</u>	<u>19,090</u>
Human resources			
Salaries and employee benefits		323,526	
Operating expenses		93,001	
Cost redistribution		(162,665)	
Total human resources	<u>304,545</u>	<u>253,862</u>	<u>50,683</u>
Information technologies			
Salaries and employee benefits		444,888	
Operating expenses		513,543	
Capital outlay		36,585	
Cost redistribution		(370,093)	
Total information technologies	<u>661,551</u>	<u>624,923</u>	<u>36,628</u>

Continued on next page.

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

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Public buildings			
Salaries and employee benefits	\$	\$ 266,978	\$
Operating expenses		103,732	
Cost redistribution		(103,763)	
Total public buildings	<u>373,603</u>	<u>266,947</u>	<u>106,656</u>
Total general government	<u>4,927,908</u>	<u>4,400,487</u>	<u>527,421</u>
Public safety			
Police			
Salaries and employee benefits		5,051,505	
Operating expenses		823,911	
Capital outlay		36,829	
Cost redistribution		(64,257)	
Total police	<u>6,993,022</u>	<u>5,847,988</u>	<u>1,145,034</u>
Fire			
Salaries and employee benefits		3,556,473	
Operating expenses		510,953	
Capital outlay		9,251	
Total fire	<u>4,509,785</u>	<u>4,076,677</u>	<u>433,108</u>
Business and community development			
Salaries and employee benefits		742,932	
Operating expenses		148,825	
Total business and community development	<u>941,181</u>	<u>891,757</u>	<u>49,424</u>
Total public safety	<u>12,443,988</u>	<u>10,816,422</u>	<u>1,627,566</u>
Highways and streets			
Public services administration			
Salaries and employee benefits		254,919	
Operating expenses		21,511	
Cost redistribution		(192,657)	
Total public services administration	<u>106,846</u>	<u>83,773</u>	<u>23,073</u>

Continued on next page.

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

Exhibit B-1
continued

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2019**

	Budget	Actual	Variance Positive (Negative)
Street			
Salaries and employee benefits	\$	\$ 660,506	\$
Operating expenses		752,644	
Capital outlay		7,476	
Cost redistribution		(200,306)	
Total street	<u>1,592,143</u>	<u>1,220,320</u>	<u>371,823</u>
Total highways and streets	<u>1,698,989</u>	<u>1,304,093</u>	<u>394,896</u>
Sanitation			
Recycling and waste collection services			
Salaries and employee benefits		707,345	
Operating expenses		947,715	
Tipping fees - landfill		307,538	
Total sanitation	<u>3,215,917</u>	<u>1,962,598</u>	<u>1,253,319</u>
Culture and recreation			
Spectator recreation			
Operating expenses		177,600	
Grants to other agencies		60,000	
Total spectator recreation	<u>258,375</u>	<u>237,600</u>	<u>20,775</u>
Parks and recreation			
Salaries and employee benefits		461,198	
Operating expenses		315,839	
Total parks and recreation	<u>984,048</u>	<u>777,037</u>	<u>207,011</u>
Public grounds			
Salaries and employee benefits		595,608	
Operating expenses		209,213	
Capital outlay		5,999	
Cost redistribution		(20,463)	
Total public grounds	<u>972,287</u>	<u>790,357</u>	<u>181,930</u>
Total culture and recreation	<u>2,214,710</u>	<u>1,804,994</u>	<u>409,716</u>

Continued on next page.

City of Lexington, North Carolina
General Fund

Exhibit B-1
continued

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Economic and physical development			
Salaries and employee benefits	\$	\$ 74,971	\$
Operating expenses		213,623	
Grants to other agencies		87,849	
Total economic and physical development	<u>457,774</u>	<u>376,443</u>	<u>81,331</u>
Debt service			
Principal retirement	935,294	848,132	87,162
Interest and other charges	<u>191,250</u>	<u>185,040</u>	<u>6,210</u>
Total debt service	<u>1,126,544</u>	<u>1,033,172</u>	<u>93,372</u>
Total expenditures	<u>26,085,830</u>	<u>21,698,209</u>	<u>4,387,621</u>
Revenue over (under) expenditures	<u>(6,170,915)</u>	<u>(318,125)</u>	<u>5,852,790</u>
Other financing sources (uses)			
Installment purchase debt issued	1,808,894	-	(1,808,894)
Transfers from other funds			
Electric Fund	1,200,000	1,200,000	-
Electric Fund (payment in lieu of taxes)	226,993	226,993	-
Water and Wastewater Fund (payment in lieu of taxes)	359,633	359,633	-
Natural Gas Fund	1,026,480	1,026,480	-
Natural Gas Fund (payment in lieu of taxes)	78,574	78,574	-
Transfers to other funds			
General Capital Projects Fund	(154,500)	(154,500)	-
Golf Fund	(420,692)	(420,692)	-
Sale of capital assets	<u>5,000</u>	<u>825</u>	<u>(4,175)</u>
Total other financing sources (uses)	<u>4,130,382</u>	<u>2,317,313</u>	<u>(1,813,069)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,040,533)	1,999,188	4,039,721
Fund balance appropriated	<u>2,040,533</u>	<u>-</u>	<u>(2,040,533)</u>
Net change in fund balance	<u>\$ -</u>	1,999,188	<u>\$ 1,999,188</u>
Fund balance - beginning		<u>10,320,223</u>	
Fund balance - ending		<u>\$ 12,319,411</u>	



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.

Community Development Grants Fund – accounts for the community and economic development grants. Proceeds from these grants are restricted for community and economic development purposes.

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

Public Safety Grants Fund – accounts for monetary and equipment grants received from various agencies. Proceeds and equipment received from these grants 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 business and capital improvement model. Capital projects associated with proprietary operations are reported in the proprietary funds section. Projects currently accounted for in this fund are as follows:

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



City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

Exhibit C-1

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District	Economic Stimulus Grants	Capital Projects	
Assets							
Cash and cash equivalents	\$ -	\$ 160,826	\$ -	\$ -	\$ -	\$ 1,356,123	\$ 1,516,949
Receivables (net)							
Taxes	-	-	-	5,931	-	-	5,931
Interest	-	124	-	-	-	494	618
Due from other governments	-	728	25,855	217	-	777	27,577
Restricted cash and cash equivalents							
Unexpended debt proceeds	-	-	-	-	-	272,332	272,332
Total assets	<u>\$ -</u>	<u>\$ 161,678</u>	<u>\$ 25,855</u>	<u>\$ 6,148</u>	<u>\$ -</u>	<u>\$ 1,629,726</u>	<u>\$ 1,823,407</u>
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ 3,920	\$ 47	\$ -	\$ -	\$ 136,655	\$ 140,622
Due to other funds	-	-	25,808	-	-	-	25,808
Liabilities payable from restricted assets							
Accounts payable	-	-	-	-	-	258,394	258,394
Total liabilities	<u>-</u>	<u>3,920</u>	<u>25,855</u>	<u>-</u>	<u>-</u>	<u>395,049</u>	<u>424,824</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,931</u>	<u>-</u>	<u>-</u>	<u>5,931</u>

Continued on next page.

City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

Exhibit C-1
Continued

	Special Revenue Funds					Capital Projects	Total Nonmajor Governmental Funds
	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District	Economic Stimulus Grants		
Fund balances							
Restricted							
Stabilization by state statute	\$ -	\$ 7,352	\$ -	\$ 217	\$ -	\$ -	\$ 7,569
Law enforcement	-	150,406	-	-	-	-	150,406
Capital projects							
Recreation improvements	-	-	-	-	-	272,332	272,332
Business park development	-	-	-	-	-	181,226	181,226
Committed							
Recreation improvements	-	-	-	-	-	261,250	261,250
Depot District improvements	-	-	-	-	-	551,803	551,803
Unassigned	-	-	-	-	-	(31,934)	(31,934)
Total fund balances	<u>-</u>	<u>157,758</u>	<u>-</u>	<u>217</u>	<u>-</u>	<u>1,234,677</u>	<u>1,392,652</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 161,678</u>	<u>\$ 25,855</u>	<u>\$ 6,148</u>	<u>\$ -</u>	<u>\$ 1,629,726</u>	<u>\$ 1,823,407</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, 2019

Exhibit C-2

	Special Revenue Funds					Total	
	Community Development Grants	Controlled Substance	Public Safety Grants	Special Tax District	Economic Stimulus Grants	Capital Projects	Nonmajor Governmental Funds
Revenues							
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 100,370	\$ -	\$ -	\$ 100,370
Restricted intergovernmental	39,439	64,199	84,926	-	-	430,000	618,564
Sales and services	-	-	-	-	-	127,707	127,707
Investment earnings	-	3,760	-	-	-	16,826	20,586
Miscellaneous	-	-	-	-	-	1,075,000	1,075,000
Total revenues	<u>39,439</u>	<u>67,959</u>	<u>84,926</u>	<u>100,370</u>	<u>-</u>	<u>1,649,533</u>	<u>1,942,227</u>
Expenditures							
Public safety	-	53,348	85,819	-	-	-	139,167
Culture and recreation	-	-	-	-	-	1,166,483	1,166,483
Economic and physical development	<u>39,439</u>	<u>-</u>	<u>-</u>	<u>100,453</u>	<u>-</u>	<u>1,421,434</u>	<u>1,561,326</u>
Total expenditures	<u>39,439</u>	<u>53,348</u>	<u>85,819</u>	<u>100,453</u>	<u>-</u>	<u>2,587,917</u>	<u>2,866,976</u>
Revenues over (under) expenditures	<u>-</u>	<u>14,611</u>	<u>(893)</u>	<u>(83)</u>	<u>-</u>	<u>(938,384)</u>	<u>(924,749)</u>
Other financing sources (uses)							
Installment purchase obligations issued	-	-	-	-	-	1,140,000	1,140,000
Transfers from other funds							
General Fund	-	-	-	-	-	154,500	154,500
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,563</u>	<u>46,563</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,341,063</u>	<u>1,341,063</u>
Net change in fund balances	-	14,611	(893)	(83)	-	402,679	416,314
Fund balances - beginning	<u>-</u>	<u>143,147</u>	<u>893</u>	<u>300</u>	<u>-</u>	<u>831,998</u>	<u>976,338</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 157,758</u>	<u>\$ -</u>	<u>\$ 217</u>	<u>\$ -</u>	<u>\$ 1,234,677</u>	<u>\$ 1,392,652</u>

City of Lexington, North Carolina
Community Development 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, 2019

Exhibit C-3

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive Negative
Revenues					
Piedmont Candy Building Reuse Grant					
Restricted intergovernmental	\$ 750,000	\$ 326,839	\$ -	\$ 326,839	\$ (423,161)
Total	<u>750,000</u>	<u>326,839</u>	<u>-</u>	<u>326,839</u>	<u>(423,161)</u>
Goose and the Monkey Building Reuse Grant					
Restricted intergovernmental	240,000	-	39,439	39,439	(200,561)
Total	<u>240,000</u>	<u>-</u>	<u>39,439</u>	<u>39,439</u>	<u>(200,561)</u>
Cider Bros Building Reuse Grant					
Restricted intergovernmental	500,000	-	-	-	(500,000)
Total	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Total revenues	<u>1,490,000</u>	<u>326,839</u>	<u>39,439</u>	<u>366,278</u>	<u>(1,123,722)</u>
Expenditures					
Economic and physical development					
Piedmont Candy Building Reuse Grant	750,000	326,839	-	326,839	423,161
Goose and the Monkey Building Reuse Grant	240,000	-	39,439	39,439	200,561
Cider Bros Building Reuse Grant	500,000	-	-	-	500,000
Total expenditures	<u>1,490,000</u>	<u>326,839</u>	<u>39,439</u>	<u>366,278</u>	<u>1,123,722</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<u>-</u>		
Fund balance - ending			<u>\$ -</u>		

City of Lexington, North Carolina
Controlled Substance Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the fiscal year ended June 30, 2019

Exhibit C-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$	\$ 64,199	\$
Investment earnings		3,760	
Total revenues	<u>-</u>	<u>67,959</u>	<u>67,959</u>
Expenditures			
Public safety			
Operations		47,177	
Capital outlay		6,171	
Total expenditures	<u>74,652</u>	<u>53,348</u>	<u>21,304</u>
Revenues over (under) expenditures	(74,652)	14,611	89,263
Fund balance appropriated	<u>74,652</u>	<u>-</u>	<u>(74,652)</u>
Net change in fund balance	<u><u>\$ -</u></u>	14,611	<u><u>\$ 14,611</u></u>
Fund balance - beginning		<u>143,147</u>	
Fund balance - ending		<u><u>\$ 157,758</u></u>	

City of Lexington, North Carolina
Public Safety Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2019

Exhibit C-5

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues					
Restricted intergovernmental					
2017 Victim Advocate Grant Project	\$ 87,123	\$ 9,096	\$ 29,554	\$ 38,650	\$ (48,473)
2018 Victim Assistant Grant Project	87,649	-	55,372	55,372	(32,277)
Total revenues	<u>174,772</u>	<u>9,096</u>	<u>84,926</u>	<u>94,022</u>	<u>(80,750)</u>
Expenditures					
Public safety					
2017 Victim Advocate Grant Project	116,164	8,203	30,447	38,650	77,514
2018 Victim Assistant Grant Project	116,866	-	55,372	55,372	61,494
Total expenditures	<u>233,030</u>	<u>8,203</u>	<u>85,819</u>	<u>94,022</u>	<u>139,008</u>
Revenues over (under) expenditures	<u>(58,258)</u>	<u>893</u>	<u>(893)</u>	<u>-</u>	<u>58,258</u>
Other financing sources					
2017 Victim Advocate Grant Project					
Transfers from other funds					
General Fund	29,041	-	-	-	(29,041)
Total	<u>29,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,041)</u>
2018 Victim Assistant Grant Project					
Transfers from other funds					
Controlled Substance Fund	29,217	-	-	-	(29,217)
Total	<u>29,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,217)</u>
Total other financing sources	<u>58,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,258)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 893</u>	<u>(893)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			893		
Fund balance - ending			<u>\$ -</u>		

City of Lexington, North Carolina
Special Tax District Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2019

Exhibit C-6

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Taxes	\$	\$ 99,481	\$
Interest		889	
Total revenues	<u>101,900</u>	<u>100,370</u>	<u>(1,530)</u>
Expenditures			
Economic and physical development			
Payment to Uptown Lexington, Inc.		100,453	
Total expenditures	<u>101,900</u>	<u>100,453</u>	<u>1,447</u>
Revenues over (under) expenditures	-	(83)	(83)
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	(83)	<u>\$ (83)</u>
Fund balance - beginning		<u>300</u>	
Fund balance - ending		<u><u>\$ 217</u></u>	

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, 2019

Exhibit C-7

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

City of Lexington, North Carolina
Nonmajor General Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2019

Exhibit C-8

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues					
Recreation Center Acquisition and Development Project					
Restricted intergovernmental	\$ 250,000	\$ -	\$ 250,000	\$ 250,000	\$ -
Sales and services					
Property rental	-	8,250	3,000	11,250	11,250
Miscellaneous					
Donations	125,000	100,000	25,000	125,000	-
Total	<u>375,000</u>	<u>108,250</u>	<u>278,000</u>	<u>386,250</u>	<u>11,250</u>
Skate/BMX Park Project					
Investment earnings	-	-	11,290	11,290	11,290
Total	<u>-</u>	<u>-</u>	<u>11,290</u>	<u>11,290</u>	<u>11,290</u>
Lexington Business Center Project					
Restricted intergovernmental	1,817,500	1,817,500	-	1,817,500	-
Investment earnings	150,896	160,176	5,536	165,712	14,816
Miscellaneous					
Reimbursement of costs	211,261	211,261	-	211,261	-
Sale of property	2,119,788	2,119,788	-	2,119,788	-
Donations	107,500	107,500	-	107,500	-
Total	<u>4,406,945</u>	<u>4,416,225</u>	<u>5,536</u>	<u>4,421,761</u>	<u>14,816</u>
Lexington Furniture Industries, Inc. Plant #1 Project					
Restricted intergovernmental	180,000	-	180,000	180,000	-
Sales and services					
Property rental	1,150,616	893,528	124,707	1,018,235	(132,381)
Miscellaneous					
Reimbursement of costs	1,417,000	417,000	1,050,000	1,467,000	50,000
Sale of materials	119,356	72,793	-	72,793	(46,563)
Total	<u>2,866,972</u>	<u>1,383,321</u>	<u>1,354,707</u>	<u>2,738,028</u>	<u>(128,944)</u>
Total revenues	<u>7,648,917</u>	<u>5,907,796</u>	<u>1,649,533</u>	<u>7,557,329</u>	<u>(91,588)</u>
Expenditures					
Culture and recreation					
Recreation Center Acquisition and Development Project	900,000	595,000	55,000	650,000	250,000
Skate/BMX Park Project	1,369,500	28,909	1,111,483	1,140,392	229,108
Total culture and recreation	<u>2,269,500</u>	<u>623,909</u>	<u>1,166,483</u>	<u>1,790,392</u>	<u>479,108</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, 2019

Exhibit C-8
continued

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Economic and physical development					
Lexington Business Center Project	\$ 5,679,470	\$ 5,513,060	\$ -	\$ 5,513,060	\$ 166,410
Lexington Furniture Industries, Inc. Plant #1 Project	4,016,972	1,961,354	1,421,434	3,382,788	634,184
Total economic and physical development	9,696,442	7,474,414	1,421,434	8,895,848	800,594
Total expenditures	11,965,942	8,098,323	2,587,917	10,686,240	1,279,702
Revenues over (under) expenditures	(4,317,025)	(2,190,527)	(938,384)	(3,128,911)	1,188,114
Other financing sources (uses)					
Recreation Center Acquisition and Development Project					
Transfers from other funds					
General Fund	525,000	525,000	-	525,000	-
Total	525,000	525,000	-	525,000	-
Skate/BMX Park Project					
Installment purchase obligations issued	1,140,000	-	1,140,000	1,140,000	-
Transfers from other funds					
General Fund	229,500	75,000	154,500	229,500	-
Total	1,369,500	75,000	1,294,500	1,369,500	-
Lexington Business Center Project					
Transfers from other funds					
General Fund	1,411,825	1,411,825	-	1,411,825	-
Natural Gas Fund	79,700	79,700	-	79,700	-
Transfers to other funds					
General Fund	(219,000)	(219,000)	-	(219,000)	-
Total	1,272,525	1,272,525	-	1,272,525	-
Lexington Furniture Industries, Inc. Plant #1 Project					
Transfers from other funds					
General Fund	1,150,000	1,150,000	-	1,150,000	-
Sale of capital assets	-	-	46,563	46,563	46,563
Total	1,150,000	1,150,000	46,563	1,196,563	46,563
Total other financing sources (uses)	4,317,025	3,022,525	1,341,063	4,363,588	46,563
Net change in fund balance	\$ -	\$ 831,998	402,679	\$ 1,234,677	\$ 1,234,677
Fund balance - beginning			831,998		
Fund balance - ending			\$ 1,234,677		



ENTERPRISE FUNDS

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

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

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

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

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
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2019

Exhibit D-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 28,992,423	\$
Commercial		16,955,556	
Industrial		2,739,183	
Area lights		872,477	
Street lighting		348,615	
Traffic lights		21,980	
Cable amplifiers		169,883	
Renewable Energy Portfolio Standards		255,177	
Disaster assistance		334,561	
Other operating		350,890	
Total operating revenues	<u>49,015,578</u>	<u>51,040,745</u>	<u>2,025,167</u>
Nonoperating revenues			
Investment earnings		333,090	
Total nonoperating revenues	<u>95,400</u>	<u>333,090</u>	<u>237,690</u>
Total revenues	<u>49,110,978</u>	<u>51,373,835</u>	<u>2,262,857</u>

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, 2019

Exhibit D-1
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Electric operations			
Salaries and employee benefits	\$	\$ 300	\$
Maintenance		3,441,135	
Cost of sales and services		5,627,737	
Purchases for resale		35,236,370	
Administrative charges general fund		749,811	
Administrative charges risk management fund		71,976	
Administrative charges utility administration fund		1,394,083	
Capital outlay		558,136	
Total electric operations	<u>48,423,996</u>	<u>47,079,548</u>	<u>1,344,448</u>
Debt service			
Principal retirement		783,164	
Interest and other charges		134,939	
Total debt service	<u>918,106</u>	<u>918,103</u>	<u>3</u>
Total expenditures	<u>49,342,102</u>	<u>47,997,651</u>	<u>1,344,451</u>
Revenues over expenditures	<u>(231,124)</u>	<u>3,376,184</u>	<u>3,607,308</u>
Other financing sources (uses)			
Capital Reserve Fund	1,851,873	1,851,873	-
Rate Stabilization Fund	614,674	614,674	-
Transfers to other funds			
General Fund	(1,200,000)	(1,200,000)	-
General Fund (payment in lieu of taxes)	(226,993)	(226,993)	-
Electric Capital Reserve Fund	(2,351,873)	(2,351,873)	-
Electric Rate Stabilization Fund	(614,674)	(614,674)	-
Total other financing sources (uses)	<u>(1,926,993)</u>	<u>(1,926,993)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,158,117)	1,449,191	3,607,308
Appropriated net position	<u>2,158,117</u>	<u>-</u>	<u>(2,158,117)</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,449,191</u>	<u>\$ 1,449,191</u>

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, 2019

Exhibit D-1
continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 1,449,191	
Reconciling items			
Principal retirement		783,164	
Capital outlay		558,136	
Depreciation		(1,081,713)	
Contracted labor and overhead charged to construction		373,358	
Materials charged to construction		173,920	
Gain (loss) on sale of property		(99,316)	
Increase (decrease) in inventory		341,709	
Provision for uncollectable accounts		(163,022)	
Change in accrued interest		2,972	
Increase (decrease) in deferred outflow of resources - pensions		(236,936)	
(Increase) decrease in net pension liability		307,681	
(Increase) decrease in deferred inflows of resources - pensions		21,120	
Increase (decrease) in deferred outflow of resources - OPEB		19,878	
(Increase) decrease in total OPEB liability		20,848	
(Increase) decrease in deferred inflows of resources - OPEB		(22,640)	
Items related to subfund - Electric Capital Reserve Fund			
Transfer from Electric Fund		2,351,873	
Items related to subfund - Electric Rate Stabilization Fund			
Investment earnings		13,694	
Transfer from Electric Fund		614,674	
Total reconciling items		<u>3,979,400</u>	
Change in net position		<u>\$ 5,428,591</u>	

City of Lexington, North Carolina
Electric Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2019

Exhibit D-2

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues					
Electric Operations Center Project					
Investment earnings	\$ 308	\$ 308	\$ -	\$ 308	\$ -
Total	<u>308</u>	<u>308</u>	<u>-</u>	<u>308</u>	<u>-</u>
Total revenues	<u>308</u>	<u>308</u>	<u>-</u>	<u>308</u>	<u>-</u>
Expenditures					
Electric Operations Center Project	<u>3,306,308</u>	<u>3,306,308</u>	<u>-</u>	<u>3,306,308</u>	<u>-</u>
Total expenditures	<u>3,306,308</u>	<u>3,306,308</u>	<u>-</u>	<u>3,306,308</u>	<u>-</u>
Revenues over (under) expenditures	<u>(3,306,000)</u>	<u>(3,306,000)</u>	<u>-</u>	<u>(3,306,000)</u>	<u>-</u>
Other financing sources (uses)					
Electric Operations Center Project					
Installment purchase debt issued	<u>3,306,000</u>	<u>3,306,000</u>	<u>-</u>	<u>3,306,000</u>	<u>-</u>
Total	<u>3,306,000</u>	<u>3,306,000</u>	<u>-</u>	<u>3,306,000</u>	<u>-</u>
Total other financing sources (uses)	<u>3,306,000</u>	<u>3,306,000</u>	<u>-</u>	<u>3,306,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2019

Exhibit D-3

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
None	\$ -	\$ -	\$ -
Revenues over expenditures	-	-	-
Other financing sources			
Transfers from other funds			
Electric Fund	<u>2,351,873</u>	<u>2,351,873</u>	-
Revenues and other financing sources over (under) expenditures	2,351,873	2,351,873	-
Addition to reserve for electric capital requirements	<u>(2,351,873)</u>	-	<u>2,351,873</u>
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	<u>\$ -</u>	<u>\$ 2,351,873</u>	<u>\$ 2,351,873</u>

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, 2019

Exhibit D-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 13,694	\$ 13,694
Revenues over expenditures	-	13,694	13,694
Other financing sources			
Transfers from other funds			
Electric Fund	614,674	614,674	-
Revenues and other financing sources over (under) expenditures	614,674	628,368	13,694
Addition to reserve for electric rate stabilization requirements	(614,674)	-	614,674
Revenues and other financing sources over (under) expenditures and addition to net position	\$ -	\$ 628,368	\$ 628,368

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, 2019

Exhibit D-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Charges for sales and services - Water			
Residential	\$	\$ 2,328,618	\$
Commercial		1,161,872	
Industrial		1,317,690	
Other water charges		62,142	
Charges for sales and services - Wastewater			
Residential		2,760,625	
Commercial		2,116,870	
Industrial		350,869	
Other wastewater charges		141,446	
Disaster assistance		25,805	
Other operating		414,475	
Total operating revenues	<u>10,372,576</u>	<u>10,680,412</u>	<u>307,836</u>
Nonoperating revenues			
Federal Build America Bond interest credit		6,259	
Investment earnings		169,334	
Total nonoperating revenues	<u>69,644</u>	<u>175,593</u>	<u>105,949</u>
Total revenues	<u>10,442,220</u>	<u>10,856,005</u>	<u>413,785</u>

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, 2019

Exhibit D-5
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Water and wastewater operations			
Water and wastewater administration			
Salaries and employee benefits	\$	\$ 305,647	\$
Cost of sales and services		70,372	
Administrative charges general fund		880,435	
Administrative charges risk management fund		140,489	
Administrative charges utility administration fund		563,682	
Capital outlay		38,754	
Total water and wastewater administration	<u>2,132,401</u>	<u>1,999,379</u>	<u>133,022</u>
Water plant			
Salaries and employee benefits		787,109	
Maintenance		142,159	
Cost of sales and services		935,972	
Capital outlay		97,989	
Total water plant	<u>2,135,833</u>	<u>1,963,229</u>	<u>172,604</u>
Wastewater plant			
Salaries and employee benefits		1,186,354	
Maintenance		135,425	
Cost of sales and services		1,388,614	
Capital outlay		188,188	
Total wastewater plant	<u>3,344,413</u>	<u>2,898,581</u>	<u>445,832</u>
Public works, maintenance, and construction			
Salaries and employee benefits		957,105	
Maintenance		73,381	
Cost of sales and services		517,352	
Capital outlay		67,710	
Total public works, maintenance, and construction	<u>2,817,973</u>	<u>1,615,548</u>	<u>1,202,425</u>
Total water and wastewater operations	<u>10,430,620</u>	<u>8,476,737</u>	<u>1,953,883</u>

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, 2019

Exhibit D-5
continued

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	\$	\$ 273,063	\$
Interest and other charges		24,443	
Total debt service	<u>297,508</u>	<u>297,506</u>	<u>2</u>
 Total expenditures	 <u>10,728,128</u>	 <u>8,774,243</u>	 <u>1,953,885</u>
 Revenue over expenditures	 <u>(285,908)</u>	 <u>2,081,762</u>	 <u>2,367,670</u>
Other financing sources (uses)			
Transfers from other funds			
Water and Wastewater Capital Reserve Fund	265,000	265,000	-
Capital Reserve Fund	3,511,968	3,511,968	-
Transfers to other funds			
General Fund (payment in lieu of taxes)	(359,633)	(359,633)	-
Water and Wastewater Capital Reserve Fund	<u>(3,786,968)</u>	<u>(3,718,704)</u>	<u>68,264</u>
Total other financing sources (uses)	<u>(369,633)</u>	<u>(301,369)</u>	<u>68,264</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	 (655,541)	 1,780,393	 2,435,934
 Appropriated net position	 <u>655,541</u>	 <u>-</u>	 <u>(655,541)</u>
 Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	 <u>\$ -</u>	 <u>1,780,393</u>	 <u>\$ 1,780,393</u>

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, 2019

Exhibit D-5
continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 1,780,393	
Reconciling items			
Principal retirement		273,063	
Capital outlay		392,641	
Depreciation		(1,261,484)	
Wages and overhead charged to construction		29,239	
Material charged to construction		29,381	
Gain (loss) on sale of property		(2,067)	
Increase (decrease) in inventory		13,908	
Provision for uncollectable accounts		(47,451)	
Change in accrued interest		965	
(Increase) decrease in compensated absences payable		(37,534)	
Increase (decrease) in deferred outflow of resources - pensions		316,296	
(Increase) decrease in net pension liability		(418,124)	
(Increase) decrease in deferred inflows of resources - pensions		12,434	
Increase (decrease) in deferred outflow of resources - OPEB		22,374	
(Increase) decrease in total OPEB liability		14,556	
(Increase) decrease in deferred inflows of resources - OPEB		(25,273)	
Change in equity interest in joint venture		(21,212)	
Items related to subfund - Water and Wastewater Projects Fund			
Grants for non-capital items		85,852	
Expense not capitalized		(29,656)	
Items related to subfund - Water and Wastewater Capital Reserve Fund			
Transfer from Water and Wastewater Fund		3,718,704	
Transfer to Water and Wastewater Fund		(265,000)	
Total reconciling items		<u>2,801,612</u>	
Change in net position		<u>\$ 4,582,005</u>	

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, 2019

Exhibit D-6

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues					
Wastewater Asset Management Grant Project					
Restricted intergovernmental	\$ 150,000	\$ 64,148	\$ 85,852	\$ 150,000	\$ -
Total revenues	<u>150,000</u>	<u>64,148</u>	<u>85,852</u>	<u>150,000</u>	<u>-</u>
Expenditures					
Brown Street Force Main Project	200,000	51,497	-	51,497	148,503
Drying Beds Project	146,000	130,009	15,991	146,000	-
Wastewater Asset Management Grant Project	165,000	132,031	29,656	161,687	3,313
Total expenditures	<u>511,000</u>	<u>313,537</u>	<u>45,647</u>	<u>359,184</u>	<u>151,816</u>
Revenues over (under) expenditures	<u>(361,000)</u>	<u>(249,389)</u>	<u>40,205</u>	<u>(209,184)</u>	<u>151,816</u>
Other financing sources					
Brown Street Force Main Project					
Transfers from other funds					
Operating fund	200,000	200,000	-	200,000	-
Total	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Drying Beds Project					
Transfers from other funds					
Operating fund	146,000	146,000	-	146,000	-
Total	<u>146,000</u>	<u>146,000</u>	<u>-</u>	<u>146,000</u>	<u>-</u>
Wastewater Asset Management Grant Project					
Transfers from other funds					
Operating fund	15,000	11,687	-	11,687	(3,313)
Total	<u>15,000</u>	<u>11,687</u>	<u>-</u>	<u>11,687</u>	<u>(3,313)</u>
Total other financing sources	<u>361,000</u>	<u>357,687</u>	<u>-</u>	<u>357,687</u>	<u>(3,313)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 108,298</u>	<u>\$ 40,205</u>	<u>\$ 148,503</u>	<u>\$ 148,503</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, 2019

Exhibit D-7

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
None	\$ -	\$ -	\$ -
Revenues over expenditures	-	-	-
Other financing sources (uses)			
Transfers from other funds			
Water and Wastewater Fund	3,786,968	3,718,704	(68,264)
Transfers to other funds			
Water and Wastewater Fund	(265,000)	(265,000)	-
Total other financing sources (uses)	<u>3,521,968</u>	<u>3,453,704</u>	<u>(68,264)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	3,521,968	3,453,704	(68,264)
Addition to reserve for water and wastewater capital requirements	<u>(3,521,968)</u>	-	<u>3,521,968</u>
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	<u>\$ -</u>	<u>\$ 3,453,704</u>	<u>\$ 3,453,704</u>

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, 2019

Exhibit D-8

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 5,063,838	\$
Commercial		4,358,580	
Industrial		2,568,970	
Disaster assistance		612	
Other operating		34,700	
Total operating revenues	<u>12,870,068</u>	<u>12,026,700</u>	<u>(843,368)</u>
Nonoperating revenues			
Federal Build America Bond interest credit		17,733	
Investment earnings		149,387	
Total nonoperating revenues	<u>156,495</u>	<u>167,120</u>	<u>10,625</u>
Total revenues	<u>13,026,563</u>	<u>12,193,820</u>	<u>(832,743)</u>

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, 2019

Exhibit D-8
continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
Natural gas operations			
Salaries and employee benefits	\$	\$ 1,305,910	\$
Maintenance		199,035	
Cost of sales and services		1,349,727	
Purchases for resale		5,276,012	
Administrative charges general fund		597,902	
Administrative charges risk management fund		70,143	
Administrative charges utility administration fund		901,404	
Capital outlay		160,245	
Total natural gas operations	<u>11,262,935</u>	<u>9,860,378</u>	<u>1,402,557</u>
Debt service			
Principal retirement		116,191	
Interest and other charges		54,133	
Total debt service	<u>170,324</u>	<u>170,324</u>	<u>-</u>
Total expenditures	<u>11,433,259</u>	<u>10,030,702</u>	<u>1,402,557</u>
Revenues over expenditures	<u>1,593,304</u>	<u>2,163,118</u>	<u>569,814</u>
Other financing sources (uses)			
Transfers from other funds			
Capital Reserve Fund	1,008,225	1,008,225	-
Rate Stabilization fund	503,782	503,782	-
Transfers to other funds			
General Fund	(1,026,480)	(1,026,480)	-
General Fund (payment in lieu of taxes)	(78,574)	(78,574)	-
Natural Gas Projects Fund	-	-	-
Natural Gas Capital Reserve Fund	(1,708,225)	(1,708,225)	-
Natural Gas Rate Stabilization Fund	(803,782)	(803,782)	-
Total other financing uses	<u>(2,105,054)</u>	<u>(2,105,054)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(511,750)	58,064	569,814
Appropriated net position	<u>511,750</u>	<u>-</u>	<u>(511,750)</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>58,064</u>	<u>\$ 58,064</u>

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, 2019

Exhibit D-8
continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 58,064	
Reconciling items:			
Principal retirement		116,191	
Capital outlay		160,245	
Depreciation		(528,377)	
Wages and overhead charged to construction		829,402	
Materials charged to construction		191,981	
Gain (loss) on sale of property		(13,429)	
Increase (decrease) in inventory		58,290	
Provision for uncollectable accounts		(15,714)	
Change in accrued interest		1,475	
(Increase) decrease in compensated absences payable		(1,911)	
Increase (decrease) in deferred outflow of resources - pensions		105,491	
(Increase) decrease in net pension liability		(139,905)	
(Increase) decrease in deferred inflows of resources - pensions		6,628	
Increase (decrease) in deferred outflow of resources - OPEB		14,825	
(Increase) decrease in total OPEB liability		(19,292)	
(Increase) decrease in deferred inflows of resources - OPEB		(16,070)	
Items related to subfund - Electric Capital Reserve Fund			
Transfer from Natural Gas Fund		1,708,225	
Items related to subfund - Electric Rate Stabilization Fund			
Investment earnings		11,357	
Transfer from Natural Gas Fund		<u>803,782</u>	
Total reconciling items		<u>3,273,194</u>	
Change in net position		<u>\$ 3,331,258</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, 2019

Exhibit D-9

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
None	\$ -	\$ -	\$ -
Revenues over expenditures	-	-	-
Other financing sources			
Transfers from other funds			
Natural Gas Fund	1,708,225	1,708,225	-
Revenues and other financing sources over expenditures	1,708,225	1,708,225	-
Addition to reserve for natural gas capital requirements	(1,708,225)	-	1,708,225
Revenues and other financing sources over expenditures and addition to net position	<u>\$ -</u>	<u>\$ 1,708,225</u>	<u>\$ 1,708,225</u>

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, 2019

Exhibit D-10

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Investment earnings	\$ -	\$ 11,357	\$ 11,357
Revenues over expenditures	<u>-</u>	<u>11,357</u>	<u>11,357</u>
Other financing sources			
Transfers from other funds			
Natural Gas Fund	<u>803,782</u>	<u>803,782</u>	<u>-</u>
Revenues and other financing sources over expenditures	803,782	815,139	11,357
Addition to reserve for natural gas rate stabilization requirements	<u>(803,782)</u>	<u>-</u>	<u>803,782</u>
Revenues and other financing sources over expenditures and addition to net position	<u>\$ -</u>	<u>\$ 815,139</u>	<u>\$ 815,139</u>

City of Lexington, North Carolina
Golf Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2019

Exhibit D-11

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Charges for sales and services			
Golf course	\$	\$ 337,092	\$
Golf cart rentals		259,435	
Municipal club rental		36,300	
Disaster assistance		1,490	
Other operating		2,407	
Total operating revenues	<u>646,176</u>	<u>636,724</u>	<u>(9,452)</u>
Nonoperating revenues			
Investment earnings		4,692	
Total nonoperating revenues	<u>2,400</u>	<u>4,692</u>	<u>2,292</u>
Total revenues	<u>648,576</u>	<u>641,416</u>	<u>(7,160)</u>

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, 2019

Exhibit D-11
continued

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures			
Golf operations			
Salaries and employee benefits	\$	\$ 546,683	\$
Cost of sales and services		250,672	
Administrative charges risk management fund		13,068	
Capital outlay		<u>82,862</u>	
Total operating expenditures	<u>1,005,351</u>	<u>893,285</u>	<u>112,066</u>
Debt service			
Principal retirement		82,545	
Interest and other charges		<u>5,246</u>	
Total debt service	<u>155,917</u>	<u>87,791</u>	<u>68,126</u>
Total expenditures	<u>1,161,268</u>	<u>981,076</u>	<u>180,192</u>
Revenues over (under) expenditures	<u>(512,692)</u>	<u>(339,660)</u>	<u>173,032</u>
Other financing sources			
Installment purchase debt issued	92,000	-	(92,000)
Transfers from other funds			
General Fund	<u>420,692</u>	<u>420,692</u>	<u>-</u>
Total other financing sources	<u>512,692</u>	<u>420,692</u>	<u>(92,000)</u>
Revenues and other financing sources over (under) expenditures	-	81,032	81,032
Appropriated net position	<u>-</u>	<u>-</u>	<u>-</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>81,032</u>	<u>\$ 81,032</u>

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, 2019

Exhibit D-11
continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures		\$ 81,032	
Reconciling items:			
Principal retirements		82,545	
Capital outlay		82,862	
Depreciation		(135,241)	
Change in accrued interest		266	
(Increase) decrease in compensated absences payable		(2,686)	
Increase (decrease) in deferred outflows of resources - pensions		49,503	
(Increase) decrease in net pension liability		(65,422)	
(Increase) decrease in deferred inflows of resources - pensions		1,843	
Increase (decrease) in deferred outflows of resources - OPEB		3,739	
(Increase) decrease in total OPEB liability		18,225	
(Increase) decrease in deferred inflows of resources - OPEB		(4,593)	
Total reconciling items		31,041	
Change in net position		\$ 112,073	



INTERNAL SERVICE FUNDS

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INTERNAL SERVICE FUNDS

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

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

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

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

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

Capital Reserve Fund – This fund provides for the accumulation of resources for future capital needs of the Electric, Water and Wastewater, and Natural Gas utilities as well as for future capital needs of the Internal Service Fleet Management Fund. The fund was closed during the year ended June 30, 2019 and capital reserve subfunds were established for the Electric, Water and Wastewater, Natural Gas, and Fleet Management Funds.

Rate Stabilization Fund – This fund provides for the accumulation of resources for rate stabilization for the Electric and Natural Gas utilities. The fund was closed during the year ended June 30, 2019 and rate stabilization subfunds were established for the Electric and Natural Gas funds.



City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2019

Exhibit E-1

	Governmental-type Activities			Business-type Activities			Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	
Assets							
Current assets							
Cash and cash equivalents	\$ 592,399	\$ 2,786,234	\$ 2,496,526	\$ 995,436	\$ -	\$ -	\$ 6,870,595
Receivables (net)							
Accounts - billed	1,518	35,970	-	23,582	-	-	61,070
Interest	1,150	6,264	1,871	682	-	-	9,967
Due from other governments	43,082	447	3,581	21,769	-	-	68,879
Inventories	160,488	-	-	-	-	-	160,488
Prepaid items	-	-	-	17,000	-	-	17,000
Total current assets	<u>798,637</u>	<u>2,828,915</u>	<u>2,501,978</u>	<u>1,058,469</u>	<u>-</u>	<u>-</u>	<u>7,187,999</u>
Noncurrent assets							
Designated cash and cash equivalents							
Capital reserve	941,281	-	-	-	-	-	941,281
Group insurance reserve	-	5,770,150	-	-	-	-	5,770,150
Capital assets							
Land and other non-depreciable assets	15,000	-	-	631,457	-	-	646,457
Other capital assets, net of accumulated depreciation	1,147,482	-	73,413	4,303,690	-	-	5,524,585
Total capital assets	<u>1,162,482</u>	<u>-</u>	<u>73,413</u>	<u>4,935,147</u>	<u>-</u>	<u>-</u>	<u>6,171,042</u>
Total noncurrent assets	<u>2,103,763</u>	<u>5,770,150</u>	<u>73,413</u>	<u>4,935,147</u>	<u>-</u>	<u>-</u>	<u>12,882,473</u>
Total assets	<u>2,902,400</u>	<u>8,599,065</u>	<u>2,575,391</u>	<u>5,993,616</u>	<u>-</u>	<u>-</u>	<u>20,070,472</u>
Deferred outflows of resources	<u>121,433</u>	<u>12,838</u>	<u>49,426</u>	<u>433,839</u>	<u>-</u>	<u>-</u>	<u>617,536</u>

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2019

Exhibit E-1
continued

	Governmental-type Activities			Business-type Activities			Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities	\$ 96,332	\$ 121,658	\$ 24,614	\$ 214,365	\$ -	\$ -	\$ 456,969
Unpaid claims costs	-	352,849	34,153	-	-	-	387,002
Compensated absences	14,000	1,000	8,000	70,000	-	-	93,000
Installment purchases payable	-	-	-	207,600	-	-	207,600
Total current liabilities	<u>110,332</u>	<u>475,507</u>	<u>66,767</u>	<u>491,965</u>	<u>-</u>	<u>-</u>	<u>1,144,571</u>
Noncurrent liabilities							
Compensated absences	12,385	85	3,456	51,586	-	-	67,512
Net pension liability	134,373	14,847	47,763	465,216	-	-	662,199
Total OPEB liability	210,414	16,754	144,756	878,409	-	-	1,250,333
Installment purchases payable	-	-	-	1,963,600	-	-	1,963,600
Total noncurrent liabilities	<u>357,172</u>	<u>31,686</u>	<u>195,975</u>	<u>3,358,811</u>	<u>-</u>	<u>-</u>	<u>3,943,644</u>
Total liabilities	<u>467,504</u>	<u>507,193</u>	<u>262,742</u>	<u>3,850,776</u>	<u>-</u>	<u>-</u>	<u>5,088,215</u>
Deferred inflows of resources	<u>19,033</u>	<u>1,607</u>	<u>12,106</u>	<u>77,340</u>	<u>-</u>	<u>-</u>	<u>110,086</u>
Net position							
Net investment in capital assets	1,162,482	-	73,413	2,763,947	-	-	3,999,842
Unrestricted	<u>1,374,814</u>	<u>8,103,103</u>	<u>2,276,556</u>	<u>(264,608)</u>	<u>-</u>	<u>-</u>	<u>11,489,865</u>
Total net position	<u>\$ 2,537,296</u>	<u>\$ 8,103,103</u>	<u>\$ 2,349,969</u>	<u>\$ 2,499,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,489,707</u>

City of Lexington, North Carolina

Exhibit E-2

Internal Service Funds

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

For the fiscal year ended June 30, 2019

	Governmental-type Activities			Business-type Activities			Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	
Operating revenues							
Charges for services	\$ 2,131,176	\$ 5,898,687	\$ 1,272,560	\$ 3,273,354	\$ -	\$ -	\$ 12,575,777
Restricted intergovernmental	-	-	-	456	-	-	456
Other operating	27,880	176,769	1,062,327	427,835	-	-	1,694,811
Total operating revenues	2,159,056	6,075,456	2,334,887	3,701,645	-	-	14,271,044
Operating expenses							
Cost of sales and services	1,656,566	-	-	-	-	-	1,656,566
Administration	-	324,809	322,355	3,277,698	-	-	3,924,862
Premiums	-	714,031	527,408	-	-	-	1,241,439
Claims	-	3,413,531	1,215,833	-	-	-	4,629,364
Depreciation	223,350	-	10,904	525,828	-	-	760,082
Total operating expenses	1,879,916	4,452,371	2,076,500	3,803,526	-	-	12,212,313
Operating income (loss)	279,140	1,623,085	258,387	(101,881)	-	-	2,058,731
Nonoperating revenues (expenses)							
Investment earnings	35,505	164,781	55,609	18,765	-	-	274,660
Interest and other charges	-	-	-	(52,442)	-	-	(52,442)
Total nonoperating revenues (expenses)	35,505	164,781	55,609	(33,677)	-	-	222,218
Income (loss) before transfers	314,645	1,787,866	313,996	(135,558)	-	-	2,280,949

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the fiscal year ended June 30, 2019

Exhibit E-2
continued

	Governmental-type Activities			Business-type Activities			Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	
Transfers from other funds							
Capital Reserve Fund	\$ 726,701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 726,701
Transfers to other funds							
Electric Fund	-	-	-	-	(1,851,873)	(614,674)	(2,466,547)
Water and Wastewater Fund	-	-	-	-	(3,511,968)	-	(3,511,968)
Natural Gas Fund	-	-	-	-	(1,008,225)	(503,782)	(1,512,007)
Fleet Management Fund	-	-	-	-	(726,701)	-	(726,701)
Change in net position	1,041,346	1,787,866	313,996	(135,558)	(7,098,767)	(1,118,456)	(5,209,573)
Net position - beginning	1,495,950	6,315,237	2,035,973	2,634,897	7,098,767	1,118,456	20,699,280
Net position - ending	<u>\$ 2,537,296</u>	<u>\$ 8,103,103</u>	<u>\$ 2,349,969</u>	<u>\$ 2,499,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,489,707</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2019

Exhibit E-3

	Governmental-type Activities			Business-type Activities			Total Internal
	Fleet	Group	Risk	Utility	Capital	Rate	Service Funds
	Management	Insurance	Management	Administration	Reserve	Stabilization	
Cash flows from operating activities							
Cash received from services provided	\$ 2,129,658	\$ 5,953,231	\$ 1,272,560	\$ 3,272,552	\$ -	\$ -	\$ 12,628,001
Cash paid for goods and services	(1,208,584)	(4,440,816)	(2,004,925)	(1,364,033)	-	-	(9,018,358)
Cash paid to employees	(494,212)	(52,750)	(192,931)	(1,928,851)	-	-	(2,668,744)
Other operating income	27,880	176,769	1,062,327	427,835	-	-	1,694,811
Net cash provided (used) by operating activities	454,742	1,636,434	137,031	407,503	-	-	2,635,710
Cash flows from noncapital financing activities							
Transfers from other funds	726,701	-	-	-	-	-	726,701
Transfers to other funds	-	-	-	-	(7,098,767)	(1,118,456)	(8,217,223)
Net cash provided (used) by noncapital financing activities	726,701	-	-	-	(7,098,767)	(1,118,456)	(7,490,522)
Cash flows from capital and related financing activities							
Installment purchase debt issued	-	-	-	200,000	-	-	200,000
Acquisition and construction of capital assets	(214,744)	-	(19,752)	(420,760)	-	-	(655,256)
Principal paid on installment purchase debt	-	-	-	(207,600)	-	-	(207,600)
Interest and other charges paid on debt	-	-	-	(53,850)	-	-	(53,850)
Proceeds from the sale of assets	2,356	-	-	-	-	-	2,356
Net cash provided (used) by capital and related financing activities	(212,388)	-	(19,752)	(482,210)	-	-	(714,350)
Cash flows from investing activities							
Receipts of investment earnings	35,110	162,198	55,128	18,686	-	687	271,809
Net cash provided by investing activities	35,110	162,198	55,128	18,686	-	687	271,809
Net increase (decrease) in cash and cash equivalents	1,004,165	1,798,632	172,407	(56,021)	(7,098,767)	(1,117,769)	(5,297,353)
Cash and cash equivalents - beginning	529,515	6,757,752	2,324,119	1,051,457	7,098,767	1,117,769	18,879,379
Cash and cash equivalents - ending	<u>\$ 1,533,680</u>	<u>\$ 8,556,384</u>	<u>\$ 2,496,526</u>	<u>\$ 995,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,582,026</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, 2019

Exhibit E-3
continued

	Governmental-type Activities			Business-type Activities			Total Internal
	Fleet Management	Group Insurance	Risk Management	Utility Administration	Capital Reserve	Rate Stabilization	Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities							
Operating income (loss)	\$ 279,140	\$ 1,623,085	\$ 258,387	\$ (101,881)	\$ -	\$ -	\$ 2,058,731
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities							
Depreciation	223,350	-	10,904	525,828	-	-	760,082
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources							
(Increase) decrease in accounts receivable	(1,518)	54,544	-	(802)	-	-	52,224
(Increase) decrease in intergovernmental receivable	(395)	(142)	500	(6,592)	-	-	(6,629)
(Increase) decrease in inventory	(16,024)	-	-	-	-	-	(16,024)
(Increase) decrease in deferred outflows of resources - pensions	(34,188)	(2,997)	(15,045)	(191,379)	-	-	(243,609)
(Increase) decrease in deferred outflows of resources - OPEB	(1,313)	(383)	(1,795)	(11,946)	-	-	(15,437)
Increase (decrease) in accounts payable and accrued liabilities	(8,406)	37,298	(57,348)	(60,932)	-	-	(89,388)
(Increase) decrease in amounts accrued related to interest on capital debt	-	-	-	1,408	-	-	1,408
Increase (decrease) in unpaid claims cost	-	(81,728)	(64,574)	-	-	-	(146,302)
Increase (decrease) in compensated absences	(4,396)	1,085	(9,384)	13,090	-	-	395
Increase (decrease) in net pension liability	45,522	4,014	19,935	252,413	-	-	321,884
Increase (decrease) in total OPEB liability	(25,973)	1,687	(5,831)	(21,187)	-	-	(51,304)
Increase (decrease) in deferred inflows of resources - pensions	(3,127)	(416)	(855)	(4,324)	-	-	(8,722)
Increase (decrease) in deferred inflows of resources - OPEB	2,070	387	2,137	13,807	-	-	18,401
Total adjustments	175,602	13,349	(121,356)	509,384	-	-	576,979
Net cash provided (used) by operating activities	\$ 454,742	\$ 1,636,434	\$ 137,031	\$ 407,503	\$ -	\$ -	\$ 2,635,710

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, 2019

Exhibit E-4

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services	\$	\$ 2,131,176	\$
Other operating		27,880	
Total operating revenues	<u>2,035,165</u>	<u>2,159,056</u>	<u>123,891</u>
Nonoperating revenues			
Investment earnings		35,505	
Sale of property		2,356	
Total nonoperating revenues	<u>34,500</u>	<u>37,861</u>	<u>3,361</u>
Total revenues	<u>2,069,665</u>	<u>2,196,917</u>	<u>127,252</u>
Expenditures			
Salaries and employee benefits		492,897	
Cost of sales and services		397,004	
Purchases for resale		804,094	
Capital outlay		214,744	
Total expenditures	<u>2,421,621</u>	<u>1,908,739</u>	<u>512,882</u>
Revenues over (under) expenditures	<u>(351,956)</u>	<u>288,178</u>	<u>640,134</u>
Other financing sources (uses)			
Transfers from other funds			
Fleet Management Capital Reserve Fund	408,405	70,345	(338,060)
Capital Reserve Fund	726,701	726,701	-
Transfers to other funds			
Fleet Management Capital Reserve Fund	(1,012,969)	(1,011,626)	1,343
Total other financing sources (uses)	<u>122,137</u>	<u>(214,580)</u>	<u>(336,717)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(229,819)	73,598	303,417
Appropriated net position	<u>229,819</u>	<u>-</u>	<u>(229,819)</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>73,598</u>	<u>\$ 73,598</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, 2019

Exhibit E-4
continued

	Financial Plan	Actual	Variance Positive (Negative)
Reconciliation from financial plan basis (modified accrual) to full accrual			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 73,598	
Reconciling items			
Capital outlay		214,744	
Depreciation		(223,350)	
Gain (loss) on sale of property		(2,356)	
Increase (decrease) in inventory		16,024	
(Increase) decrease in compensated absences payable		4,396	
Increase (decrease) in deferred outflows of resources - pensions		34,188	
(Increase) decrease in net pension liability		(45,522)	
(Increase) decrease in deferred inflows of resources - pensions		3,127	
Increase (decrease) in deferred outflows of resources - OPEB		1,313	
(Increase) decrease in total OPEB liability		25,973	
(Increase) decrease in deferred inflows of resources - OPEB		(2,070)	
Items related to subfund - Fleet Management Capital Reserve Fund			
Transfer from Fleet Management Fund		1,011,626	
Transfer to Fleet Management Fund		(70,345)	
Total reconciling items		967,748	
Change in net position		\$ 1,041,346	

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, 2019

Exhibit E-5

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
None	\$ -	\$ -	\$ -
Revenues over (under) expenditures	-	-	-
Other financing sources (uses)			
Transfers from other funds			
Fleet Management Fund	1,012,969	1,011,626	(1,343)
Transfers to other funds			
Fleet Management Fund	(408,405)	(70,345)	338,060
Total other financing sources (uses)	<u>604,564</u>	<u>941,281</u>	<u>336,717</u>
Revenues and other financing sources over (under) expenditures and other financing uses	604,564	941,281	336,717
Addition to reserve for fleet management capital requirements	<u>(604,564)</u>	-	<u>604,564</u>
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	<u>\$ -</u>	<u>\$ 941,281</u>	<u>\$ 941,281</u>

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, 2019

Exhibit E-6

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Premium charges to departments	\$	\$ 4,873,042	\$
Premium charges to employees/retirees		1,010,632	
Premium charges for COBRA		15,013	
Other operating		176,769	
Total operating revenues	<u>7,009,780</u>	<u>6,075,456</u>	<u>(934,324)</u>
Nonoperating revenues			
Investment earnings		164,781	
Total nonoperating revenues	<u>38,000</u>	<u>164,781</u>	<u>126,781</u>
Total revenues	<u>7,047,780</u>	<u>6,240,237</u>	<u>(807,543)</u>
Expenditures			
Salaries and employee benefits		54,011	
Administration		267,421	
Premiums		714,031	
Claims		3,413,531	
Total expenditures	<u>7,047,780</u>	<u>4,448,994</u>	<u>2,598,786</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>1,791,243</u>	<u>\$ 1,791,243</u>
Reconciliation from financial plan basis (modified accrual) to full accrual			
Reconciling items			
(Increase) decrease in compensated absences payable		(1,085)	
Increase (decrease) in deferred outflows of resources - pensions		2,997	
(Increase) decrease in net pension liability		(4,014)	
(Increase) decrease in deferred inflows of resources - pensions		416	
Increase (decrease) in deferred outflows of resources - OPEB		383	
(Increase) decrease in total OPEB liability		(1,687)	
(Increase) decrease in deferred inflows of resources - OPEB		(387)	
Total reconciling items		<u>(3,377)</u>	
Change in net position		<u>\$ 1,787,866</u>	

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, 2019

Exhibit E-7

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Premium charges to departments	\$	\$ 1,267,861	\$
Premium charges to employees		4,699	
Other operating		1,062,327	
Total operating revenues	<u>2,304,202</u>	<u>2,334,887</u>	<u>30,685</u>
Nonoperating revenues			
Investment earnings		55,609	
Total nonoperating revenues	<u>15,500</u>	<u>55,609</u>	<u>40,109</u>
Total revenues	<u>2,319,702</u>	<u>2,390,496</u>	<u>70,794</u>
Expenditures			
Salaries and employee benefits		194,298	
Administration		138,895	
Premiums		527,408	
Claims		1,215,833	
Capital Outlay		19,752	
Total expenditures	<u>2,736,943</u>	<u>2,096,186</u>	<u>640,757</u>
Revenues over (under) expenditures	(417,241)	294,310	711,551
Appropriated net position	<u>417,241</u>	<u>-</u>	<u>(417,241)</u>
Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>294,310</u>	<u>\$ 294,310</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, 2019

Exhibit E-7
continued

	Financial Plan	Actual	Variance Positive (Negative)
Reconciliation from financial plan basis (modified accrual) to full accrual			
Revenues and appropriated net position over (under) expenditures		\$ 294,310	
Reconciling items			
Capital outlay		19,752	
Depreciation		(10,904)	
(Increase) decrease in compensated absences payable		9,384	
Increase (decrease) in deferred outflows of resources - pensions		15,045	
(Increase) decrease in net pension liability		(19,935)	
(Increase) decrease in deferred inflows of resources - pensions		855	
Increase (decrease) in deferred outflows of resources - OPEB		1,795	
(Increase) decrease in total OPEB liability		5,831	
(Increase) decrease in deferred inflows of resources - OPEB		(2,137)	
Total reconciling items		<u>19,686</u>	
Change in net position		<u>\$ 313,996</u>	

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2019

Exhibit E-8

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Administrative charges general fund	\$	\$ 414,185	\$
Administrative charges electric fund		1,394,083	
Administrative charges water/wastewater fund		563,682	
Administrative charges natural gas fund		901,404	
Disaster assistance		456	
Other operating		441,796	
Total operating revenues	<u>3,754,384</u>	<u>3,715,606</u>	<u>(38,778)</u>
Nonoperating revenues			
Investment earnings		13,047	
Total nonoperating revenues	<u>5,800</u>	<u>13,047</u>	<u>7,247</u>
Total revenues	<u>3,760,184</u>	<u>3,728,653</u>	<u>(31,531)</u>
Expenditures			
Utility administration			
Salaries and employee benefits		853,693	
Administration		428,690	
Capital outlay		305,404	
Total utility administration	<u>1,701,870</u>	<u>1,587,787</u>	<u>114,083</u>
Customer service			
Salaries and employee benefits		675,189	
Administration		364,768	
Total customer service	<u>1,261,515</u>	<u>1,039,957</u>	<u>221,558</u>
Warehousing			
Salaries and employee benefits		139,221	
Administration		34,005	
Total warehousing	<u>182,311</u>	<u>173,226</u>	<u>9,085</u>
Meter reading			
Salaries and employee benefits		169,576	
Administration		44,840	
Total meter reading	<u>259,403</u>	<u>214,416</u>	<u>44,987</u>

Continued on next page.

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2019

Exhibit E-8
continued

	Financial Plan	Actual	Variance Positive (Negative)
Marketing			
Salaries and employee benefits	\$	\$ 100,317	\$
Administration		416,925	
Total marketing	<u>586,035</u>	<u>517,242</u>	<u>68,793</u>
Debt service			
Principal retirement		207,600	
Interest and other charges		53,850	
Total debt service	<u>261,450</u>	<u>261,450</u>	<u>-</u>
Total expenditures	<u>4,252,584</u>	<u>3,794,078</u>	<u>458,506</u>
Revenues over (under) expenditures	(492,400)	(65,425)	426,975
Other financing sources			
Installment purchase debt issued	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total other financing sources	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	(292,400)	134,575	426,975
Appropriated net position	<u>292,400</u>	<u>-</u>	<u>(292,400)</u>
Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	<u>134,575</u>	<u>\$ 134,575</u>

Continued on next page.

City of Lexington, North Carolina
Utility Administration Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2019

Exhibit E-8
continued

	Financial Plan	Actual	Variance Positive (Negative)
Reconciliation from financial plan basis (modified accrual) to full accrual			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 134,575	
Reconciling items			
Principal retirement		207,600	
Installment purchase debt issued		(200,000)	
Capital outlay		305,404	
Depreciation		(525,828)	
Provision for uncollectable accounts		(13,961)	
Change in accrued interest		1,408	
(Increase) decrease in compensated absences payable		(13,090)	
Increase (decrease) in deferred outflows of resources - pensions		191,379	
(Increase) decrease in net pension liability		(252,413)	
(Increase) decrease in deferred inflows of resources - pensions		4,324	
Increase (decrease) in deferred outflows of resources - OPEB		11,946	
(Increase) decrease in total OPEB liability		21,187	
(Increase) decrease in deferred inflows of resources - OPEB		(13,807)	
Items related to subfund - Utility Administration Projects Fund			
Investment earnings		5,718	
Total reconciling items		(270,133)	
Change in net position		\$ (135,558)	

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, 2019

Exhibit E-9

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues					
Workorder System Project					
Investment earnings	\$ -	\$ 5,634	\$ 5,718	\$ 11,352	\$ 11,352
Total	-	5,634	5,718	11,352	11,352
Total revenues	-	5,634	5,718	11,352	11,352
Expenditures					
Work Order System Project	375,000	70,672	115,355	186,027	188,973
Total expenditures	375,000	70,672	115,355	186,027	188,973
Revenues over (under) expenditures	(375,000)	(65,038)	(109,637)	(174,675)	200,325
Other financing sources					
Workorder System Project					
Transfers from other funds					
Utility Administration Fund	375,000	375,000	-	375,000	-
Total	375,000	375,000	-	375,000	-
Total other financing sources	375,000	375,000	-	375,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 309,962	\$ (109,637)	\$ 200,325	\$ 200,325

City of Lexington, North Carolina
Capital Reserve Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2019

Exhibit E-10

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
None	\$ _____	\$ _____ -	\$ _____
Total revenues	_____ -	_____ -	_____ -
Revenues over expenditures	\$ _____ -	\$ _____ -	\$ _____ -
Other financing sources (uses)			
Transfers to other funds			
Electric Fund	(1,851,873)	(1,851,873)	-
Water and Wastewater Fund	(3,511,968)	(3,511,968)	-
Natural Gas Fund	(1,008,225)	(1,008,225)	-
Fleet Management Fund	(726,701)	(726,701)	-
Total other financing sources (uses)	(7,098,767)	(7,098,767)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(7,098,767)	(7,098,767)	-
Appropriated net position	7,098,767	-	(7,098,767)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ _____ -	(7,098,767)	\$ (7,098,767)
Reconciliation from financial plan basis (modified accrual) to full accrual			
Reconciling items		_____ -	
Change in net position		\$ (7,098,767)	

City of Lexington, North Carolina
Rate Stabilization Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2019

Exhibit E-11

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
None	\$ _____	\$ _____ -	\$ _____
Total revenues	_____ -	_____ -	_____ -
Revenues over expenditures	_____ -	_____ -	_____ -
Other financing sources (uses)			
Transfers to other funds			
Electric Fund	(614,674)	(614,674)	-
Natural Gas Fund	(503,782)	(503,782)	-
Total other financing sources (uses)	(1,118,456)	(1,118,456)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(1,118,456)	(1,118,456)	-
Appropriated net position	1,118,456	_____ -	(1,118,456)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ _____ -	(1,118,456)	\$ (1,118,456)
Reconciliation from financial plan basis (modified accrual) to full accrual			
Reconciling items		_____ -	
Change in net position		\$ (1,118,456)	



SUPPLEMENTAL FINANCIAL DATA

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City of Lexington, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

Exhibit F-1

Fiscal Year	Uncollected Balance June 30, 2018	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2019
2018-19	\$ -	\$ 10,163,290	\$ 9,843,256	\$ 320,034
2017-18	296,510	-	133,291	163,219
2016-17	184,983	-	79,407	105,576
2015-16	117,988	-	39,807	78,181
2014-15	96,062	-	32,365	63,697
2013-14	99,011	-	28,973	70,038
2012-13	93,885	-	24,226	69,659
2011-12	90,491	-	21,276	69,215
2010-11	71,007	-	14,512	56,495
2009-10	64,891	-	8,238	56,653
Prior	146,806	-	12,882	133,924
	<u>\$ 1,261,634</u>	<u>\$ 10,163,290</u>	<u>\$ 10,238,233</u>	<u>1,186,691</u>

Less: allowance for uncollectible accounts:

General Fund

686,000

Ad valorem taxes receivable - net

\$ 500,691

Reconciliation to revenues

Ad valorem taxes - General Fund

\$ 10,254,723

Reconciling items

Penalties collected on ad valorem taxes -
remitted to Davidson County School System(s)

5,374

Interest collected

(126,801)

Discounts allowed

83,382

Abatements and releases - prior years

21,555

Total reconciling items

(16,490)

Total collections and credits

\$ 10,238,233

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2019

Exhibit F-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	\$ 1,564,924,970	\$ 0.650	\$ 10,172,032	\$ 9,392,660	\$ 779,372
Penalties	-		5,947	5,947	-
Total	<u>1,564,924,970</u>		<u>10,177,979</u>	<u>9,398,607</u>	<u>779,372</u>
Discoveries					
Current year taxes	2,875,348	0.650	18,690	18,690	-
Penalties	-		206	206	-
Total	<u>2,875,348</u>		<u>18,896</u>	<u>18,896</u>	<u>-</u>
Abatements	<u>(5,166,906)</u>		<u>(33,585)</u>	<u>(33,585)</u>	<u>-</u>
Total property valuation	<u>\$ 1,562,633,412</u>				
Net levy			10,163,290	9,383,918	779,372
Uncollected taxes at June 30			<u>(320,034)</u>	<u>(320,034)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 9,843,256</u>	<u>\$ 9,063,884</u>	<u>\$ 779,372</u>
Current levy collection percentage			<u>96.85%</u>	<u>96.59%</u>	<u>100.00%</u>

Continued on next page.

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2019

Exhibit F-2
continued

Secondary Market Disclosures

Assessed Valuation

Assessment Ratio ¹	100%
Real Property	\$ 1,168,619,613
Personal Property	246,043,800
Public Service Company Property ²	28,066,558
Registered Motor Vehicles	<u>119,903,441</u>
Total Assessed Valuation	1,562,633,412
City-wide Tax Rate	0.650
Levy (includes discoveries, releases and abatements) ³	\$ 10,163,290

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

Municipal Service District	\$ 99,857
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¹Percentage of appraised value has been established by statute.

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

³The levy includes interest and penalties.

Uptown Lexington, Inc.
(A component unit of the City of Lexington, North Carolina)
Balance Sheet
June 30, 2019

Exhibit F-3

Assets

Cash and cash equivalents	\$ 97,422
Total assets	<u>\$ 97,422</u>

Liabilities

Accounts payable and accrued liabilities	\$ 1,653
Total liabilities	<u>1,653</u>

Fund balance

Restricted	
Uptown revitalization	<u>95,769</u>
Total fund balance	<u>95,769</u>

Total liabilities and fund balance	<u>\$ 97,422</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, 2019

Exhibit F-4

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Contribution from City of Lexington			
Special district property tax	\$ 94,000	\$ 100,453	\$ 6,453
Investment earnings	-	987	987
Grant from City of Lexington	60,000	46,849	(13,151)
Donations/fund raisers	126,710	102,399	(24,311)
Miscellaneous	<u>-</u>	<u>1,280</u>	<u>1,280</u>
Total revenues	<u>280,710</u>	<u>251,968</u>	<u>(28,742)</u>
Expenditures			
Salaries and employee benefits	87,380	82,486	4,894
Operations	<u>193,330</u>	<u>152,985</u>	<u>40,345</u>
Total expenditures	<u>280,710</u>	<u>235,471</u>	<u>45,239</u>
Revenues over (under) expenditures	-	16,497	16,497
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	16,497	<u>\$ 16,497</u>
Fund balance - beginning		<u>79,272</u>	
Fund balance - ending		<u>\$ 95,769</u>	

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STATISTICAL SECTION



STATISTICAL SECTION

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

Contents	Pages
Financial Trends	175-185
<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	186-194
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources: property taxes and enterprise fund revenues.</i>	
Debt Capacity	195-201
<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	202-203
<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	204-207
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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

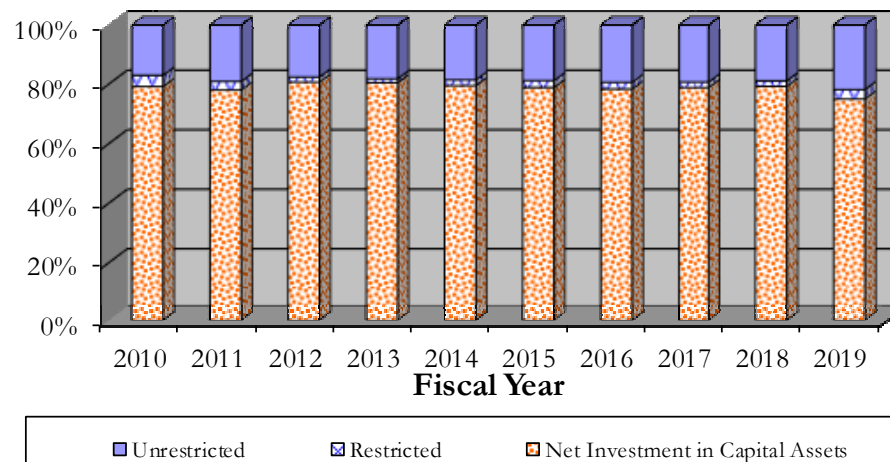


City of Lexington, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 40,328,855	\$ 40,644,556	\$ 41,139,252	\$ 40,979,496	\$ 40,515,571	\$ 39,963,277	\$ 40,746,459	\$ 39,724,703	\$ 38,072,669	\$ 36,749,294
Restricted	3,635,859	4,474,720	2,688,766	2,129,153	3,085,267	3,766,473	3,707,261	3,101,871	3,010,654	5,439,650
Unrestricted	6,332,215	6,772,075	5,604,954	6,178,403	4,622,411	3,257,506	3,615,660	4,316,593	(872,267)	1,101,426
Total governmental activities net position	<u>\$ 50,296,929</u>	<u>\$ 51,891,351</u>	<u>\$ 49,432,972</u>	<u>\$ 49,287,052</u>	<u>\$ 48,223,249</u>	<u>\$ 46,987,256</u>	<u>\$ 48,069,380</u>	<u>\$ 47,143,167</u>	<u>\$ 40,211,056</u>	<u>\$ 43,290,370</u>
Business-type activities										
Net investment in capital assets	\$ 80,684,537	\$ 81,274,231	\$ 84,208,432	\$ 85,923,171	\$ 87,427,567	\$ 88,722,117	\$ 89,108,109	\$ 92,174,754	\$ 91,584,949	\$ 92,457,973
Restricted	2,054,315	42,836	-	-	-	-	-	-	-	-
Unrestricted	19,604,510	22,944,440	21,587,378	22,372,358	25,170,883	27,313,675	28,413,442	27,875,935	31,663,603	36,381,153
Total business-type activities net position	<u>\$102,343,362</u>	<u>\$104,261,507</u>	<u>\$105,795,810</u>	<u>\$108,295,529</u>	<u>\$112,598,450</u>	<u>\$116,035,792</u>	<u>\$117,521,551</u>	<u>\$120,050,689</u>	<u>\$123,248,552</u>	<u>\$128,839,126</u>
Primary government										
Net investment in capital assets	\$121,013,392	\$121,918,787	\$125,347,684	\$126,902,667	\$127,943,138	\$128,685,394	\$129,854,568	\$131,899,457	\$129,657,618	\$129,207,267
Restricted	5,690,174	4,517,556	2,688,766	2,129,153	3,085,267	3,766,473	3,707,261	3,101,871	3,010,654	5,439,650
Unrestricted	25,936,725	29,716,515	27,192,332	28,550,761	29,793,294	30,571,181	32,029,102	32,192,528	30,791,336	37,482,579
Total primary government net position	<u>\$152,640,291</u>	<u>\$156,152,858</u>	<u>\$155,228,782</u>	<u>\$157,582,581</u>	<u>\$160,821,699</u>	<u>\$163,023,048</u>	<u>\$165,590,931</u>	<u>\$167,193,856</u>	<u>\$163,459,608</u>	<u>\$172,129,496</u>

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
General government	\$ 3,285,107	\$ 3,438,520	\$ 4,130,112	\$ 4,178,911	\$ 4,780,061	\$ 4,617,011	\$ 4,563,721	\$ 4,371,376	\$ 4,157,905	\$ 4,274,241
Public safety	9,152,311	9,607,070	10,384,670	9,981,953	10,390,718	9,728,760	10,289,676	10,542,762	10,979,166	10,792,937
Highways and streets	2,396,046	2,467,267	2,744,783	3,134,934	3,125,174	2,826,265	2,262,216	2,647,205	2,743,916	2,473,426
Sanitation	1,807,085	1,858,518	1,804,492	1,806,731	1,983,755	1,625,203	1,584,771	1,662,081	1,764,804	1,965,427
Culture and recreation	1,297,564	1,391,684	1,397,814	1,527,273	1,532,975	1,575,688	1,672,963	1,746,678	1,769,180	2,036,239
Economic and physical development	1,800,659	1,342,633	2,752,101	184,060	143,139	73,939	1,380,493	835,883	514,067	1,938,504
Interest on long-term debt	107,918	202,506	167,568	153,788	141,426	183,188	179,867	194,869	186,736	191,366
Total governmental activities expenses	<u>19,846,690</u>	<u>20,308,198</u>	<u>23,381,540</u>	<u>20,967,650</u>	<u>22,097,248</u>	<u>20,630,054</u>	<u>21,933,707</u>	<u>22,000,854</u>	<u>22,115,774</u>	<u>23,672,140</u>
Business-type activities										
Electric	42,490,374	45,943,820	47,049,771	48,425,865	52,221,251	51,399,095	49,994,983	48,195,965	46,639,150	47,277,891
Water and Wastewater	7,411,514	7,929,297	7,953,182	7,698,833	8,441,895	7,788,441	8,185,398	9,010,151	9,121,189	9,382,370
Natural Gas	13,380,334	12,338,924	9,543,636	9,797,266	11,407,325	10,347,419	8,438,306	8,248,712	10,137,799	9,441,382
Golf	718,431	756,527	810,830	1,037,258	809,312	815,233	871,926	944,635	1,129,231	909,770
Total business-type activities expenses	<u>64,000,653</u>	<u>66,968,568</u>	<u>65,357,419</u>	<u>66,959,222</u>	<u>72,879,783</u>	<u>70,350,188</u>	<u>67,490,613</u>	<u>66,399,463</u>	<u>67,027,369</u>	<u>67,011,413</u>
Total primary government expenses	<u>\$ 83,847,343</u>	<u>\$ 87,276,766</u>	<u>\$ 88,738,959</u>	<u>\$ 87,926,872</u>	<u>\$ 94,977,031</u>	<u>\$ 90,980,242</u>	<u>\$ 89,424,320</u>	<u>\$ 88,400,317</u>	<u>\$ 89,143,143</u>	<u>\$ 90,683,553</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 4,619	\$ 4,641	\$ 55,617	\$ 152,683	\$ 241,521	\$ 88,413	\$ 15,021	\$ 11,799	\$ 18,397	\$ 3,914
Public safety	208,693	293,066	222,367	293,915	194,359	305,823	382,193	330,857	436,522	478,041
Highways and streets	5,021	4,328	3,620	12,110	4,406	2,009	290	1,599	3,183	23,549
Sanitation	764,636	811,013	815,666	809,692	924,808	1,169,368	1,171,703	1,171,786	1,312,322	1,513,620
Culture and recreation	108,502	115,575	93,521	98,914	84,643	85,667	106,829	295,567	134,419	206,565
Economic and physical development	140,156	91,347	167,840	175,741	170,481	232,908	200,114	89,775	212,290	214,482
Operating grants and contributions	3,386,141	2,793,823	1,807,962	1,151,258	1,049,845	830,907	2,035,092	968,124	962,406	2,306,497
Capital grants and contributions	281,898	1,635,126	1,563,195	946,861	714,152	25,000	578,556	89,591	128,393	405,590
Total governmental activities program revenues	<u>4,899,666</u>	<u>5,748,919</u>	<u>4,729,788</u>	<u>3,641,174</u>	<u>3,384,215</u>	<u>2,740,095</u>	<u>4,489,798</u>	<u>2,959,098</u>	<u>3,207,932</u>	<u>5,152,258</u>
Business-type activities										
Charges for services										
Electric	45,846,264	48,164,096	47,654,094	50,204,074	54,209,465	54,027,183	51,048,228	50,712,382	51,845,218	50,953,717
Water and Wastewater	7,941,919	8,502,090	8,733,673	8,707,334	9,012,258	8,946,524	8,835,534	9,276,952	9,759,870	10,779,418
Natural Gas	15,379,486	13,997,277	10,659,045	11,859,814	14,347,360	12,999,357	10,035,838	10,124,317	12,439,780	12,293,569
Golf	639,855	589,319	749,128	780,138	646,750	648,358	653,191	628,632	729,107	635,234
Operating grants and contributions	-	-	45,776	20,344	614,114	46,368	823,343	445,525	139,919	448,776
Capital grants and contributions	1,218,659	-	1,469,210	352,407	633,527	-	-	24,000	-	-
Total business-type activities program revenues	<u>71,026,183</u>	<u>71,252,782</u>	<u>69,310,926</u>	<u>71,924,111</u>	<u>79,463,474</u>	<u>76,667,790</u>	<u>71,396,134</u>	<u>71,211,808</u>	<u>74,913,894</u>	<u>75,110,714</u>
Total primary government program revenues	<u>\$ 75,925,849</u>	<u>\$ 77,001,701</u>	<u>\$ 74,040,714</u>	<u>\$ 75,565,285</u>	<u>\$ 82,847,689</u>	<u>\$ 79,407,885</u>	<u>\$ 75,885,932</u>	<u>\$ 74,170,906</u>	<u>\$ 78,121,826</u>	<u>\$ 80,262,972</u>

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expense)/revenue										
Governmental activities	\$ (14,947,024)	\$ (14,559,279)	\$ (18,651,752)	\$ (17,326,476)	\$ (18,713,033)	\$ (17,889,959)	\$ (17,443,909)	\$ (19,041,756)	\$ (18,907,842)	\$ (18,519,882)
Business-type activities	7,025,530	4,284,214	3,953,507	4,964,889	6,583,691	6,317,602	3,905,521	4,812,345	7,886,525	8,099,301
Total primary government net expense	<u>\$ (7,921,494)</u>	<u>\$ (10,275,065)</u>	<u>\$ (14,698,245)</u>	<u>\$ (12,361,587)</u>	<u>\$ (12,129,342)</u>	<u>\$ (11,572,357)</u>	<u>\$ (13,538,388)</u>	<u>\$ (14,229,411)</u>	<u>\$ (11,021,317)</u>	<u>\$ (10,420,581)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 8,337,761	\$ 8,228,253	\$ 8,149,184	\$ 9,047,127	\$ 9,433,618	\$ 9,355,556	\$ 9,147,226	\$ 10,082,718	\$ 10,070,975	\$ 10,203,898
Other taxes	239,920	259,127	264,890	265,420	265,561	314,466	318,347	320,251	327,810	367,932
Unrestricted intergovernmental revenues	4,948,859	5,246,060	5,230,900	5,328,292	5,600,504	6,061,070	6,487,277	6,879,181	7,085,383	7,313,227
Unrestricted investment earnings	76,502	55,897	52,586	31,238	27,417	27,756	53,649	77,321	195,401	515,476
Unrestricted miscellaneous	-	-	-	-	-	5,881	4,988	4,233	4,318	974
Transfers	2,389,807	2,452,971	2,495,813	2,508,479	2,322,130	2,229,769	2,514,546	2,403,486	2,226,301	3,197,689
Total governmental activities	<u>15,992,849</u>	<u>16,242,308</u>	<u>16,193,373</u>	<u>17,180,556</u>	<u>17,649,230</u>	<u>17,994,498</u>	<u>18,526,033</u>	<u>19,767,190</u>	<u>19,910,188</u>	<u>21,599,196</u>
Business-type activities										
Unrestricted investment earnings	120,276	86,902	76,609	43,309	41,360	44,803	94,784	120,279	292,858	688,962
Transfers	(2,389,807)	(2,452,971)	(2,495,813)	(2,508,479)	(2,322,130)	(2,229,769)	(2,514,546)	(2,403,486)	(2,226,301)	(3,197,689)
Total business-type activities	<u>(2,269,531)</u>	<u>(2,366,069)</u>	<u>(2,419,204)</u>	<u>(2,465,170)</u>	<u>(2,280,770)</u>	<u>(2,184,966)</u>	<u>(2,419,762)</u>	<u>(2,283,207)</u>	<u>(1,933,443)</u>	<u>(2,508,727)</u>
Total primary government	<u>\$ 13,723,318</u>	<u>\$ 13,876,239</u>	<u>\$ 13,774,169</u>	<u>\$ 14,715,386</u>	<u>\$ 15,368,460</u>	<u>\$ 15,809,532</u>	<u>\$ 16,106,271</u>	<u>\$ 17,483,983</u>	<u>\$ 17,976,745</u>	<u>\$ 19,090,469</u>
Change in Net Position										
Governmental activities	\$ 1,045,825	\$ 1,683,029	\$ (2,458,379)	\$ (145,920)	\$ (1,063,803)	\$ 104,539	\$ 1,082,124	\$ 725,434	\$ 1,002,346	\$ 3,079,314
Business-type activities	4,755,999	1,918,145	1,534,303	2,499,719	4,302,921	4,132,636	1,485,759	2,529,138	5,953,082	5,590,574
Total primary government	<u>\$ 5,801,824</u>	<u>\$ 3,601,174</u>	<u>\$ (924,076)</u>	<u>\$ 2,353,799</u>	<u>\$ 3,239,118</u>	<u>\$ 4,237,175</u>	<u>\$ 2,567,883</u>	<u>\$ 3,254,572</u>	<u>\$ 6,955,428</u>	<u>\$ 8,669,888</u>

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

Table 3

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ 76,202	\$ 75,521	\$ 67,597	\$ 58,814	\$ 12,698	\$ 3,920	\$ 3,329	\$ 3,329	\$ 15,829	\$ 3,789
Spendable										
Restricted	993,642	1,813,519	1,321,691	1,040,399	2,428,451	3,315,217	3,293,374	2,754,989	2,690,624	4,828,117
Committed	15,199	12,224	10,230	15,105	15,939	13,902	15,329	13,524	13,691	14,034
Assigned	679,515	734,440	768,000	975,954	1,017,376	1,292,822	772,298	1,155,856	1,116,391	1,564,396
Unassigned	4,666,393	4,886,011	5,486,866	6,068,607	5,176,348	4,744,018	5,573,391	5,572,456	6,483,688	5,909,075
Total General Fund	<u>\$ 6,430,951</u>	<u>\$ 7,521,715</u>	<u>\$ 7,654,384</u>	<u>\$ 8,158,879</u>	<u>\$ 8,650,812</u>	<u>\$ 9,369,879</u>	<u>\$ 9,657,721</u>	<u>\$ 9,500,154</u>	<u>\$ 10,320,223</u>	<u>\$ 12,319,411</u>
All other governmental funds										
Spendable										
Restricted	\$ 3,521,746	\$ 2,661,201	\$ 1,367,075	\$ 1,088,754	\$ 656,816	\$ 1,523,329	\$ 1,875,021	\$ 346,882	\$ 320,030	\$ 611,533
Committed	479,564	492,367	257,460	273,971	290,250	267,921	269,596	208,761	656,308	813,053
Unassigned	(1,383)	(69,997)	(33,090)	(46,525)	(14)	(227,371)	(292,943)	(89,750)	-	(31,934)
Total all other governmental funds	<u>\$ 3,999,927</u>	<u>\$ 3,083,571</u>	<u>\$ 1,591,445</u>	<u>\$ 1,316,200</u>	<u>\$ 947,052</u>	<u>\$ 1,563,879</u>	<u>\$ 1,851,674</u>	<u>\$ 465,893</u>	<u>\$ 976,338</u>	<u>\$ 1,392,652</u>

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Ad valorem taxes	\$ 8,153,287	\$ 8,064,247	\$ 7,984,145	\$ 8,925,727	\$ 9,390,723	\$ 9,362,764	\$ 8,989,843	\$ 9,880,081	\$ 10,122,823	\$ 10,254,723
Special ad valorem taxes	91,022	101,669	99,678	93,791	94,355	97,777	105,524	99,406	99,196	100,370
Other taxes and licenses	239,920	259,127	264,890	264,915	264,000	316,532	318,347	320,251	327,810	367,932
Unrestricted intergovernmental	4,981,131	5,245,141	5,153,753	5,268,973	6,157,526	6,061,070	6,487,277	6,879,181	7,085,383	7,313,227
Restricted intergovernmental	3,481,105	4,203,869	3,217,560	2,072,489	1,496,082	864,602	2,530,682	921,357	1,023,008	1,467,548
Permits and fees	124,296	202,391	165,203	183,454	168,223	225,193	212,467	181,616	221,521	300,901
Sales and services	995,061	1,032,606	1,030,119	1,039,346	1,116,132	1,391,418	1,558,256	1,596,244	1,753,951	2,014,351
Investment earnings	70,980	43,925	37,827	22,357	18,763	19,054	36,776	50,371	109,056	280,167
Miscellaneous	232,828	257,416	284,120	233,561	157,656	230,437	281,403	231,006	687,928	1,223,092
Total revenues	<u>18,369,630</u>	<u>19,410,391</u>	<u>18,237,295</u>	<u>18,104,613</u>	<u>18,863,460</u>	<u>18,568,847</u>	<u>20,520,575</u>	<u>20,159,513</u>	<u>21,430,676</u>	<u>23,322,311</u>
Expenditures										
General government	3,333,760	3,277,885	3,396,522	3,742,625	4,343,856	4,408,748	4,214,698	4,403,155	4,367,865	4,358,881
Public safety	9,041,507	9,156,333	9,324,691	9,290,324	9,727,623	9,531,599	9,884,140	10,622,635	11,385,934	10,903,338
Highways and streets	1,476,652	1,353,163	1,534,439	1,904,926	1,927,307	1,679,984	1,074,054	1,484,898	1,596,898	1,296,617
Sanitation	1,693,636	1,737,312	1,690,560	1,685,761	1,894,698	1,675,820	1,541,185	1,605,810	1,745,445	1,962,598
Culture and recreation	1,207,474	1,247,196	1,191,084	1,357,739	1,408,890	1,472,250	1,561,039	1,772,469	1,761,971	1,853,995
Economic and physical development	1,800,659	1,342,633	1,878,884	265,183	223,608	194,250	1,504,578	639,316	514,989	1,937,769
Capital outlay	524,594	489,233	1,165,404	591,277	1,099,879	441,262	1,770,495	720,952	1,152,229	107,332
Construction in progress	1,581,272	2,325,755	1,671,529	973,349	511,556	2,058,881	2,170,011	2,003,650	37,141	1,111,483
Debt service:										
Principal	546,252	506,221	580,635	540,183	586,744	623,053	681,960	699,790	816,723	848,132
Interest and other charges	107,918	193,820	167,568	153,788	141,426	154,414	168,945	197,772	184,812	185,040
Bond issuance cost	-	25,686	-	-	-	-	-	-	-	-
Total expenditures	<u>21,313,724</u>	<u>21,655,237</u>	<u>22,601,316</u>	<u>20,505,155</u>	<u>21,865,587</u>	<u>22,240,261</u>	<u>24,571,105</u>	<u>24,150,447</u>	<u>23,564,007</u>	<u>24,565,185</u>
Excess of revenues over (under) expenditures	(2,944,094)	(2,244,846)	(4,364,021)	(2,400,542)	(3,002,127)	(3,671,414)	(4,050,530)	(3,990,934)	(2,133,331)	(1,242,874)

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

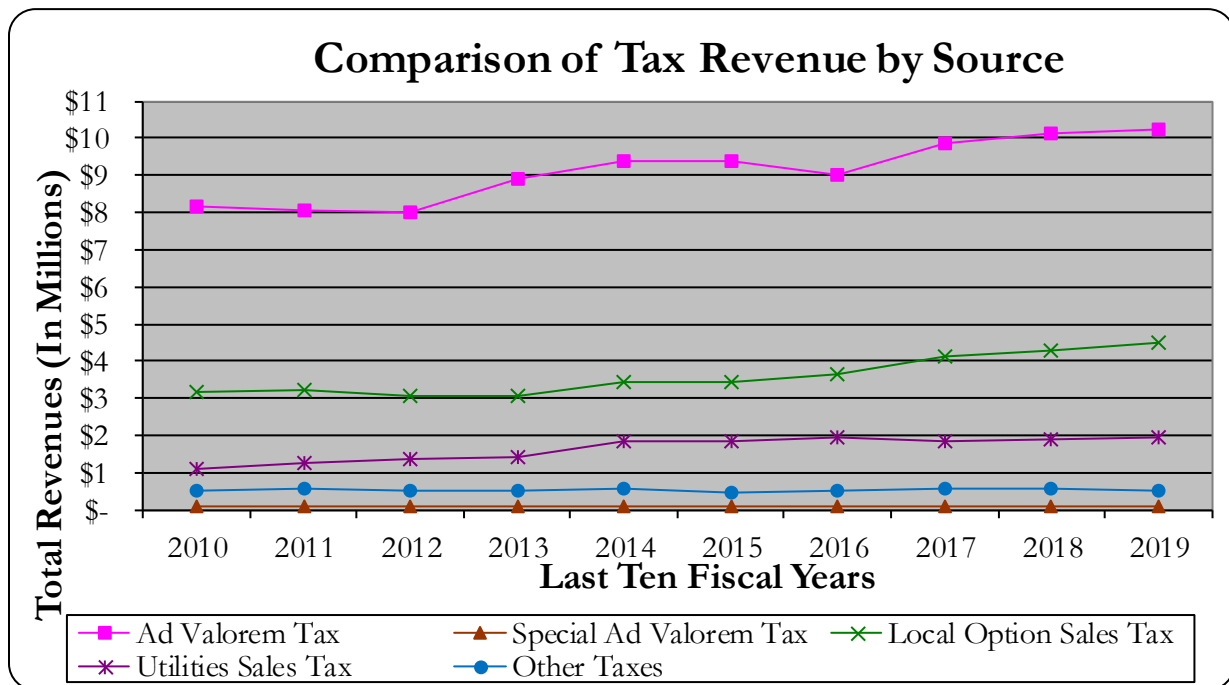
Table 4
continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other financing sources (uses)										
Installment purchase debt issued	\$ 1,900,000	\$ -	\$ 460,402	\$ -	\$ 582,807	\$ 2,410,000	\$ 2,084,980	\$ -	\$ 1,035,527	\$ 1,140,000
Transfers from other funds	4,008,046	3,254,381	3,116,815	2,854,724	2,998,881	3,147,907	3,282,377	3,391,048	3,228,265	3,046,180
Transfers to other funds	(1,547,449)	(779,870)	(573,266)	(223,650)	(456,674)	(568,584)	(802,174)	(945,757)	(804,389)	(575,192)
Refunding bonds issued	-	1,184,031	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	18,607	61,575	2,295	4,442	47,388
Redemption of bonds	-	(1,150,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>4,360,597</u>	<u>2,508,542</u>	<u>3,003,951</u>	<u>2,631,074</u>	<u>3,125,014</u>	<u>5,007,930</u>	<u>4,626,758</u>	<u>2,447,586</u>	<u>3,463,845</u>	<u>3,658,376</u>
Net change in fund balances	<u>\$ 1,416,503</u>	<u>\$ 263,696</u>	<u>\$ (1,360,070)</u>	<u>\$ 230,532</u>	<u>\$ 122,887</u>	<u>\$ 1,336,516</u>	<u>\$ 576,228</u>	<u>\$ (1,543,348)</u>	<u>\$ 1,330,514</u>	<u>\$ 2,415,502</u>
Debt service as a percentage of noncapital expenditures	3.4%	3.9%	3.8%	3.7%	3.6%	3.9%	4.1%	4.2%	4.5%	4.4%
Debt service as a percentage of total expenditures	3.1%	3.4%	3.3%	3.4%	3.3%	3.5%	3.5%	3.7%	4.3%	4.2%
Capital outlay as a percentage of total expenditures	9.9%	13.0%	12.6%	7.6%	7.4%	11.2%	16.0%	11.3%	5.0%	5.0%

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

Table 5

Fiscal Year	Ad Valorem Tax	Special Ad Valorem Tax	Local Option Sales Tax	Utilities Sales Tax	Other Taxes	Total Taxes
2010	\$ 8,153,287	\$ 91,022	\$ 3,190,885	\$ 1,120,046	\$ 519,033 (1)	\$ 13,074,273
2011	8,064,247	101,669	3,236,005	1,265,918	545,753	13,213,592
2012	7,984,145	99,678	3,050,437	1,343,834	527,775	13,005,869
2013	8,925,727	93,791	3,083,691	1,430,901	504,597	14,038,707
2014	9,390,723	94,355	3,428,265	1,827,102	556,534	15,296,979
2015	9,362,764	97,777	3,424,361	1,838,078	459,841	15,182,821
2016	8,989,843	105,524	3,646,785	1,962,379	543,973	15,248,504
2017	9,880,081	99,406	4,106,964	1,849,092	547,457	16,483,000
2018	10,122,823	99,196	4,263,394	1,883,982	553,538	16,922,933
2019	10,254,723	100,370	4,491,601	1,927,328	527,692	17,301,714



Notes:

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

(1) State of NC withheld two-thirds or \$60,982 of the beer and wine tax, which is reported as part of other taxes.

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

Table 6

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenues										
Charges for service	\$ 43,062,906	\$ 46,290,133	\$ 45,851,593	\$ 48,347,174	\$ 51,924,474	\$ 53,405,203	\$ 50,384,682	\$ 50,130,246	\$ 51,102,340	\$ 50,192,272
Other operating revenues	<u>1,536,246</u>	<u>1,483,538</u>	<u>1,534,910</u>	<u>1,574,156</u>	<u>2,396,323</u>	<u>273,825</u>	<u>915,867</u>	<u>666,864</u>	<u>443,691</u>	<u>685,451</u>
Total operating revenues	<u>44,599,152</u>	<u>47,773,671</u>	<u>47,386,503</u>	<u>49,921,330</u>	<u>54,320,797</u>	<u>53,679,028</u>	<u>51,300,549</u>	<u>50,797,110</u>	<u>51,546,031</u>	<u>50,877,723</u>
Operating expenses										
Salaries and benefits	1,579,835	1,608,301	1,357,152	1,372,491	1,466,247	1,302,963	1,479,210	1,595,559	1,751,140	109,651
Operating expenses	4,395,926	4,523,644	4,501,733	4,824,251	6,098,297	4,286,391	6,248,503	5,343,517	4,706,488	10,176,453
Purchases of power for resale	34,652,715	38,272,708	39,655,108	40,755,523	43,138,820	44,364,741	40,618,065	39,643,028	38,458,043	35,236,370
Depreciation	<u>994,135</u>	<u>956,883</u>	<u>916,110</u>	<u>922,514</u>	<u>949,226</u>	<u>956,873</u>	<u>998,503</u>	<u>1,048,465</u>	<u>1,033,041</u>	<u>1,081,713</u>
Total operating expenses	<u>41,622,611</u>	<u>45,361,536</u>	<u>46,430,103</u>	<u>47,874,779</u>	<u>51,652,590</u>	<u>50,910,968</u>	<u>49,344,281</u>	<u>47,630,569</u>	<u>45,948,712</u>	<u>46,604,187</u>
Operating income (loss)	<u>2,976,541</u>	<u>2,412,135</u>	<u>956,400</u>	<u>2,046,551</u>	<u>2,668,207</u>	<u>2,768,060</u>	<u>1,956,268</u>	<u>3,166,541</u>	<u>5,597,319</u>	<u>4,273,536</u>
Non-operating revenues (expenses)										
Investment earnings	52,119	37,686	34,225	19,060	16,136	16,907	37,028	48,105	128,915	346,784
Interest and other charges	(257,198)	(221,224)	(188,937)	(170,698)	(152,401)	(189,818)	(141,749)	(180,709)	(155,722)	(131,967)
Other	<u>(366,487)</u>	<u>(23,887)</u>	<u>(57,571)</u>	<u>(48,761)</u>	<u>61,532</u>	<u>(15,964)</u>	<u>(5,698)</u>	<u>(9,157)</u>	<u>(37,982)</u>	<u>(99,316)</u>
Total non-operating revenues (expenses)	<u>(571,566)</u>	<u>(207,425)</u>	<u>(212,283)</u>	<u>(200,399)</u>	<u>(74,733)</u>	<u>(188,875)</u>	<u>(110,419)</u>	<u>(141,761)</u>	<u>(64,789)</u>	<u>115,501</u>
Income before transfers	2,404,975	2,204,710	744,117	1,846,152	2,593,474	2,579,185	1,845,849	3,024,780	5,532,530	4,389,037
Capital contributions	-	-	-	-	-	-	-	24,000	-	2,466,547
Transfers from (to) other funds	<u>(1,759,742)</u>	<u>(1,310,393)</u>	<u>(634,423)</u>	<u>(1,338,781)</u>	<u>(520,204)</u>	<u>(2,774,154)</u>	<u>(2,171,161)</u>	<u>(1,452,514)</u>	<u>(1,433,688)</u>	<u>(1,426,993)</u>
Change in net position	<u>\$ 645,233</u>	<u>\$ 894,317</u>	<u>\$ 109,694</u>	<u>\$ 507,371</u>	<u>\$ 2,073,270</u>	<u>\$ (194,969)</u>	<u>\$ (325,312)</u>	<u>\$ 1,596,266</u>	<u>\$ 4,098,842</u>	<u>\$ 5,428,591</u>

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

Table 7

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenues										
Water charges for service	\$ 3,351,254	\$ 3,636,646	\$ 3,747,972	\$ 3,660,282	\$ 3,802,987	\$ 3,889,062	\$ 3,781,406	\$ 4,056,628	\$ 4,404,053	\$ 4,839,953
Wastewater charges for service	4,059,854	4,402,055	4,604,890	4,641,615	4,711,660	4,644,177	4,626,467	4,757,829	4,898,980	5,438,580
Other operating revenues	249,903	184,610	150,721	166,534	209,105	177,518	188,028	215,264	181,570	440,280
Total operating revenues	<u>7,661,011</u>	<u>8,223,311</u>	<u>8,503,583</u>	<u>8,468,431</u>	<u>8,723,752</u>	<u>8,710,757</u>	<u>8,595,901</u>	<u>9,029,721</u>	<u>9,484,603</u>	<u>10,718,813</u>
Operating expenses										
Water plant	1,429,152	1,534,200	1,474,732	1,411,184	1,679,113	1,610,139	1,516,198	1,670,259	1,874,683	1,914,599
Waste treatment plant	2,019,671	2,090,429	2,223,004	2,129,017	2,369,950	2,194,026	2,232,117	2,749,027	2,786,059	2,775,952
Water and wastewater	2,561,648	2,688,509	2,588,725	2,613,371	2,805,339	2,482,718	2,907,602	3,322,142	3,254,940	3,487,156
Depreciation	1,157,368	1,170,159	1,197,166	1,225,251	1,260,606	1,291,217	1,270,280	1,222,572	1,231,317	1,261,484
Total operating expenses	<u>7,167,839</u>	<u>7,483,297</u>	<u>7,483,627</u>	<u>7,378,823</u>	<u>8,115,008</u>	<u>7,578,100</u>	<u>7,926,197</u>	<u>8,964,000</u>	<u>9,146,999</u>	<u>9,439,191</u>
Operating income (loss)	<u>493,172</u>	<u>740,014</u>	<u>1,019,956</u>	<u>1,089,608</u>	<u>608,744</u>	<u>1,132,657</u>	<u>669,704</u>	<u>65,721</u>	<u>337,604</u>	<u>1,279,622</u>
Non-operating revenues (expenses)										
Investment earnings	25,796	18,139	18,283	11,507	11,693	12,480	25,440	32,864	77,212	169,334
Interest and other charges	(271,477)	(250,483)	(185,947)	(162,232)	(139,249)	(124,747)	(60,462)	(45,310)	(30,334)	(17,219)
Other	4,185	(115,055)	(43,970)	258	(1,069)	(17,379)	-	(39,873)	-	(2,067)
Total non-operating revenues (expenses)	<u>(241,496)</u>	<u>(347,399)</u>	<u>(211,634)</u>	<u>(150,467)</u>	<u>(128,625)</u>	<u>(129,646)</u>	<u>(35,022)</u>	<u>(52,319)</u>	<u>46,878</u>	<u>150,048</u>
Income before contributions and transfers	251,676	392,615	808,322	939,141	480,119	1,003,011	634,682	13,402	384,482	1,429,670
Capital contributions	1,218,659	-	1,461,439	82,471	633,527	-	-	-	-	-
Transfers from (to) other funds	<u>(533,631)</u>	<u>(737,295)</u>	<u>(1,293,919)</u>	<u>(778,351)</u>	<u>(511,795)</u>	<u>226,397</u>	<u>(204,930)</u>	<u>(431,543)</u>	<u>(321,476)</u>	<u>3,152,335</u>
Change in net position	<u>\$ 936,704</u>	<u>\$ (344,680)</u>	<u>\$ 975,842</u>	<u>\$ 243,261</u>	<u>\$ 601,851</u>	<u>\$ 1,229,408</u>	<u>\$ 429,752</u>	<u>\$ (418,141)</u>	<u>\$ 63,006</u>	<u>\$ 4,582,005</u>

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

Table 8

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenues										
Charges for service	\$ 14,978,660	\$ 13,751,305	\$ 10,396,960	\$ 11,599,902	\$ 13,831,625	\$ 12,692,731	\$ 9,725,193	\$ 9,832,879	\$ 11,990,888	\$ 11,975,674
Other operating revenues	57,545	34,308	19,229	19,294	248,463	46,018	246,147	61,395	206,424	35,312
Total operating revenues	15,036,205	13,785,613	10,416,189	11,619,196	14,080,088	12,738,749	9,971,340	9,894,274	12,197,312	12,010,986
Operating expenses										
Salaries and benefits	1,109,352	1,279,185	992,526	1,028,218	1,111,860	1,054,521	1,142,684	1,246,310	1,305,610	1,244,214
Operating expenses	1,541,276	1,944,764	2,086,275	2,005,905	2,125,244	1,978,094	2,237,432	1,922,924	2,514,476	2,150,468
Purchases of natural gas for resale	9,811,535	8,163,925	5,385,773	5,744,010	7,116,775	6,389,183	4,004,732	4,222,520	5,337,517	5,276,012
Depreciation	527,124	540,673	544,692	573,748	584,781	561,669	561,600	580,694	537,604	528,377
Total operating expenses	12,989,287	11,928,547	9,009,266	9,351,881	10,938,660	9,983,467	7,946,448	7,972,448	9,695,207	9,199,071
Operating income (loss)	2,046,918	1,857,066	1,406,923	2,267,315	3,141,428	2,755,282	2,024,892	1,921,826	2,502,105	2,811,915
Non-operating revenues (expenses)										
Investment earnings	29,672	20,795	15,544	8,390	9,997	12,018	25,085	28,956	62,180	149,387
Interest and other charges	(188,973)	(224,816)	(193,196)	(174,536)	(158,855)	(176,581)	(121,392)	(60,592)	(39,677)	(23,568)
Other	58,144	(18,728)	(48,908)	(11,726)	232	(3,736)	(12,944)	(9,064)	(122,337)	(13,429)
Total nonoperating revenues (expenses)	(101,157)	(222,749)	(226,560)	(177,872)	(148,626)	(168,299)	(109,251)	(40,700)	(99,834)	112,390
Income before contributions and transfers	1,945,761	1,634,317	1,180,363	2,089,443	2,992,802	2,586,983	1,915,641	1,881,126	2,402,271	2,924,305
Capital contributions	-	-	7,771	269,936	-	-	-	-	-	-
Transfers from (to) other funds	(925,223)	(954,822)	(1,147,666)	(1,100,646)	(1,408,915)	(926,267)	(881,812)	(1,049,818)	(1,072,046)	406,953
Change in net position	\$ 1,020,538	\$ 679,495	\$ 40,468	\$ 1,258,733	\$ 1,583,887	\$ 1,660,716	\$ 1,033,829	\$ 831,308	\$ 1,330,225	\$ 3,331,258

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

Table 9

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenues										
Charges for service	\$ 633,027	\$ 588,350	\$ 747,737	\$ 693,059	\$ 640,045	\$ 648,346	\$ 637,146	\$ 626,356	\$ 611,438	\$ 632,827
Other operating revenues	<u>52</u>	<u>113</u>	<u>1,391</u>	<u>54</u>	<u>14,665</u>	<u>12</u>	<u>9,985</u>	<u>2,276</u>	<u>117,669</u>	<u>3,897</u>
Total operating revenues	<u>633,079</u>	<u>588,463</u>	<u>749,128</u>	<u>693,113</u>	<u>654,710</u>	<u>648,358</u>	<u>647,131</u>	<u>628,632</u>	<u>729,107</u>	<u>636,724</u>
Operating expenses										
Salaries and benefits	390,347	394,230	405,794	404,886	415,959	397,553	446,854	551,953	508,637	546,074
Operating expenses	200,440	227,501	251,578	496,014	263,149	299,005	296,829	295,918	527,781	263,740
Depreciation	<u>98,598</u>	<u>99,449</u>	<u>101,566</u>	<u>101,838</u>	<u>100,579</u>	<u>100,427</u>	<u>105,890</u>	<u>112,024</u>	<u>120,826</u>	<u>135,241</u>
Total operating expenses(loss)	<u>689,385</u>	<u>721,180</u>	<u>758,938</u>	<u>1,002,738</u>	<u>779,687</u>	<u>796,985</u>	<u>849,573</u>	<u>959,895</u>	<u>1,157,244</u>	<u>945,055</u>
Operating income (loss)	<u>(56,306)</u>	<u>(132,717)</u>	<u>(9,810)</u>	<u>(309,625)</u>	<u>(124,977)</u>	<u>(148,627)</u>	<u>(202,442)</u>	<u>(331,263)</u>	<u>(428,137)</u>	<u>(308,331)</u>
Non-operating revenues (expenses)										
Investment earnings	294	98	268	305	243	226	104	500	2,980	4,692
Interest and other charges	(53,044)	(47,421)	(41,703)	(36,312)	(32,394)	(28,129)	(19,693)	(13,595)	(9,841)	-
Other	<u>6,776</u>	<u>(1,351)</u>	<u>(2,756)</u>	<u>87,025</u>	<u>-</u>	<u>-</u>	<u>1,318</u>	<u>(2,629)</u>	<u>(1,944)</u>	<u>(4,980)</u>
Total nonoperating revenues (expenses)	<u>(45,974)</u>	<u>(48,674)</u>	<u>(44,191)</u>	<u>51,018</u>	<u>(32,151)</u>	<u>(27,903)</u>	<u>(18,271)</u>	<u>(15,724)</u>	<u>(8,805)</u>	<u>(288)</u>
Income before transfers	<u>(102,280)</u>	<u>(181,391)</u>	<u>(54,001)</u>	<u>(258,607)</u>	<u>(157,128)</u>	<u>(176,530)</u>	<u>(220,713)</u>	<u>(346,987)</u>	<u>(436,942)</u>	<u>(308,619)</u>
Capital contributions	-	-	-	-	-	-	554	-	-	-
Transfers from (to) other funds	<u>188,584</u>	<u>208,584</u>	<u>168,584</u>	<u>168,584</u>	<u>298,584</u>	<u>263,584</u>	<u>319,484</u>	<u>413,584</u>	<u>439,334</u>	<u>420,692</u>
Change in net position	<u>\$ 86,304</u>	<u>\$ 27,193</u>	<u>\$ 114,583</u>	<u>\$ (90,023)</u>	<u>\$ 141,456</u>	<u>\$ 87,054</u>	<u>\$ 99,325</u>	<u>\$ 66,597</u>	<u>\$ 2,392</u>	<u>\$ 112,073</u>

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

Table 10

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Company Property	Registered Motor Vehicles	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2010	\$ 1,410,642,498	\$ 201,572,196	\$ 40,635,356	\$ 79,339,683	\$ 239,962,695	\$ 1,492,227,038	\$ 0.560	\$ 1,492,227,038
2011	1,426,768,309	180,908,594	37,120,418	72,266,356	243,391,435	1,473,672,242	0.560	1,473,672,242
2012	1,435,135,077	186,351,972	39,369,506	67,068,941	254,245,830	1,473,679,666	0.560	1,473,679,666
2013	1,466,821,451	183,511,640	36,013,348	71,866,572	257,744,610	1,500,468,401	0.600	1,500,468,401
2014	1,461,480,830	193,859,721	31,174,282	153,730,981	264,380,960	1,575,864,854	0.600	1,575,864,854
2015	1,454,225,103	204,849,734	30,680,478	112,545,099	260,711,580	1,541,588,834	0.600	1,541,588,834
2016	1,438,005,660	215,037,820	31,017,106	113,262,846	278,811,010	1,518,512,422	0.600	1,518,512,422
2017	1,431,840,784	238,074,662	29,398,521	111,949,987	280,951,135	1,530,312,819	0.650	1,530,312,819
2018	1,448,815,954	237,121,430	27,979,820	114,956,319	283,579,854	1,545,293,669	0.650	1,545,293,669
2019	1,348,373,994	246,043,800	28,066,558	119,903,441	179,754,381	1,562,633,412	0.650	1,562,633,412

Sources:

Davidson County Tax Department
NC Department of Revenue

Notes:

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

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

Table 11

Fiscal Year	Overlapping Rates Levied by				Total Direct & Overlapping Rates
	City of Lexington		Davidson County(1)		
	General Levy	Special Tax District Levy	Lexington		
			Davidson County General Levy	School District Levy	
2010	\$ 0.560	\$ 0.20	\$ 0.54	\$ 0.12	\$ 1.420
2011	0.560	0.20	0.54	0.12	1.420
2012	0.560	0.20	0.54	0.12	1.420
2013	0.600	0.20	0.54	0.12	1.460
2014	0.600	0.20	0.54	0.12	1.460
2015	0.600	0.20	0.54	0.12	1.460
2016	0.600	0.20	0.54	0.12	1.460
2017	0.650	0.20	0.54	0.12	1.510
2018	0.650	0.20	0.54	0.12	1.510
2019	0.650	0.20	0.54	0.12	1.510

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, 2019 and June 30, 2010

Table 12

Taxpayer	Type of Business	2019				2010			
		Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation
Halyard North Carolina (1)	Healthcare Products	\$ 100,176,043	1	\$ 651,144	6.41%	\$ 86,379,555	1	\$ 483,726	5.79%
Moran Foods Inc.	Food Distributor	23,190,687	2	150,739	1.48%	-	-	-	-
Wal-Mart	Retail	21,030,306	3	136,697	1.35%	16,241,889	3	90,954	1.09%
Jeld-Wen Inc.	Windows and Doors	16,037,506	4	104,244	1.03%	22,364,811	2	125,243	1.50%
Masterbrand Cabinets	Wood Kitchen Cabinets	15,973,061	5	103,825	1.02%	-	-	-	-
Vitacost.com Inc.	Online Retail	15,796,276	6	102,676	1.01%	-	-	-	-
First National Bank (2)	Banking	14,414,126	7	93,691	0.92%	15,441,971	4	86,475	1.03%
Chesapeake Pharmaceutical Pkg	Printing	13,582,401	8	88,286	0.87%	11,724,262	7	65,656	0.79%
Windstream	Communications	12,404,869	9	80,632	0.79%	-	-	-	-
Childress Winery & Vineyards	Viniculture	8,254,008	10	53,651	0.53%	9,791,333	8	54,832	0.66%
Stanley Furniture Co. Inc.	Furniture	-	-	-	-	12,797,719	5	71,667	0.86%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	-	-	-	-	12,389,448	6	69,380	0.83%
Parkdale Mills Inc.	Textiles	-	-	-	-	7,921,911	9	44,363	0.53%
RCR Air LLC	Air Transportation	-	-	-	-	7,641,734	10	42,794	0.51%
Total		<u>\$ 240,859,283</u>		<u>\$ 1,565,585</u>	<u>15.41%</u>	<u>\$ 202,694,633</u>		<u>\$ 1,135,090</u>	<u>13.59%</u>

Source:

Davidson County Tax Department

Note:

(1) Formerly Kimberly Clark Corp

(2) Formerly NewBridge Bank

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

Table 13

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
2010	\$ 8,372,149	\$ 7,878,645	94.11%	\$ 436,851	\$ 8,315,496	99.32%
2011	8,288,300	7,775,260	93.81%	456,545	8,231,805	99.32%
2012	8,257,246	7,720,187	93.50%	467,844	8,188,031	99.16%
2013	8,987,527	8,447,008	93.99%	470,860	8,917,868	99.22%
2014	9,477,350	9,027,238	95.25%	380,074	9,407,312	99.26%
2015	9,267,995	8,943,133	96.49%	261,165	9,204,298	99.31%
2016	9,128,784	8,811,858	96.53%	238,745	9,050,603	99.14%
2017	9,963,786	9,602,457	96.37%	255,753	9,858,210	98.94%
2018	10,060,422	9,763,912	97.05%	133,291	9,897,203	98.38%
2019	10,163,290	9,843,256	96.85%	-	9,843,256	96.85%

Source:

Davidson County Tax Department

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

Table 14

Fiscal Year	Electric	Water & Wastewater	Natural Gas	Golf	Total
2010	\$ 43,062,906	\$ 7,411,108	\$ 14,978,660	\$ 633,027	\$ 66,085,701
2011	46,290,133	8,038,701	13,751,305	588,350	68,668,489
2012	45,851,593	8,352,862	10,396,960	747,737	65,349,152
2013	48,347,174	8,301,897	11,599,902	693,059	68,942,032
2014	51,924,474	8,514,647	13,831,625	640,045	74,910,791
2015	53,405,203	8,533,239	12,692,731	648,346	75,279,519
2016	50,384,682	8,407,873	9,725,193	637,146	69,154,894
2017	50,299,613	8,858,496	9,839,447	626,356	69,623,912
2018	51,388,136	9,301,937	12,029,070	611,438	73,330,581
2019	50,355,294	10,240,132	11,991,388	632,827	73,219,641

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

Table 14a

Fiscal Year	Residential (1)	Commercial	Industrial	REPS (2)	Total
2010	\$ 24,991,255	\$ 15,722,834	\$ 2,184,715	\$ 164,102	\$ 43,062,906
2011	26,969,592	16,784,777	2,353,877	181,887	46,290,133
2012	26,101,324	17,030,354	2,565,399	154,516	45,851,593
2013	28,028,597	17,593,537	2,559,021	166,019	48,347,174
2014	30,136,463	18,822,104	2,783,984	181,923	51,924,474
2015	31,147,858	19,069,713	2,996,800	190,832	53,405,203
2016	29,093,752	18,180,333	2,913,663	196,934	50,384,682
2017	29,024,860	18,008,763	3,049,942	216,048	50,299,613
2018	30,298,507	18,058,501	2,797,802	233,326	51,388,136
2019	29,864,900	17,496,034	2,739,183	255,177	50,355,294

Notes:

(1) Includes Area Lights

(2) Renewable Energy Portfolio Standards

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

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

Table 14b

Fiscal Year	Residential	Commercial	Industrial	Total
2010	\$ 1,721,494	\$ 845,792	\$ 783,968	\$ 3,351,254
2011	1,781,051	873,338	982,257	3,636,646
2012	1,818,058	907,844	1,022,070	3,747,972
2013	1,822,546	900,547	937,189	3,660,282
2014	1,836,442	892,306	1,074,239	3,802,987
2015	1,843,593	900,706	1,144,763	3,889,062
2016	1,839,681	875,633	1,066,092	3,781,406
2017	2,011,460	955,713	1,105,450	4,072,623
2018	2,192,301	1,066,380	1,171,691	4,430,372
2019	2,390,760	1,161,872	1,317,690	4,870,322

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

Table 14c

Fiscal Year	Residential	Commercial	Industrial	Total
2010	\$ 2,108,397	\$ 1,508,055	\$ 443,402	\$ 4,059,854
2011	2,425,867	1,673,242	302,946	4,402,055
2012	2,537,277	1,770,235	297,378	4,604,890
2013	2,539,599	1,776,637	325,379	4,641,615
2014	2,594,913	1,768,470	348,277	4,711,660
2015	2,564,512	1,769,408	310,257	4,644,177
2016	2,572,034	1,728,633	325,800	4,626,467
2017	2,505,443	1,939,975	340,455	4,785,873
2018	2,555,317	2,002,251	313,997	4,871,565
2019	2,902,071	2,116,870	350,869	5,369,810

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

Table 14d

Fiscal Year	Residential	Commercial	Industrial	Capacity Sales	Total
2010	\$ 6,091,317	\$ 4,675,624	\$ 3,687,657	\$ 524,062	\$ 14,978,660
2011	5,594,495	4,260,936	3,845,909	49,965	13,751,305
2012	3,959,116	3,364,431	3,073,413	-	10,396,960
2013	4,757,704	4,024,866	2,817,332	-	11,599,902
2014	5,594,047	4,636,501	3,601,077	-	13,831,625
2015	4,994,576	4,260,240	3,437,915	-	12,692,731
2016	3,782,526	3,393,786	2,548,881	-	9,725,193
2017	3,831,318	3,593,982	2,414,147	-	9,839,447
2018	4,793,357	4,379,844	2,855,869	-	12,029,070
2019	5,063,838	4,358,580	2,568,970	-	11,991,388

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

Table 14e

Fiscal Year	Green Fees	Cart Fees	Municipal Club	Total
2010	\$ 350,859	\$ 253,703	\$ 28,465	\$ 633,027
2011	335,954	230,601	21,795	588,350
2012	411,211	308,746	27,780	747,737
2013	379,135	284,244	29,680	693,059
2014	345,070	271,665	23,310	640,045
2015	348,403	287,533	12,410	648,346
2016	329,351	273,243	34,552	637,146
2017	325,439	264,637	36,280	626,356
2018	318,198	255,740	37,500	611,438
2019	337,092	259,435	36,300	632,827

City of Lexington, North Carolina
Schedule of Top Ten Electric Customers
Fiscal Year Ended June 30, 2019

Table 15

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	9,013,614	\$ 1,386,962	2.73%
Davidson County Schools	Public School System	6,206,779	901,332	1.77%
Lexington Memorial Hospital	Hospital	7,594,687	728,834	1.43%
Lexington City Schools	Public School System	4,963,050	621,436	1.22%
Davidson County	Government	4,113,656	514,409	1.01%
Food Lion	Grocery Store Chain	5,674,386	511,563	1.01%
Cardinal Container	Corrugated Fiber Boxes	5,529,773	487,432	0.96%
Leggett & Platt, Inc.	Furniture	2,712,651	341,277	0.67%
United Furniture Industries	Upholstery Furniture	2,465,251	262,113	0.52%
Wal-Mart	Retail	4,196,971	223,314	0.44%
		<u>52,470,818</u>	<u>\$ 5,978,672</u>	<u>11.76%</u>

City of Lexington, North Carolina
Schedule of Top Ten Water Customers
Fiscal Year Ended June 30, 2019

Table 16

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Electric Glass Fiber America (1)	Glass Products	328,717	\$ 912,422	8.51%
City of Lexington	Government	58,156	143,143	1.34%
Halyard North Carolina	Healthcare Products	57,925	124,203	1.16%
Parkdale Mills, Inc.	Textiles	37,375	79,514	0.74%
Lexington City Schools	Public School System	16,142	55,872	0.52%
Davidson County	Government	16,848	50,023	0.47%
Cardinal Container	Corrugated Fiber Boxes	7,975	40,915	0.38%
Lexington Memorial Hospital	Hospital	17,275	36,031	0.34%
NC Department of Public Safety	Prison	14,919	32,007	0.30%
Johnson Concrete, Inc.	Masonry	13,634	28,228	0.26%
		<u>568,966</u>	<u>\$ 1,502,358</u>	<u>14.02%</u>

Notes:

(1) Formerly PPG Industries

City of Lexington, North Carolina
Schedule of Top Ten Wastewater Customers
Fiscal Year Ended June 30, 2019

Table 17

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	23,833	\$ 206,720	1.93%
Halyard North Carolina	Healthcare Products	38,965	128,952	1.20%
Davidson County	Government	18,219	92,471	0.86%
Atrium Companies Inc.	Vinyl Windows & Doors	11,592	89,025	0.83%
Cardinal Container	Corrugated Fiber Boxes	11,195	67,090	0.63%
Lexington Memorial Hospital	Hospital	19,627	65,074	0.61%
NC Department of Public Safety	Prison	14,919	55,221	0.52%
Matcore Metal Fabrication	Machine Tools	6,988	51,778	0.48%
Asco Power Technologies	Power Switches & Controls	11,629	40,531	0.38%
Richard Childress Racing, Inc	Motorsports	3,851	37,964	0.35%
		<u>160,818</u>	<u>\$ 834,826</u>	<u>7.79%</u>

City of Lexington, North Carolina
Schedule of Top Ten Natural Gas Customers
Fiscal Year Ended June 30, 2019

Table 18

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Electric Glass Fiber America (1) (2)	Glass Products	649,419	\$ 579,719	4.83%
Halyard North Carolina (2)	Healthcare Products	254,258	317,467	2.64%
J E Jones Lumber Company	Lumber Dry Kiln	53,966	315,931	2.63%
Matcor Metal Fabrication	Machine Tools	52,059	301,859	2.51%
Kepley Frank Hardwood Company	Hardwood Products	40,005	232,800	1.94%
Hanes Construction Company	Paving	38,300	230,140	1.92%
Kurz Transfer Products LP	Stamping Technology	37,283	227,307	1.89%
Leggett & Platt, Inc.	Furniture	26,896	214,736	1.79%
JT Russell and Sons, Inc.	Asphalt Plant	34,624	208,689	1.74%
United Furniture Industries	Upholstery Furniture	18,756	187,712	1.56%
		<u>1,205,566</u>	<u>\$ 2,816,360</u>	<u>23.45%</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 19

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Purchases	General Obligation Bonds	Revenue Bonds	Installment Purchases			
2010	\$ 1,150,000	\$ 3,050,052	\$ 4,730,000	\$ 3,526,201	\$ 11,662,851	\$ 24,119,104	3.67%	\$ 1,126
2011	971,861	2,756,001	4,271,139	2,834,318	10,623,806	21,457,125	3.58%	1,133
2012	760,062	2,847,566	3,671,938	2,601,036	9,550,795	19,431,397	3.16%	1,033
2013	551,893	2,515,553	3,082,107	2,357,826	8,440,940	16,948,319	2.80%	910
2014	347,435	2,716,074	2,502,565	2,104,263	7,293,618	14,963,955	2.33%	802
2015	146,775	4,923,681	1,933,225	1,907,034	7,973,870	16,884,585	2.52%	901
2016	-	6,418,476	1,374,000	1,634,284	12,575,832	22,002,592	3.25%	1,188
2017	-	5,663,686	832,000	-	10,939,568	17,435,254	2.48%	941
2018	-	5,827,490	300,000	-	9,272,253	15,399,743	NA	847
2019	-	6,064,358	-	-	8,309,690	14,374,048	NA	792

Notes:

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

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

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

Table 20

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)
2010	\$ 5,880,000	\$ -	\$ 5,880,000	0.39%	\$ 275
2011	5,243,000	-	5,243,000	0.36%	277
2012	4,432,000	-	4,432,000	0.30%	236
2013	3,634,000	-	3,634,000	0.24%	195
2014	2,850,000	-	2,850,000	0.18%	153
2015	2,080,000	-	2,080,000	0.13%	111
2016	1,374,000	-	1,374,000	0.09%	74
2017	832,000	-	832,000	0.05%	45
2018	300,000	-	300,000	0.02%	17
2019	-	-	-	0.00%	-

Notes:

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

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

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

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

City of Lexington, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Table 21

Government Unit	Debt Outstanding	Percentage Applicable to City of Lexington (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Davidson County	\$ 99,135,788	10.83%	\$ 10,736,406
Subtotal, overlapping debt			10,736,406
City of Lexington, direct debt			6,064,358
Total direct and overlapping debt			<u>\$ 16,800,764</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

(1) The percentage applicable to City of Lexington is a ratio of the City's assessed valuation of \$1,562,633,412 divided by the County's assessed valuation of \$14,425,299,328.

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

Table 22

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
2010	\$ 119,378,163	\$ 19,317,903	\$ 100,060,260	16.18%
2011	117,893,779	17,472,961	100,420,818	14.82%
2012	117,894,373	15,843,276	102,051,097	13.44%
2013	120,037,472	13,763,538	106,273,934	11.47%
2014	126,069,188	12,190,175	113,879,013	9.67%
2015	123,327,107	14,462,718	108,864,389	11.73%
2016	121,480,994	20,005,342	101,475,652	16.47%
2017	122,425,026	17,221,273	105,203,753	14.07%
2018	123,623,494	15,331,798	108,291,696	12.40%
2019	125,010,673	14,374,048	110,636,625	11.50%

Legal Debt Margin Calculation for Fiscal Year 2019

Total Assessed Valuation	\$ 1,562,633,412
Debt limit (8 percent of total assessed value)	125,010,673
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	-
Outstanding debt not evidenced by bonds	14,374,048
Less: Statutory deductions for electric bonds	-
Total net debt applicable to limit	<u>14,374,048</u>
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 110,636,625</u>

Note:

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

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

Table 23

Fiscal Year	Electric Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 44,096,114	\$ 40,628,476	\$ 3,467,638	\$ 315,000	\$ 68,528	\$ 383,528	9.04
2011	47,611,857	44,404,653	3,207,204	162,883	45,611	208,494	15.38
2012	47,200,667	45,513,993	1,686,674	162,761	26,447	189,208	8.91
2013	49,743,634	46,952,265	2,791,369	160,130	22,703	182,833	15.27
2014	54,265,084	50,703,364	3,561,720	157,438	19,020	176,458	20.18
2015	53,506,539	49,954,095	3,552,444	154,684	15,399	170,083	20.89
2016	51,201,680	48,345,778	2,855,902	151,867	11,841	163,708	17.45
2017	50,663,412	46,582,104	4,081,308	148,985	8,348	157,333	25.94
2018	51,485,884	44,915,671	6,570,213	146,036	4,922	150,958	43.52
2019	50,994,657	45,522,474	5,472,183	67,945	1,563	69,508	78.73

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 24

Fiscal Year	Water & Wastewater Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2010	\$ 7,576,243	\$ 6,010,471	\$ 1,565,772	\$ 225,000	\$ 156,728	\$ 381,728	4.10
2011	7,999,525	6,313,138	1,686,387	435,947	123,613	559,560	3.01
2012	8,363,739	6,286,461	2,077,278	436,440	71,790	508,230	4.09
2013	8,379,715	6,153,572	2,226,143	429,701	61,751	491,452	4.53
2014	8,646,996	6,854,402	1,792,594	422,104	51,869	473,973	3.78
2015	8,625,989	6,286,883	2,339,106	414,656	42,160	456,816	5.12
2016	8,592,721	6,655,917	1,936,804	407,358	32,623	439,981	4.40
2017	8,999,903	7,741,428	1,258,475	393,015	23,254	416,269	3.02
2018	9,518,006	7,915,682	1,602,324	385,964	14,214	400,178	4.00
2019	10,873,753	8,177,707	2,696,046	232,055	5,537	237,592	11.35

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 25

Fiscal Year	Natural Gas	Less:	Net Revenues	Debt Service				Coverage
	Charges and Other (1)	Operating Expenses (2)	Available for Debt Service	Principal	Interest	Total		
2010	\$ 15,104,267	\$ 12,462,163	\$ 2,642,104	\$ 665,151	\$ 169,219	\$ 834,370	3.17	
2011	13,705,613	11,387,874	2,317,739	691,883	142,749	834,632	2.78	
2012	10,308,314	8,464,574	1,843,740	233,282	118,685	351,967	5.24	
2013	11,549,040	8,778,133	2,770,907	243,210	107,716	350,926	7.90	
2014	14,028,934	10,353,879	3,675,055	253,563	97,472	351,035	10.47	
2015	12,677,217	9,421,798	3,255,419	197,229	86,791	284,020	11.46	
2016	9,934,888	7,384,848	2,550,040	272,750	75,656	348,406	7.32	
2017(3)	9,869,960	7,391,754	2,478,206	1,634,284	33,505	1,667,789	1.49	
2018	NA	NA	NA	NA	NA	NA	NA	
2019	NA	NA	NA	NA	NA	NA	NA	

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 26

Fiscal Year	Population (1)	Personal Income (in thousands)	Per Capita Personal Income (2)	Unemployment Rate (3)
2010	21,420	\$ 656,994	\$ 30,672	13.0%
2011	18,931	599,867	31,687	11.4%
2012	18,816	615,170	32,694	10.3%
2013	18,628	605,801	32,521	9.2%
2014	18,655	641,210	34,372	7.1%
2015	18,730	668,792	35,707	5.9%
2016	18,528	676,865	36,532	5.1%
2017	18,532	702,604	37,913	4.6%
2018	18,179	NA	NA	4.0%
2019	18,148	NA	NA	3.7%

Sources:

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

Notes:

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

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

Table 27

Employer	2019			2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.27%+	1000+	1	1.42%+
Atrium Corporation	1000+	2	1.27%+	500-999	3	0.71%-1.42%
County of Davidson	500-999	3	0.63%-1.27%	1000+	2	1.42%+
Old Dominion Freight Line	500-999	4	0.63%-1.27%	NA	NA	NA
Wal-Mart Associates Inc.	500-999	5	0.63%-1.27%	500-999	4	0.71%-1.42%
Food Lion	500-999	6	0.63%-1.27%	250-499	10	0.35%-0.71%
Bradley Personnel Inc.	500-999	7	0.63%-1.27%	250-499	12	0.35%-0.71%
Wake Forest University Baptist Medical	500-999	8	0.63%-1.27%	500-999	5	0.71%-1.42%
Jeld-Wen	500-999	9	0.63%-1.27%	250-499	13	0.35%-0.71%
Novant Health Thomasville Medical	500-999	10	0.63%-1.27%	500-999	8	0.71%-1.42%
Davidson County Community College	500-999	11	0.63%-1.27%	500-999	6	0.71%-1.42%
Asco Power Technologies LP	500-999	12	0.63%-1.27%	100-249	21	0.14%-0.35%
Lexington City Schools	250-499	13	0.32%-0.63%	500-999	7	0.71%-1.42%
Ennis Flint, Inc.	250-499	14	0.32%-0.63%	NA	NA	NA
Pergo LLC	250-499	15	0.32%-0.63%	NA	NA	NA
Thomasville City Schools	250-499	16	0.32%-0.63%	250-499	9	0.35%-0.71%
Lowes Home Centers Inc.	250-499	17	0.32%-0.63%	250-499	18	0.35%-0.71%
United Church Homes and Services	250-499	18	0.32%-0.63%	100-249	25	0.14%-0.35%
City of Lexington	250-499	19	0.32%-0.63%	250-499	14	0.35%-0.71%
Vitacost.com, Inc.	250-499	20	0.32%-0.63%	NA	NA	NA
RCR Race Operations LLC	250-499	21	0.32%-0.63%	250-499	16	0.35%-0.71%
City of Thomasville	250-499	22	0.32%-0.63%	250-499	17	0.35%-0.71%
Facility Logistic Services, Inc.	250-499	23	0.32%-0.63%	100-249	23	0.14%-0.35%
Shelba D. Johnson Trucking, Inc.	250-499	24	0.32%-0.63%	NA	NA	NA
Aristofraft/Decora/Schrock	250-499	25	0.32%-0.63%	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 28

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	24	24	24	24	26	25	24	25	27	28
Public safety										
Police										
Officers (1)	68	68	69	65	65	64	61	62	62	57
Civilians	11	11	10	10	9	9	10	10	10	10
Fire										
Firefighters and officers	47	48	47	47	50	50	50	51	51	51
Civilians	1	-	1	1	1	1	1	1	1	1
Business & community development	6	7	7	9	9	9	9	8	9	9
Highways and streets										
Engineering (2)	4	4	4	4	4	2	-	-	-	-
Public services administration (3)	-	-	-	-	-	-	4	4	4	4
Street	15	15	15	15	15	15	13	13	13	13
Sanitation	18	18	18	18	18	17	14	14	14	14
Culture and recreation	18	18	18	18	18	18	18	18	18	18
Electric (4)	25	24	23	23	21	23	23	24	25	-
Water & Wastewater	44	44	44	43	43	43	44	44	44	45
Natural Gas	21	22	21	21	21	20	20	20	20	20
Golf	6	5	5	5	5	5	5	6	6	7
Fleet Management	7	7	7	7	7	7	5	6	6	6
Group Insurance	-	-	-	-	-	-	1	1	1	1
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	25	24	24	24	24	24	25	25	25	32
Total	<u>342</u>	<u>341</u>	<u>339</u>	<u>336</u>	<u>338</u>	<u>334</u>	<u>329</u>	<u>334</u>	<u>338</u>	<u>318</u>

Source:

City of Lexington Budget Office

Note:

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

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

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

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

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

Table 29

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Governmental Activities</i>										
Public safety										
Police										
Physical arrests	3,477	3,465	3,552	3,242	2,532	3,132	3,058	2,709	2,653	2,359
Parking tickets	1,548	1,568	1,152	1,320	1,656	1,644	1,188	1,324	1,658	1,040
Calls for service	57,039	57,377	55,545	53,312	47,125	46,531	48,421	49,649	48,116	47,483
Citations	3,793	4,485	4,131	2,866	1,604	1,101	1,435	2,365	1,889	1,676
Fire										
Number of calls answered	1,044	1,148	1,048	1,013	1,181	1,181	1,237	1,066	1,164	1,288
Inspections	337	629	1,232	739	831	789	909	798	773	658
Business & community development										
Number of minimum housing inspections	2,632	2,650	2,513	2,600	2,494	1,977	2,901	1,444	701	1845 (4)
Number of building inspections	1,425	1,613	1,663	1,318	1,582	2,456	2,507	2,554	3,080	2,763
Number of nuisance complaints	1,089	2,789	2,534	2,405	2,405	2,048	2,143	2,252	2,370	2,836
Highways and streets										
Street resurfacing (miles)	2.40	0.11	7.38	5.76	4.12	3.67	0.00	2.85	2.29	0.00
Feet of sidewalk replaced/repared	2,095	814	1,142	990	384	527	1,532	759	1,611	1,074
Sanitation										
Refuse collected (tons/year)	7,850	7,520	7,125	6,590	7,036	6,884	7,386	7,240	7,152	8,240
Recyclables collected (tons/year)	385	540	505	580	568	634	755	918	957	268
Yard waste collected (tons/year)	4,600	4,510	4,350	4,550	7,151 (1)	3,965	3,731	3,561	3,448	1,540
Culture and recreation										
Athletic program enrollment	1,087	809	844	905	1,185	1,072	967	904	757	364
Park reservations	317	317	397	357	342	394	415	410	432	323
Pool admissions	4,007	3,531	2,366	4,609	3,295	9,322 (2)	17,879 (3)	12,635	10,767	10,703
Recreational program enrollment	394	349	1,076	1,135	523	948	969	1,738	1,009	1,220

Continued on next page.

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

Table 29
continued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Business-type activities</i>										
Electric										
kWh sold	407,199,181	416,417,763	387,548,920	393,249,951	396,264,183	392,223,306	379,226,953	388,150,026	394,618,235	399,568,199
Number of customers	18,118	18,362	18,352	18,331	18,445	18,515	18,593	18,589	18,704	18,940
Water										
ccf sold	1,097,607	1,180,032	1,171,646	1,110,310	1,173,260	1,203,730	1,159,934	1,188,506	1,156,744	1,224,066
Number of customers	8,277	8,269	8,219	8,257	8,252	8,272	8,304	8,377	8,381	8,409
Wastewater										
ccf sold	862,024	846,465	830,295	822,187	824,727	810,697	798,931	819,071	814,118	821,675
Number of customers	7,937	7,940	7,922	7,954	7,988	8,022	8,082	8,262	8,377	8,441
Natural gas										
dt sold	1,885,217	2,023,133	1,812,816	2,034,937	2,125,609	2,232,249	2,068,274	2,024,617	2,137,320	2,141,471
Number of customers	8,934	8,948	8,940	9,054	9,093	9,224	9,276	9,355	9,467	9,502
Golf course										
Rounds sold	28,340	27,094	33,637	30,808	28,574	28,429	26,928	25,576	24,494	25,364
Number of passholders	88	87	103	110	100	94	73	76	67	65

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 30

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>Governmental Activities</i>										
General Government										
Motor pool vehicles	3	2	83	85	86	80	85	90	90	96
Motor pool equipment	40	41	47	48	49	51	47	47	49	49
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	74	74	75	72	71	70	72	77	78	81
Fire										
Fire stations	3	3	3	3	3	3	3	3	3	3
Fire trucks	8	7	8	9	8	8	9	9	9	9
Highways and streets										
Streets (miles)	125.4	125.4	125.5	125.3	125.3	125.3	125.3	125.4	125.4	125.2
Sanitation										
Collection trucks and equipment	29	28	23	25	25	22	22	24	26	25
Culture and recreation										
Parks	18	18	19	20	20	20	20	20	20	20
Swimming pools	2	2	2	2	2	2	1	1	1	2
Tennis courts	15	15	15	15	15	15	15	15	15	15
Basketball courts	12	12	12	13	13	13	13	13	13	13
Athletic fields	8	8	8	8	8	8	8	8	8	8
Walking, jogging and hiking trails (miles)	2.04	2.13	2.46	2.46	2.46	2.46	2.46	2.46	2.46	2.46
<i>Business-type activities</i>										
Electric										
Distribution overhead lines (miles)	494	494	616	616	616	620	716	716	716	863
Distribution underground lines (miles)	-	-	-	-	-	-	-	-	-	352
Number of distribution stations	11	11	11	11	11	11	11	11	11	11
Number of delivery stations	2	2	2	2	2	2	2	2	2	2
Water and Wastewater										
Water lines (miles)	187.0	187.0	192.0	192.0	192.0	192.0	192.0	192.9	192.9	192.9
Wastewater lines (miles)	212.0	212.0	212.0	214.0	216.0	216.0	247.0	248.6	248.6	248.6
Maximum daily treatment capacity water (millions of gallons)	7.2	7.2	7.2	7.2	7.2	7.2	7.2	7.2	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)	623	645	664	674	673	704	715	731	731	752

Source:
Various city departments and city capital asset records.

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



COMPLIANCE SECTION



MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2019, 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 9, 2019. Our report includes a reference to other auditors who audited the financial statements of the City of Lexington ABC Board, as described in our report on the City of Lexington's financial statements. The financial statements of the City of Lexington ABC Board and the Lexington Tourism Authority were not audited in accordance with *Government Auditing Standards*.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 9, 2019

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the City of Lexington, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Lexington's major state programs for the year ended June 30, 2019. The City of Lexington's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the City of Lexington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City of Lexington is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City of Lexington's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 9, 2019

City of Lexington, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Exhibit G-1

Part 1. Findings and Questioned Costs

Section I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

____ Yes x No

Significant Deficiency(s) identified?

____ Yes x None reported

Noncompliance material to financial statements noted?

____ Yes x No

State Awards

Internal control over major State programs:

Material weakness(es) identified?

____ Yes x No

Significant Deficiency(s) identified?

____ Yes x None reported

Type of auditor's report issued on compliance for major State programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

____ Yes x No

Identification of major State programs:

Program Name

Powell Bill

Section II. Financial Statement Findings

None reported

Section III. State Award Findings and Questioned Costs

None reported

Part 2. Summary Schedule of Prior Year Audit Findings

None reported

Or "5187 -52135 -"
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Exhibit G-2

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
Federal Grants						
Cash Programs						
<i>U.S. Department of Housing and Urban Development</i>						
Passed-through N.C. Department of Commerce						
CDBG - State's Program and Non-Entitlement Grants in Hawaii						
Community Development Block Program/Economic Development	14.228	16-E-2932	\$ 39,439	\$ -	\$ -	\$ 39,439
<i>U.S. Department of Justice</i>						
Direct Programs						
Bulletproof Vest Partnership Program	16.607	2017BUBX17087877	3,924	-	-	3,924
Bulletproof Vest Partnership Program	16.607	2018BUBX18092430	199	-	-	199
Federal Equitable Sharing Program	16.922	NC0290100	3,988	-	-	-
Passed-through N.C. Department of Public Safety						
Violence Against Women Formula Grants Program	16.588	2017-WF-AX-0040	32,095	-	-	13,402
Violence Against Women Formula Grants Program	16.588	2018-WF-AX-0026	60,202	-	-	29,216
<i>U.S. Department of Treasury</i>						
Direct Programs						
Federal Equitable Sharing Program	21.016	NC0290100	44,240	-	-	-
<i>U.S. Department of Homeland Security</i>						
Passed-through N.C. Department of Public Safety						
Disaster Grants - Public Assistance (Presidentially Declared Diasters)	97.036	FEMA-4393-DR-NC	124,252	41,418	-	-
Disaster Grants - Public Assistance (Presidentially Declared Diasters)	97.036	FEMA-4412-DR-NC	189,019	63,006	-	-
Total assistance - federal programs			<u>497,358</u>	<u>104,424</u>	<u>-</u>	<u>86,180</u>

Continued on next page.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Exhibit G-2
continued

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
State Grants						
Cash Programs						
<i>N.C. Department of Commerce</i>						
Direct Program						
Revitalization and Economic Development Award		2019-025-12587-1534	\$ -	\$ 180,000	\$ -	\$ -
<i>N.C. Department of Environmental Quality</i>						
Direct Program						
NC Clean Water Revolving Loan & Grant Program		E-AIA-W-17-0055	-	29,656	-	-
<i>N.C. Department of Natural and Cultural Resources</i>						
Direct Program						
Parks and Recreation Trust Fund		838	-	250,000	-	400,000
<i>N.C. Department of Transportation</i>						
Direct Program						
Powell Bill, DOT-4		32570	-	414,618	-	-
<i>N.C. Department of Revenue</i>						
Direct Program						
Unauthorized Substance Tax			-	5,120	-	-
Total assistance - state programs			-	879,394	-	400,000
Total assistance			\$ 497,358	\$ 983,818	\$ -	\$ 486,180

Continued on next page.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

Exhibit G-2
continued

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, 2019. 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.

City of Lexington has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

