

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FISCAL YEAR ENDED  
June 30, 2020**



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## **City of Lexington**

**Fiscal Year Ended June 30, 2020**



**City Council**  
**Newell Clark, Mayor**

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

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

**City Manager**  
**Terra A. Greene**

**Finance Director**  
**John M. Overton**



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

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# **INTRODUCTORY SECTION**





FINANCE DEPARTMENT  
INTEGRITY FIRST

October 16, 2020

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

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

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

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

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

### **Profile of the Government**

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

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

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

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

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

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

## Local Economy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Long-Term Financial Planning and Major Initiatives

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

### **Awards and Acknowledgements**

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

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

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

Respectfully submitted,

A handwritten signature in black ink, reading "John M. Overton". The signature is fluid and cursive, with the first name "John" being more prominent and the last name "Overton" following in a similar 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

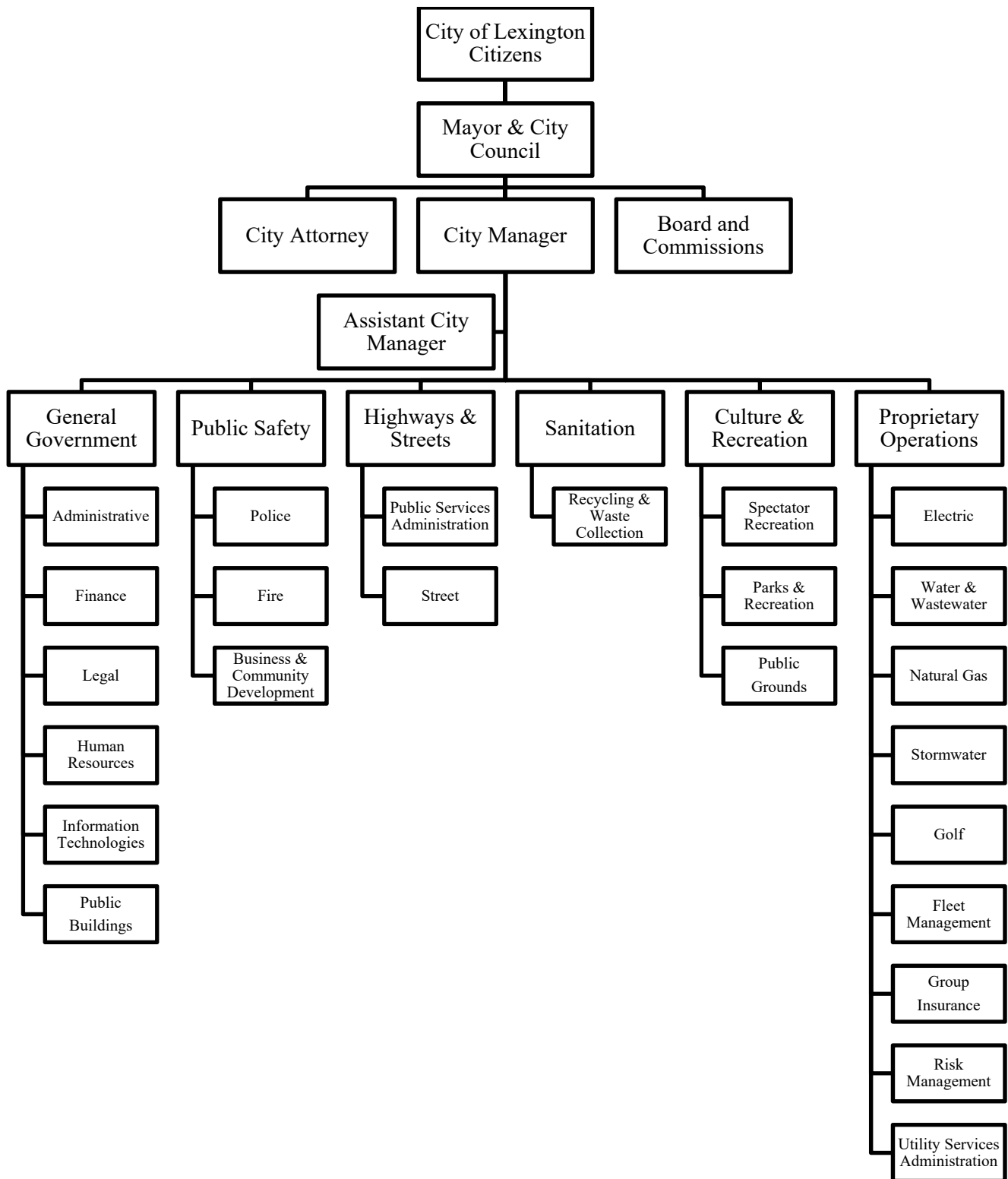
June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

# City of Lexington, North Carolina

## Organizational Chart



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# **FINANCIAL SECTION**





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

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

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 17, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 87 through 88, the Firefighters' and Rescue Squad Workers' Pension Funds' Schedule of the Proportionate Share of Net Pension Liability on page 89, the Law Enforcement Officers' Special Separation Allowance's Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee payroll on pages 90 through 91, and the Other Post-Employment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 on our consideration of the City of Lexington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lexington's internal control over financial reporting or on compliance. That report is an integral part of an audit prepared in accordance with *Government Auditing Standards* in considering the City of Lexington's internal control over financial reporting and compliance.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

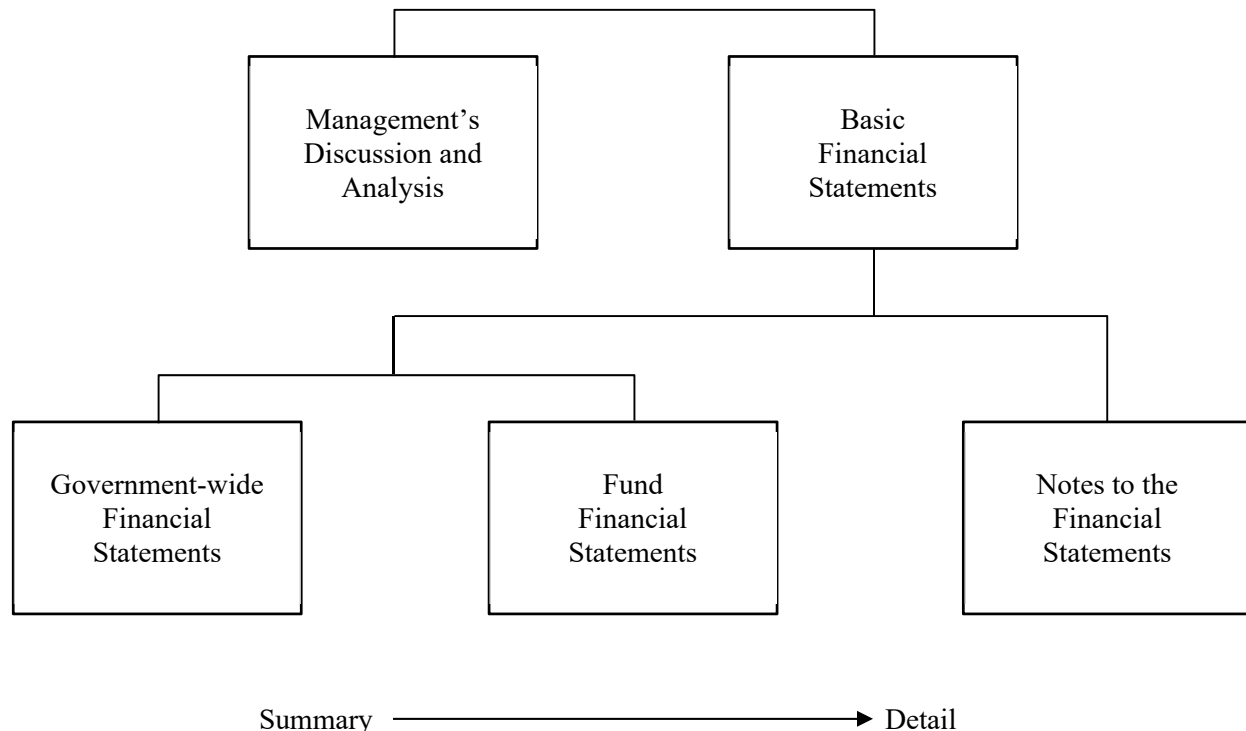
- The assets and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$178,376,929 (*net position*).
- The government's total net position increased by \$6,247,433, primarily due to increases in property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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

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

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

## Notes to the Basic Financial Statements

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

## Supplementary Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### City of Lexington's Net Position

Figure 2

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

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

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

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

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

### City of Lexington's Changes in Net Position

Figure 3

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



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

**Figure 3**

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

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

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

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

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

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

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

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

Major capital asset transactions during the year include the following:

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

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

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

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

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

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

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

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

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

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

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

### **Economic Factors**

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

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

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

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

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

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

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

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

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

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

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

## **REQUESTS FOR INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**

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

**Exhibit 1**

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

*Continued on next page.*

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

**Exhibit 1**  
*continued*

	Primary Government			Component Units
	Governmental	Business-		
	Activities	type	Total	Total
		Activities		
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,318,429	\$ 5,489,402	\$ 6,807,831	\$ 307,263
Due to component units	20,519	-	20,519	-
Due to primary government	-	-	-	144,539
Payable from restricted assets	103,290	819,472	922,762	-
Long-term liabilities				
Due in one year	1,218,111	1,321,595	2,539,706	36,134
Due in more than one year	23,547,341	12,993,635	36,540,976	259,030
Total liabilities	<u>26,207,690</u>	<u>20,624,104</u>	<u>46,831,794</u>	<u>746,966</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>2,079,494</u>	<u>791,530</u>	<u>2,871,024</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	35,056,704	93,366,084	128,422,788	625,242
Restricted for				
Stabilization by state statute	3,465,022	-	3,465,022	22,837
Council chamber improvements	3,100	-	3,100	-
Law enforcement	136,977	-	136,977	-
Capital projects	175,297	-	175,297	-
Tourism promotion	-	-	-	484,294
Uptown revitalization	-	-	-	121,446
Economic development, nonexpendable	-	-	-	34,288
Working capital	-	-	-	166,939
Unrestricted	<u>2,200,347</u>	<u>43,973,398</u>	<u>46,173,745</u>	<u>238,826</u>
Total net position	<u>\$ 41,037,447</u>	<u>\$ 137,339,482</u>	<u>\$ 178,376,929</u>	<u>\$ 1,693,872</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, 2020**

**Exhibit 2**

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

*Continued on next page.*

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

**Exhibit 2**  
*continued*

Functions/Programs	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	Total
General revenues								
Taxes								
Property taxes					\$ 10,501,093	\$ -	\$ 10,501,093	\$ -
Other taxes					675,730	-	675,730	-
Grants and contributions not restricted to specific programs					7,532,583	-	7,532,583	-
Investment earnings, unrestricted					367,621	581,368	948,989	6,833
Miscellaneous, unrestricted					37,159	-	37,159	1,526
Total general revenues not including transfers					19,114,186	581,368	19,695,554	8,359
Transfers					2,340,261	(2,340,261)	-	-
Total general revenues and transfers					21,454,447	(1,758,893)	19,695,554	8,359
Change in net position					(2,252,923)	8,500,356	6,247,433	235,341
Net position - beginning					43,290,370	128,839,126	172,129,496	1,458,531
Net position - ending					<u>\$ 41,037,447</u>	<u>\$ 137,339,482</u>	<u>\$ 178,376,929</u>	<u>\$ 1,693,872</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, 2020**

**Exhibit 3**

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

*Continued on next page.*

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

**Exhibit 3**  
*continued*

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total Non-</u> <u>Major Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Fund balances</b>			
Nonspendable			
Prepaid items	\$ 4,000	\$ -	\$ 4,000
Restricted			
Stabilization by state statute	3,460,236	4,786	3,465,022
Council chamber improvements	3,100	-	3,100
Law enforcement	-	136,977	136,977
Capital projects			
Business park development	-	175,297	175,297
Committed			
Recreation improvements	-	337,728	337,728
Other	9,370	516,053	525,423
Assigned			
Subsequent year's expenditures	1,920,720	-	1,920,720
Unassigned	<u>6,292,190</u>	<u>-</u>	<u>6,292,190</u>
Total fund balances	<u>11,689,616</u>	<u>1,170,841</u>	<u>12,860,457</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 14,299,284</u>	 <u>\$ 1,183,735</u>	 <u>\$ 15,483,019</u>

*Continued on next page.*



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

**Exhibit 3**  
*continued*

		Total Governmental Funds
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Fund balances as reported on the Balance Sheet of Governmental Funds		\$ 12,860,457
The City has an majority equity interest in a component unit. This investment is not a current financial resource and therefore not reported in the funds.		254,987
Capital assets used in governmental activities are not financial resources and therefore		
Gross capital assets at historical cost	\$ 108,317,382	
Accumulated depreciation	(68,040,549)	
Less internal service funds' net capital assets included in net position adjustment below	<u>(913,569)</u>	39,363,264
Deferred outflows of resources related to pensions and OPEB are not reported in the		
Deferred outflows of resources for governmental activities related to pensions	2,744,792	
Deferred outflows of resources for governmental activities related to OPEB	1,075,447	
Less internal service funds' deferred outflows of resources included in net position adjustment below	<u>(142,592)</u>	3,677,647
Other long-term assets are not available to pay for current-period expenditures and are therefore inflows of resources in the funds.		463,416
Some liabilities are not due and payable in the current period and therefore are not		
Accrued interest payable	(38,692)	
Bonds and installment financing	(5,220,129)	
Compensated absences	<u>(1,223,493)</u>	(6,482,314)
Net pension liability - LGERS		
Net pension liability for governmental activities	(4,200,314)	
Add internal service funds' net pension liability included in net position adjustment below	<u>198,293</u>	(4,002,021)
Total pension liability - LEO		(2,482,721)
Total OPEB liability		
Total OPEB liability for governmental activities	(11,587,859)	
Add internal service funds' total OPEB liability included in net position adjustment below	<u>267,683</u>	(11,320,176)
Deferred inflows of resources related to pensions and OPEB are not reported in the		
Deferred inflows of resources for governmental activities related to pensions	(242,821)	
Deferred inflows of resources for governmental activities related to OPEB	(1,836,673)	
Add internal service funds' deferred inflows of resources included in net position adjustment below	<u>50,258</u>	(2,029,236)
Internal service funds are used by management to charge the costs of certain activities		
Net position of governmental-type internal service funds	13,839,403	
Portion of net position allocated to business type activities	<u>(3,105,259)</u>	10,734,144
Net position of governmental activities		<u>\$ 41,037,447</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, 2020**

**Exhibit 4**

	Major Fund General Fund	Total Non- Major Funds	Total Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$ 10,504,426	\$ 89,027	\$ 10,593,453
Other taxes and licenses	675,730	-	675,730
Unrestricted intergovernmental	7,532,583	-	7,532,583
Restricted intergovernmental	826,560	349,544	1,176,104
Permits and fees	352,071	-	352,071
Sales and services	1,881,961	112,460	1,994,421
Investment earnings	180,947	6,747	187,694
Miscellaneous	77,179	25	77,204
Total revenues	<u>22,031,457</u>	<u>557,803</u>	<u>22,589,260</u>
<b>Expenditures</b>			
Current			
General government	4,260,177	-	4,260,177
Public safety	12,160,804	200,140	12,360,944
Highways and streets	1,634,712	-	1,634,712
Sanitation	3,518,431	-	3,518,431
Culture and recreation	1,675,897	167,775	1,843,672
Economic and physical development	730,958	642,590	1,373,548
Debt service			
Principal	844,229	-	844,229
Interest and other charges	198,871	-	198,871
Total expenditures	<u>25,024,079</u>	<u>1,010,505</u>	<u>26,034,584</u>
Revenues over (under) expenditures	<u>(2,992,622)</u>	<u>(452,702)</u>	<u>(3,445,324)</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds	2,889,968	-	2,889,968
Transfers to other funds	(549,707)	-	(549,707)
Sales of capital assets	22,566	230,891	253,457
Total other financing sources (uses)	<u>2,362,827</u>	<u>230,891</u>	<u>2,593,718</u>
Net change in fund balances	(629,795)	(221,811)	(851,606)
Fund balances - beginning	12,319,411	1,392,652	13,712,063
Fund balances - ending	<u>\$ 11,689,616</u>	<u>\$ 1,170,841</u>	<u>\$ 12,860,457</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, 2020**

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

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

**Exhibit 5**

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

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

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

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

**Exhibit 6**

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

*Continued on next page.*

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

**Exhibit 6**  
*continued*

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

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

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

**Exhibit 7**

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

*Continued on next page.*

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

**Exhibit 7**  
*continued*

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

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



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

**Exhibit 8**

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

*Continued on next page.*

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

**Exhibit 8**  
*continued*

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

*Continued on next page.*

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

**Exhibit 8**  
*continued*

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

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

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

**1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

**City of Lexington Board of Alcoholic Control**

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

**Lexington Tourism Authority**

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

**Uptown Lexington, Inc.**

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

### **Front Street-Lexington, LLC**

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

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

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

## **B. Basis of Presentation**

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

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

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following non-major governmental funds:

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

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

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

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

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

The City reports the following nonmajor enterprise funds:

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

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

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

The City reports the following fund type:

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

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

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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



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

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

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

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

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

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

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

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

#### **D. Budgetary Data**

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

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

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

##### **1. Deposits and Investments**

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

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

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

##### **2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

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

City of Lexington Restricted Cash

Governmental Activities

General Fund

Customer deposits	\$ 78,290
Economic development deposit	25,000
Total Governmental Activities	<u>\$ 103,290</u>

Business-type Activities

Electric Fund

Customer deposits	\$ 639,462
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Water and Wastewater Fund

Customer deposits	50,765
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Natural Gas Fund

Customer deposits	128,245
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Golf Fund

Customer deposits	1,000
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Total Business-type Activities	<u>\$ 819,472</u>
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Total Restricted Cash	<u><u>\$ 922,762</u></u>
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**4. Ad Valorem Taxes Receivable**

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

**5. Allowances for Doubtful Accounts**

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

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

**6. Inventories and Prepaid Items**

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

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

## 7. **Capital Assets**

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

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

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

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

## 8. **Deferred Outflows/Inflows of Resources**

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

## 9. **Long-Term Obligations**

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

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

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

#### **10. Compensated Absences**

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

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

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

#### **11. Net Position/Fund Balances**

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **12. Defined Benefit Cost-Sharing Plans**

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

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

## **2. Detailed Notes On All Funds**

### **A. Assets**

#### **1. Deposits**

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

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

## 2. Investments

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

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

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

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

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

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

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

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

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



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

### 3. Receivables

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

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

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

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

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

#### 4. Capital Assets

##### a. Primary Government

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

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

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

**Governmental Activities**

*Depreciation Expense*

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

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

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

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

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

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

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

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

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

	Beginning Balances	Increases	Decreases	Ending Balances
Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 445,430	\$ -	\$ -	\$ 445,430
Construction in progress	186,027	266	-	186,293
Total capital assets not being depreciated	<u>631,457</u>	<u>266</u>	<u>-</u>	<u>631,723</u>
Capital assets being depreciated:				
Buildings	3,404,483	-	(184,369)	3,220,114
Other improvements	3,163,255	-	-	3,163,255
Equipment & vehicles	493,718	227,386	(113,659)	607,445
Intangibles	1,551,812	-	-	1,551,812
Total capital assets being depreciated	<u>8,613,268</u>	<u>227,386</u>	<u>(298,028)</u>	<u>8,542,626</u>
Less accumulated depreciation for:				
Buildings	802,907	48,335	(49,779)	801,463
Other improvements	1,807,574	451,894	-	2,259,468
Equipment & vehicles	391,780	189,328	(109,850)	471,258
Intangibles	1,307,317	173,805	-	1,481,122
Total accumulated depreciation	<u>4,309,578</u>	<u>863,362</u>	<u>(159,629)</u>	<u>5,013,311</u>
Total capital assets being depreciated, net	<u>4,303,690</u>			<u>3,529,315</u>
Internal Service Funds capital assets, net	<u>\$ 4,935,147</u>			<u>\$ 4,161,038</u>
Business-type activities capital assets, net	<u>\$ 100,767,663</u>			<u>\$ 100,672,299</u>

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

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

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

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

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

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

**b. Construction Commitments**

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

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

**B. Liabilities****1. Accounts Payable and Accrued Liabilities**

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

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

**2. Pension Plan and Postemployment Obligations****a. Local Governmental Employees' Retirement System**

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

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

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

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

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

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



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

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

For the year ended June 30, 2020, the City recognized pension expense of \$2,655,065. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,052,341	\$ -
Changes of assumptions	1,001,686	-
Net difference between projected and actual earnings on pension plan investments	149,908	-
Changes in proportion and differences between City contributions and proportionate share of contributions	21,154	242,689
City contributions subsequent to the measurement date	1,424,486	-
Total	<u>\$ 3,649,575</u>	<u>\$ 242,689</u>

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

**Year ended June 30:**

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

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

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

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

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

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

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

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

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

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

pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

**b. Law Enforcement Officers Special Separation Allowance**

Plan Description

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

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

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

Summary of Significant Accounting Policies

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

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

### Actuarial Assumptions

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

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

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

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

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

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

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

### Contributions

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

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

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

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

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

**Year ended June 30:**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Deferred Inflows of Resources**

Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes of assumptions	-	76,960	76,960
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	242,689	-	242,689

**d. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

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

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

**e. Supplemental Retirement Income Plan for General Employees**

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

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

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

**f. Firefighters' and Rescue Squad Workers' Pension Fund**

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

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

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

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

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

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

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

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

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

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



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

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

**g. Other Postemployment Benefits**

**1. Postemployment Healthcare Benefits**

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

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

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

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

**Total OPEB Liability**

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

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

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

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

#### Schedule of Changes in Total OPEB Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

**Year ended June 30:**

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

**2. Postemployment Life Insurance Benefits**

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

**h. Other Employment Benefits**

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

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

### **3. Deferred Outflows and Inflows of Resources**

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

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

### **4. Risk Management**

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

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

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

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

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

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

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

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

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

## **5. Group Health Insurance**

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

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

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

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

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

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

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

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

## **7. Long-Term Obligations**

### **a. Installment Purchases**

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

\$ 1,681,524

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

2,849,348

\$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.	774,111
\$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.	37,798
\$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.	5,519,800
\$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.	517,763
\$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.	1,026,000
\$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.	120,000
	<u>\$ 12,526,344</u>



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

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

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

**b. Economic Development Grants**

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

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

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

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

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

## 8. Changes in Long-Term Liabilities

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

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

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

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

### C. Interfund Balances and Activity

#### 1. Interfund Balances

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

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

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

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

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

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

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

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

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

## 2. Interfund Transfers

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

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

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

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

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

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

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

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

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

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

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

**D. On-Behalf Payments for Fringe Benefits and Salaries**

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

**E. Net Investment in Capital Assets**

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

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

**F. Fund Balance**

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

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

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

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

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

### **3. Jointly Governed Organization**

#### North Carolina Municipal Power Agency Number 1

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

### **4. Joint Venture**

#### Lake Thom-A-Lex

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

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

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

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

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

## **Assets**

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

## **Net Position**

\$ 675,618

## **Revenues**

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

## **Expenditures**

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

Revenues over (under) expenditures		<u>(3,962)</u>
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## **Reconciliation from budgetary basis (modified accrual) to full accrual:**

Revenues over (under) expenditures	\$	<u>(3,962)</u>
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## **Reconciling items:**

Depreciation expense		<u>(42,040)</u>
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Change in net position		(46,002)
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## **Net position**

Beginning of year, July 1		<u>721,620</u>
End of year, June 30	\$	<u><u>675,618</u></u>

## **5. Related Organizations**

### **A. Lexington Housing Authority**

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

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

## 6. Summary Disclosure of Significant Contingencies

### Federal and State Assisted Programs

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

## 7. Discretely Presented Component Unit – Uptown Lexington

### Long-Term Debt

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

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

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

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

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

## 8. Significant Effects of Subsequent Events

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



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

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

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

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

#### **10. Change in Accounting Principle**

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

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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

**Exhibit A-1**

**Local Government Employees' Retirement System**

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

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

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

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

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

**Exhibit A-2**

**Local Government Employees' Retirement System**

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

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

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

**Exhibit A-3**

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

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

\*The amounts presented are for the prior year.

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

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

**Exhibit A-4**

**Law Enforcement Officers' Special Separation Allowance**

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

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

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



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

**Exhibit A-5**

**Law Enforcement Officers' Special Separation Allowance**

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

Notes to the schedules:

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

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

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

**Exhibit A-6**

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

**Notes to Schedule**

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

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

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



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**COMBINING AND INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

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## **MAJOR GOVERNMENTAL FUNDS**

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## **Major Governmental Funds**

### **General Fund**

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

A summary of revenues and expenditures is presented below:

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

### **EXPENDITURES BY FUNCTION**

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





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

**Exhibit B-1**

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

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes			
Taxes	\$	\$ 10,408,744	\$
Interest		95,682	
Total	<u>9,918,500</u>	<u>10,504,426</u>	<u>585,926</u>
Other taxes and licenses			
Occupancy tax		343,510	
Municipal vehicle tax		332,220	
Total	<u>807,500</u>	<u>675,730</u>	<u>(131,770)</u>
Unrestricted intergovernmental			
Federal Build America Bond interest credit		17,267	
Utilities sales tax		1,892,993	
Piped natural gas sales tax		149,463	
Telecommunications tax		131,288	
Video franchise tax		109,712	
Payments in lieu of taxes		1,654	
Beer and wine tax		78,060	
Local option sales tax		4,737,746	
ABC revenues		414,400	
Total	<u>7,301,440</u>	<u>7,532,583</u>	<u>231,143</u>
Restricted intergovernmental			
ABC recreation		88,800	
ABC law enforcement		29,564	
Solid waste disposal tax		13,734	
Powell Bill allocation		550,383	
On-behalf of payments - fire		24,250	
Public safety		14,236	
Disaster assistance		11,870	
Coronavirus Relief Fund		90,388	
NCMPA 1 lighting rebate		3,335	
Total	<u>695,040</u>	<u>826,560</u>	<u>131,520</u>
Permits and fees			
Inspection fees and permits		352,071	
Total	<u>201,600</u>	<u>352,071</u>	<u>150,471</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services			
Property rental	\$	\$ 4,201	\$
Court cost and parking fees		4,558	
Public safety charges		117,307	
Cemetery fees		66,850	
Mowing and debris removal fees		21,440	
Demolition fees		2,276	
Recreation fees		18,702	
Waste collection fees		1,553,558	
Other charges		93,069	
Total	<u>1,946,092</u>	<u>1,881,961</u>	<u>(64,131)</u>
Investment earnings	<u>203,730</u>	<u>180,947</u>	<u>(22,783)</u>
Miscellaneous			
Sale of materials		4,016	
Donations		62,725	
Other		10,438	
Total	<u>160,500</u>	<u>77,179</u>	<u>(83,321)</u>
Total revenues	<u>21,234,402</u>	<u>22,031,457</u>	<u>797,055</u>
<b>Expenditures</b>			
General government			
Governing board			
Salaries and employee benefits		99,095	
Operating expenses		48,269	
Cost redistribution		(122,017)	
Total governing board	<u>69,555</u>	<u>25,347</u>	<u>44,208</u>
City administration			
Salaries and employee benefits		446,830	
Operating expenses		43,502	
Cost redistribution		(387,433)	
City administration	<u>217,248</u>	<u>102,899</u>	<u>114,349</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, 2020**

	Budget	Actual	Variance Positive (Negative)
Administrative - other			
Retiree benefits	\$	\$ 446,132	\$
Operating expenses		685,589	
Administrative charges risk management fund		724,807	
Administrative charges utility administration fund		507,645	
Grants to other agencies		110,997	
Payment to Lexington Tourism Authority		333,204	
Cost redistribution		(222,279)	
Total administrative - other	<u>2,681,573</u>	<u>2,586,095</u>	<u>95,478</u>
Finance			
Salaries and employee benefits		733,161	
Operating expenses		32,232	
Cost redistribution		(403,436)	
Total finance	<u>400,305</u>	<u>361,957</u>	<u>38,348</u>
Legal			
Operating expenses		37,359	
Cost redistribution		(16,858)	
Total legal	<u>33,642</u>	<u>20,501</u>	<u>13,141</u>
Human resources			
Salaries and employee benefits		341,074	
Operating expenses		53,183	
Cost redistribution		(164,552)	
Total human resources	<u>270,066</u>	<u>229,705</u>	<u>40,361</u>
Information technologies			
Salaries and employee benefits		449,873	
Operating expenses		563,611	
Capital outlay		31,813	
Cost redistribution		(403,701)	
Total information technologies	<u>719,949</u>	<u>641,596</u>	<u>78,353</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public buildings			
Salaries and employee benefits	\$	\$ 269,767	\$
Operating expenses		125,969	
Cost redistribution		(103,659)	
Total public buildings	<u>367,768</u>	<u>292,077</u>	<u>75,691</u>
Total general government	<u>4,760,106</u>	<u>4,260,177</u>	<u>499,929</u>
Public safety			
Police			
Salaries and employee benefits		5,313,323	
Operating expenses		941,791	
Capital outlay		749,070	
Cost redistribution		(67,307)	
Total police	<u>7,221,548</u>	<u>6,936,877</u>	<u>284,671</u>
Fire			
Salaries and employee benefits		3,720,760	
Operating expenses		497,184	
Capital outlay		117,099	
Total fire	<u>5,207,949</u>	<u>4,335,043</u>	<u>872,906</u>
Business and community development			
Salaries and employee benefits		746,478	
Operating expenses		142,406	
Total business and community development	<u>975,035</u>	<u>888,884</u>	<u>86,151</u>
Total public safety	<u>13,404,532</u>	<u>12,160,804</u>	<u>1,243,728</u>
Highways and streets			
Public services administration			
Salaries and employee benefits		324,331	
Operating expenses		24,450	
Cost redistribution		(235,347)	
Total public services administration	<u>151,079</u>	<u>113,434</u>	<u>37,645</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Street			
Salaries and employee benefits	\$	\$ 767,868	\$
Operating expenses		903,706	
Capital outlay		22,437	
Cost redistribution		(172,733)	
Total street	<u>1,666,906</u>	<u>1,521,278</u>	<u>145,628</u>
Total highways and streets	<u>1,817,985</u>	<u>1,634,712</u>	<u>183,273</u>
Sanitation			
Recycling and waste collection services			
Salaries and employee benefits		700,738	
Operating expenses		833,317	
Tipping fees - landfill		354,966	
Capital outlay		1,629,410	
Total sanitation	<u>3,722,336</u>	<u>3,518,431</u>	<u>203,905</u>
Culture and recreation			
Spectator recreation			
Operating expenses		53,241	
Grants to other agencies		60,000	
Total spectator recreation	<u>279,745</u>	<u>113,241</u>	<u>166,504</u>
Parks and recreation			
Salaries and employee benefits		447,334	
Operating expenses		282,120	
Capital outlay		38,099	
Total parks and recreation	<u>1,095,728</u>	<u>767,553</u>	<u>328,175</u>
Public grounds			
Salaries and employee benefits		630,631	
Operating expenses		176,598	
Capital outlay		7,623	
Cost redistribution		(19,749)	
Total public grounds	<u>934,752</u>	<u>795,103</u>	<u>139,649</u>
Total culture and recreation	<u>2,310,225</u>	<u>1,675,897</u>	<u>634,328</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, 2020**

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



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## **NONMAJOR GOVERNMENTAL FUNDS**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

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

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

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

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

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

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

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

### **Capital Projects Fund**

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

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

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

**Exhibit C-1**

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

*Continued on next page.*

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

**Exhibit C-1**  
*Continued*

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

**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, 2020**

**Exhibit C-2**

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

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

**Exhibit C-3**

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

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

**Exhibit C-4**

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

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

**Exhibit C-5**

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



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

**Exhibit C-6**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Ad valorem taxes			
Taxes	\$	\$ 88,187	\$
Interest		840	
Total revenues	<u>101,900</u>	<u>89,027</u>	<u>(12,873)</u>
<b>Expenditures</b>			
Economic and physical development			
Payment to Uptown Lexington, Inc.		87,740	
Total expenditures	<u>101,900</u>	<u>87,740</u>	<u>14,160</u>
Revenues over (under) expenditures	<u>-</u>	<u>1,287</u>	<u>1,287</u>
Net change in fund balance	<u>\$ -</u>	1,287	<u>\$ 1,287</u>
Fund balance - beginning		<u>217</u>	
Fund balance - ending		<u>\$ 1,504</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, 2020**

**Exhibit C-7**

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
<b>Revenues</b>					
Neighborhood Stabilization Program Grant					
Restricted intergovernmental	\$ 2,100,000	\$ 2,100,000	\$ -	\$ 2,100,000	\$ -
Program income	283,552	283,551	-	283,551	(1)
Total revenues	<u>2,383,552</u>	<u>2,383,551</u>	<u>-</u>	<u>2,383,551</u>	<u>(1)</u>
<b>Expenditures</b>					
Economic and physical development					
Neighborhood Stabilization Program Grant	<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>
<b>Other financing sources</b>					
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, 2020**

**Exhibit C-8**

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

*Continued on next page.*

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

**Exhibit C-8**  
*continued*

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



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## **MAJOR ENTERPRISE FUNDS**

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## **MAJOR ENTERPRISE FUNDS**

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

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

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

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





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

**Exhibit D-1**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 27,151,839	\$
Commercial		15,552,067	
Industrial		2,495,816	
Area lights		894,773	
Street lighting		378,321	
Traffic lights		22,204	
Cable amplifiers		170,189	
Renewable Energy Portfolio Standards		273,184	
Disaster assistance		240	
Other operating		378,420	
Total operating revenues	<u>46,610,160</u>	<u>47,317,053</u>	<u>706,893</u>
Nonoperating revenues			
Investment earnings		212,298	
Working capital refund		7,505,400	
Total nonoperating revenues	<u>7,784,470</u>	<u>7,717,698</u>	<u>(66,772)</u>
Total revenues	<u>54,394,630</u>	<u>55,034,751</u>	<u>640,121</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, 2020**

**Exhibit D-1**  
*continued*

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b>			
Electric operations			
Salaries and employee benefits	\$	\$ 76,565	\$
Maintenance		2,362,138	
Cost of sales and services		5,855,813	
Purchases for resale		32,863,804	
Administrative charges general fund		720,663	
Administrative charges risk management fund		72,112	
Administrative charges utility administration fund		1,667,512	
Capital outlay		1,051,485	
Total electric operations	<u>45,742,868</u>	<u>44,670,092</u>	<u>1,072,776</u>
Debt service			
Principal retirement		632,392	
Interest and other charges		117,622	
Total debt service	<u>750,017</u>	<u>750,014</u>	<u>3</u>
Total expenditures	<u>46,492,885</u>	<u>45,420,106</u>	<u>1,072,779</u>
Revenues over expenditures	<u>7,901,745</u>	<u>9,614,645</u>	<u>1,712,900</u>
<b>Other financing sources (uses)</b>			
Transfers to other funds			
General Fund	(1,200,000)	(1,200,000)	-
General Fund (payment in lieu of taxes)	(231,106)	(231,106)	-
Electric Capital Reserve Fund	(6,000,000)	(6,000,000)	-
Electric Rate Stabilization Fund	(400,000)	(400,000)	-
Total other financing sources (uses)	<u>(7,831,106)</u>	<u>(7,831,106)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	70,639	1,783,539	1,712,900
Addition to reserve for working capital requirements	<u>(70,639)</u>	<u>-</u>	<u>70,639</u>
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,783,539</u>	<u>\$ 1,783,539</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, 2020**

**Exhibit D-1**  
*continued*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 1,783,539	
Reconciling items			
Principal retirement		632,392	
Capital outlay		1,051,485	
Depreciation		(1,329,794)	
Contracted labor and overhead charged to construction		512,458	
Materials charged to construction		343,399	
Gain (loss) on sale of property		(15,569)	
Increase (decrease) in inventory		(29,879)	
Provision for uncollectable accounts		(138,062)	
Change in accrued interest		2,563	
Increase (decrease) in deferred outflow of resources - OPEB		(33,047)	
(Increase) decrease in total OPEB liability		406,231	
(Increase) decrease in deferred inflows of resources - OPEB		(50,008)	
Items related to subfund - Electric Capital Reserve Fund			
Investment earnings		97,680	
Transfer from Electric Fund		6,000,000	
Items related to subfund - Electric Rate Stabilization Fund			
Investment earnings		13,246	
Transfer from Electric Fund		<u>400,000</u>	
Total reconciling items		<u>7,863,095</u>	
Change in net position		<u>\$ 9,646,634</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, 2020**

**Exhibit D-2**

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

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

**Exhibit D-3**

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

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

**Exhibit D-4**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Operating revenues			
Charges for sales and services - Water			
Residential	\$	\$ 2,473,557	\$
Commercial		1,213,736	
Industrial		1,052,608	
Other water charges		80,833	
Charges for sales and services - Wastewater			
Residential		3,113,081	
Commercial		1,992,033	
Industrial		409,266	
Other wastewater charges		70,831	
Other operating		375,112	
Total operating revenues	<u>10,871,148</u>	<u>10,781,057</u>	<u>(90,091)</u>
Nonoperating revenues			
Federal Build America Bond interest credit		5,453	
Investment earnings		83,935	
Total nonoperating revenues	<u>154,604</u>	<u>89,388</u>	<u>(65,216)</u>
Total revenues	<u>11,025,752</u>	<u>10,870,445</u>	<u>(155,307)</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, 2020**

**Exhibit D-4**  
*continued*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures</b>			
Water and wastewater operations			
Water and wastewater administration			
Salaries and employee benefits	\$	\$ 387,944	\$
Cost of sales and services		70,851	
Administrative charges general fund		949,308	
Administrative charges risk management fund		135,576	
Administrative charges utility administration fund		579,600	
Capital outlay		53,903	
Total water and wastewater administration	<u>2,218,068</u>	<u>2,177,182</u>	<u>40,886</u>
Water plant			
Salaries and employee benefits		817,150	
Maintenance		266,098	
Cost of sales and services		905,519	
Capital outlay		79,561	
Total water plant	<u>2,492,738</u>	<u>2,068,328</u>	<u>424,410</u>
Wastewater plant			
Salaries and employee benefits		1,125,013	
Maintenance		315,178	
Cost of sales and services		1,486,305	
Capital outlay		48,736	
Total wastewater plant	<u>3,594,356</u>	<u>2,975,232</u>	<u>619,124</u>
Water resources maintenance & construction			
Salaries and employee benefits		1,045,368	
Maintenance		279,968	
Cost of sales and services		1,314,983	
Capital outlay		231,480	
Total water resources maintenance & construction	<u>3,085,795</u>	<u>2,871,799</u>	<u>213,996</u>
Total water and wastewater operations	<u>11,390,957</u>	<u>10,092,541</u>	<u>1,298,416</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, 2020**

**Exhibit D-4**  
*continued*

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Debt service			
Principal retirement	\$	\$ 42,648	\$
Interest and other charges		16,583	
Total debt service	<u>59,232</u>	<u>59,231</u>	<u>1</u>
 Total expenditures	<u>11,450,189</u>	<u>10,151,772</u>	<u>1,298,417</u>
 Revenue over expenditures	<u>(424,437)</u>	<u>718,673</u>	<u>1,143,110</u>
 <b>Other financing sources (uses)</b>			
Transfers to other funds			
General Fund (payment in lieu of taxes)	(357,314)	(357,314)	-
Water and Wastewater Capital Reserve Fund	<u>(640,000)</u>	<u>(639,848)</u>	<u>152</u>
Total other financing sources (uses)	<u>(997,314)</u>	<u>(997,162)</u>	<u>152</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	(1,421,751)	(278,489)	1,143,262
 Appropriated net position	<u>1,421,751</u>	<u>-</u>	<u>(1,421,751)</u>
 Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(278,489)</u>	<u>\$ (278,489)</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, 2020**

**Exhibit D-4**  
*continued*

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

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

**Exhibit D-5**

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

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

**Exhibit D-6**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ -	\$ 49,384	\$ 49,384
Revenues over expenditures	<u>-</u>	<u>49,384</u>	<u>49,384</u>
<b>Other financing sources</b>			
Transfers from other funds			
Water and Wastewater Fund	<u>640,000</u>	<u>639,848</u>	<u>(152)</u>
Total other financing sources	<u>640,000</u>	<u>639,848</u>	<u>(152)</u>
Revenues and other financing sources over (under) expenditures	640,000	689,232	49,232
Addition to reserve for water and wastewater capital requirements	<u>(640,000)</u>	<u>-</u>	<u>640,000</u>
Revenues and other financing sources over (under) expenditures and addition to net position	<u>\$ -</u>	<u>\$ 689,232</u>	<u>\$ 689,232</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, 2020**

**Exhibit D-7**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 4,313,197	\$
Commercial		3,120,374	
Industrial		2,310,119	
Other operating		55,615	
Total operating revenues	<u>12,780,452</u>	<u>9,799,305</u>	<u>(2,981,147)</u>
Nonoperating revenues			
Federal Build America Bond interest credit		15,449	
Investment earnings		64,452	
Total nonoperating revenues	<u>128,605</u>	<u>79,901</u>	<u>(48,704)</u>
Total revenues	<u>12,909,057</u>	<u>9,879,206</u>	<u>(3,029,851)</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, 2020**

**Exhibit D-7**  
*continued*

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

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

**Exhibit D-7**  
*continued*

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ (1,596,781)	
Reconciling items:			
Principal retirement		120,835	
Capital outlay		939,612	
Depreciation		(654,821)	
Wages and overhead charged to construction		759,983	
Materials charged to construction		167,503	
Gain (loss) on sale of property		(6,350)	
Increase (decrease) in inventory		(9,077)	
Provision for uncollectable accounts		(13,584)	
Change in accrued interest		1,533	
(Increase) decrease in compensated absences payable		7,134	
Increase (decrease) in deferred outflow of resources - pensions		(39,574)	
(Increase) decrease in net pension liability		(33,095)	
(Increase) decrease in deferred inflows of resources - pensions		(7,371)	
Increase (decrease) in deferred outflow of resources - OPEB		(8,704)	
(Increase) decrease in total OPEB liability		125,147	
(Increase) decrease in deferred inflows of resources - OPEB		(51,696)	
Items related to subfund - Electric Capital Reserve Fund			
Investment earnings		24,392	
Items related to subfund - Electric Rate Stabilization Fund			
Investment earnings		<u>11,640</u>	
Total reconciling items		<u>1,333,507</u>	
Change in net position		<u>\$ (263,274)</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, 2020**

**Exhibit D-8**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues</b>			
Investment earnings	\$ -	\$ 24,392	\$ 24,392
Revenues over expenditures	-	24,392	24,392
Addition to reserve for natural gas capital requirements	-	-	-
Revenues over expenditures and addition to net position	<u>\$ -</u>	<u>\$ 24,392</u>	<u>\$ 24,392</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, 2020**

**Exhibit D-9**

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





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## **NONMAJOR ENTERPRISE FUNDS**

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## **NONMAJOR ENTERPRISE FUNDS**

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

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

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



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

**Exhibit E-1**

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

City of Lexington, North Carolina

Exhibit E-2

Nonmajor Enterprise Funds

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

For the fiscal year ended June 30, 2020

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

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

**Exhibit E-3**

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

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

**Exhibit E-3**  
*continued*

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



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

**Exhibit E-4**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Charges for sales and services	\$	\$ 5,000	\$
Other operating		7	
Total operating revenues	<u>-</u>	<u>5,007</u>	<u>5,007</u>
Nonoperating revenues			
Investment earnings		1,104	
Total nonoperating revenues	<u>-</u>	<u>1,104</u>	<u>1,104</u>
Total revenues	<u>-</u>	<u>6,111</u>	<u>6,111</u>
<b>Expenditures</b>			
Stormwater operations			
Cost of sales and services		50,162	
Total stormwater operations	<u>90,495</u>	<u>50,162</u>	<u>40,333</u>
Total expenditures	<u>90,495</u>	<u>50,162</u>	<u>40,333</u>
Revenues over expenditures	<u>(90,495)</u>	<u>(44,051)</u>	<u>46,444</u>
<b>Other financing sources</b>			
Transfers from other funds			
General Fund	<u>90,495</u>	<u>90,495</u>	<u>-</u>
Total other financing sources	<u>90,495</u>	<u>90,495</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	46,444	<u>\$ 46,444</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>			
Reconciling items		<u>-</u>	
Change in net position		<u>\$ 46,444</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, 2020**

**Exhibit E-5**

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

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

**Exhibit E-5**  
*continued*

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

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## **INTERNAL SERVICE FUNDS**

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## **INTERNAL SERVICE FUNDS**

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

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

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

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

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





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

**Exhibit F-1**

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

*Continued on next page.*

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

**Exhibit F-1**  
*continued*

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

## City of Lexington, North Carolina

## Exhibit F-2

## Internal Service Funds

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

For the fiscal year ended June 30, 2020

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

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

**Exhibit F-3**

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

*Continued on next page.*

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

**Exhibit F-3**  
*continued*

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

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

**Exhibit F-4**

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

*Continued on next page.*

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

**Exhibit F-4**  
*continued*

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

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

**Exhibit F-5**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Investment earnings	\$ -	\$ 15,003	\$ 15,003
Revenues over (under) expenditures	<u>-</u>	<u>15,003</u>	<u>15,003</u>
<b>Other financing sources (uses)</b>			
Transfers from other funds			
Fleet Management Fund	567,021	567,021	-
Transfers to other funds			
Fleet Management Fund	<u>(850,181)</u>	<u>(806,643)</u>	<u>43,538</u>
Total other financing sources (uses)	<u>(283,160)</u>	<u>(239,622)</u>	<u>43,538</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(283,160)	(224,619)	58,541
Net position appropriated	<u>283,160</u>	<u>-</u>	<u>(283,160)</u>
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	<u>\$ -</u>	<u>\$ (224,619)</u>	<u>\$ (224,619)</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, 2020**

**Exhibit F-6**

	Financial Plan	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Operating revenues			
Premium charges to departments	\$	\$ 4,441,314	\$
Premium charges to employees/retirees		949,856	
Premium charges for COBRA		2,512	
Other operating		134,914	
Total operating revenues	<u>6,841,639</u>	<u>5,528,596</u>	<u>(1,313,043)</u>
Nonoperating revenues			
Investment earnings		128,099	
Total nonoperating revenues	<u>122,440</u>	<u>128,099</u>	<u>5,659</u>
Total revenues	<u>6,964,079</u>	<u>5,656,695</u>	<u>(1,307,384)</u>
<b>Expenditures</b>			
Salaries and employee benefits		63,436	
Administration		286,054	
Premiums		712,746	
Claims		3,283,849	
Total expenditures	<u>6,964,079</u>	<u>4,346,085</u>	<u>2,617,994</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>1,310,610</u>	<u>\$ 1,310,610</u>
<b>Reconciliation from financial plan basis (modified accrual) to full accrual</b>			
Reconciling items			
(Increase) decrease in compensated absences payable		(1,550)	
Increase (decrease) in deferred outflows of resources - pensions		(966)	
(Increase) decrease in net pension liability		(2,620)	
(Increase) decrease in deferred inflows of resources - pensions		(362)	
Increase (decrease) in deferred outflows of resources - OPEB		(1,310)	
(Increase) decrease in total OPEB liability		14,720	
(Increase) decrease in deferred inflows of resources - OPEB		956	
Total reconciling items		<u>8,868</u>	
Change in net position		<u>\$ 1,319,478</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, 2020**

**Exhibit F-7**

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

*Continued on next page.*

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

**Exhibit F-7**  
*continued*

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

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

**Exhibit F-8**

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

*Continued on next page.*

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

**Exhibit F-8**  
*continued*

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

*Continued on next page.*

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

**Exhibit F-8**  
*continued*

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

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

**Exhibit F-9**

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

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## **SUPPLEMENTAL FINANCIAL DATA**

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## **SUPPLEMENTAL FINANCIAL DATA**

This section includes additional information on property taxes.

*Schedule of Ad Valorem Taxes Receivable – General Fund*

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



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

**Exhibit G-1**

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

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

**Exhibit G-2**

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 1,613,229,656	\$ 0.650	\$ 10,486,012	\$ 9,698,916	\$ 787,096
Penalties	-		15,088	15,088	-
Total	<u>1,613,229,656</u>		<u>10,501,100</u>	<u>9,714,004</u>	<u>787,096</u>
Discoveries					
Current year taxes	1,314,660	0.650	8,545	8,545	-
Penalties	-		104	104	-
Total	<u>1,314,660</u>		<u>8,649</u>	<u>8,649</u>	<u>-</u>
Abatements	<u>(67,252)</u>		<u>(437)</u>	<u>(437)</u>	<u>-</u>
Total property valuation	<u><u>\$ 1,614,477,064</u></u>				
Net levy			10,509,312	9,722,216	787,096
Uncollected taxes at June 30			<u>(308,721)</u>	<u>(308,721)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 10,200,591</u>	<u>\$ 9,413,495</u>	<u>\$ 787,096</u>
Current levy collection percentage			<u>97.06%</u>	<u>96.82%</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, 2020**

**Exhibit G-2**  
*continued*

Secondary Market Disclosures

Assessed Valuation

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

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

Municipal Service District	\$ 90,246
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<sup>1</sup>Percentage of appraised value has been established by statute.

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

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







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## **NONMAJOR COMPONENT UNIT FINANCIAL DATA**

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### **NONMAJOR COMPONENT UNIT FINANCIAL DATA**

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

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

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

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



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

**Exhibit H-1**

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

**City of Lexington, North Carolina**  
**Nonmajor Component Units**

**Exhibit H-2**

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

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

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

**Exhibit H-3**

**Assets**

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

**Liabilities**

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

**Fund balance**

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

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

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

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

Net position reported on the combining statement of net position (Exhibit H-1)	<u>\$ 121,446</u>
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**Uptown Lexington, Inc.**  
**(A component unit of the City of Lexington, North Carolina)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the fiscal year ended June 30, 2020**

**Exhibit H-4**

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



# **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.

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

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

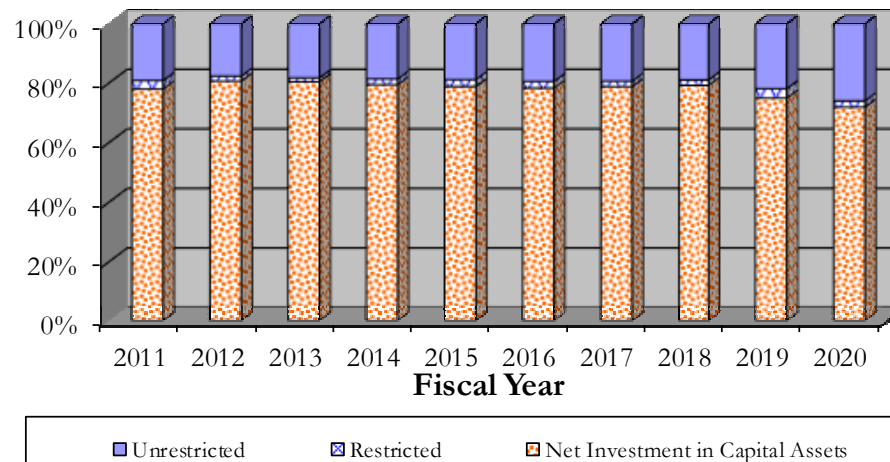


**City of Lexington, North Carolina**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

**Table 1**

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

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

*Continued on next page.*

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

**Table 2**  
*continued*

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

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

**Table 3**

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



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

**Table 4**

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

*Continued on next page.*

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

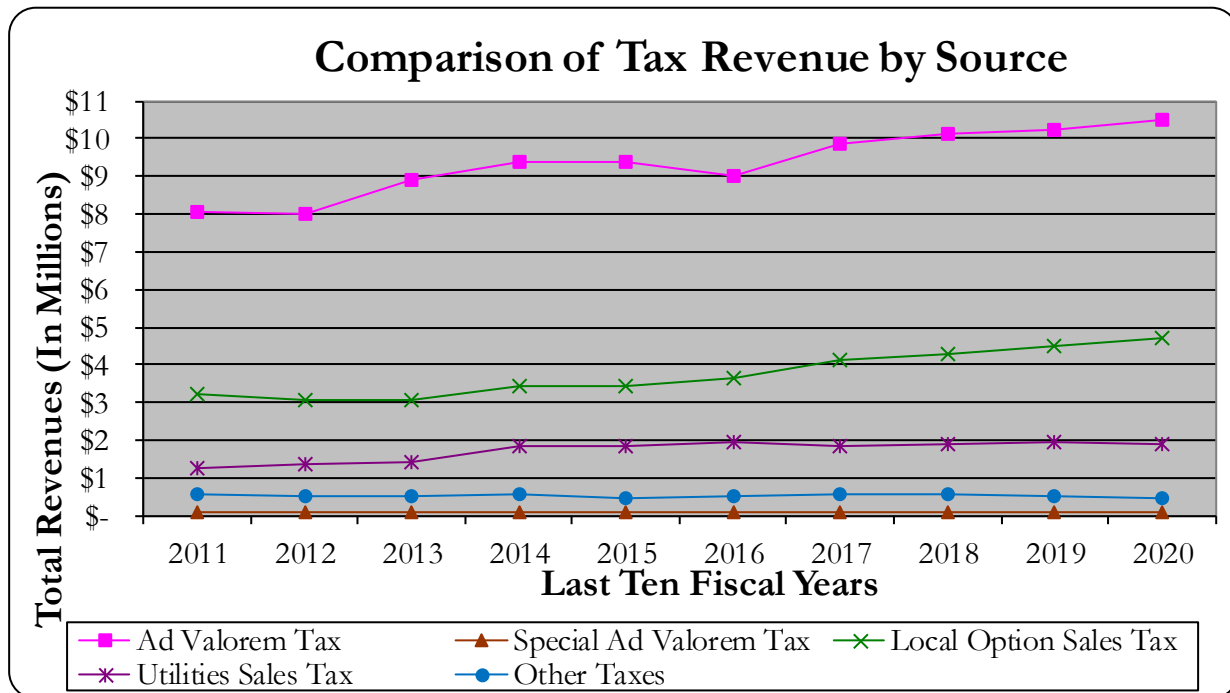
**Table 4**  
*continued*

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

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

**Table 5**

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



**Notes:**

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

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

**Table 6**

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

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

**Table 7**

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

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

**Table 8**

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

**City of Lexington, North Carolina**  
**Assessed Value and Estimated Actual Value of Taxable Property<sup>1</sup>**  
**Last Ten Fiscal Years**

**Table 9**

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

Sources:

Davidson County Tax Department  
NC Department of Revenue

Notes:

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

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

**Table 10**

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

Source:

Davidson County tax information provided by Davidson County Tax Department.

Note:

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



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

**Table 11**

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

Source:

Davidson County Tax Department

Note:

(1) Formerly Kimberly Clark Corp

(2) Formerly NewBridge Bank

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

**Table 12**

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

Source:

Davidson County Tax Department

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

**Table 13**

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

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

**Table 13a**

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

**Notes:**

(1) Includes Area Lights

(2) Renewable Energy Portfolio Standards

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

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

**Table 13b**

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

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

**Table 13c**

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

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

**Table 13d**

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

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

**Table 14**

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

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

**Table 15**

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

Notes:

(1) Formerly PPG Industries

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

**Table 16**

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

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

**Table 17**

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

Notes:

(1) Formerly PPG Industries

(2) Transport only customer

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

**Table 18**

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

Notes:

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

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



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

**Table 19**

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

Notes:

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

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

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

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

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

**Table 20**

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

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

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

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

**Table 21**

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

***Legal Debt Margin Calculation for Fiscal Year 2019***

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

**Note:**

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

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

**Table 22**

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

**Notes:**

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

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

(2) Operating expenses exclude depreciation.

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

**Table 23**

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

Notes:

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

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

(2) Operating expenses exclude depreciation.

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

**Table 24**

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

**Notes:**

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

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

(2) Operating expenses exclude depreciation.

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

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

**Table 25**

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

Sources:

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

Notes:

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

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

**Table 26**

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

Source:

NC Department of Commerce Labor & Economic Analysis Division



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

**Table 27**

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

Source:

City of Lexington Budget Office

Note:

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

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

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

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

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

**Table 28**

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

*Continued on next page.*

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

**Table 28**  
*continued*

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

Source:  
Various city departments

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

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

**Table 29**

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

Source:

Various city departments and city capital asset records.

Note:

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

# **COMPLIANCE SECTION**



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

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

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

### **Independent Auditor's Report**

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

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

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Lexington's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

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



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

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

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

### **Independent Auditor's Report**

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

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

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

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

### **Opinion on Each Major State Program**

In our opinion, the City of Lexington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

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

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

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

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

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

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

**City of Lexington, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2020**

**Exhibit I-1**

**Part 1. Findings and Questioned Costs**

**Section I. Summary of Auditors' Results**

**Financial Statements**

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes      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

**City of Lexington, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2020**

**Exhibit I-2**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grantor's Number</b>	<b>Federal (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>	<b>Pass-through to Subrecipients</b>	<b>Local Expenditures</b>
<b>Federal Grants</b>						
<b>Cash Programs</b>						
<i>U.S. Department of Housing and Urban Development</i>						
Passed-through N.C. Department of Commerce						
CDBG - State's Program and Non-Entitlement Grants in Hawaii						
Community Development Block Program/Economic Development	14.228	16-E-2932	\$ 200,561	\$ -	\$ -	\$ 200,561
<i>U.S. Department of Justice</i>						
Direct Programs						
Bulletproof Vest Partnership Program	16.607	2018BUBX18092430	6,641	-	-	6,641
Federal Equitable Sharing Program	16.922	NC0290100	63,443	-	-	-
Passed-through N.C. Department of Public Safety						
Violence Against Women Formula Grants Program	16.588	2018-WF-AX-0026	12,678	-	-	-
Violence Against Women Formula Grants Program	16.588	2019-WF-AX-0021	61,902	-	-	30,885
<i>U.S. Department of Treasury</i>						
Direct Programs						
Federal Equitable Sharing Program	21.016	NC0290100	21,012	-	-	-
Passed-through N.C. Office of State Budget and Management						
Passed-through Davidson County						
COVID 19 - Coronavirus Relief Fund	21.019	02-29-02	90,388	-	-	-
<i>U.S. Department of Homeland Security</i>						
Passed-through N.C. Department of Public Safety						
Disaster Grants - Public Assistance (Presidentially Declared Diasters)	97.036	FEMA-4393-DR-NC	7,088	-	-	-
Disaster Grants - Public Assistance (Presidentially Declared Diasters)	97.036	FEMA-4412-DR-NC	7,784	60	-	-
Total assistance - federal programs			<u>471,497</u>	<u>60</u>	<u>-</u>	<u>238,087</u>

*Continued on next page.*

**City of Lexington, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2020**

**Exhibit I-2**  
*continued*

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grantor's Number</b>	<b>Federal (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>	<b>Pass-through to Subrecipients</b>	<b>Local Expenditures</b>
<b>State Grants</b>						
<b>Cash Programs</b>						
<i>N.C. Department of Transportation</i>						
Direct Program						
Powell Bill, DOT-4		32570	\$ -	\$ 699,447	\$ -	\$ -
<i>N.C. Department of Revenue</i>						
Direct Program						
Unauthorized Substance Tax			-	45,634	-	-
Total assistance - state programs			-	745,081	-	-
Total assistance			\$ 471,497	\$ 745,141	\$ -	\$ 238,087

**Notes to the Schedule of Expenditures of Federal and State Awards**

- Basis of Presentation  
The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Lexington under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Lexington, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Lexington.
- 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.
- Indirect Cost Rate  
City of Lexington has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- Coronavirus Relief Funds  
Lexington received \$90,388 of funding from the Coronavirus Relief Fund (21.019) from Davidson County. Lexington has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 30, 2020.

