

ANNUAL COMPREHENSIVE FINANCIAL REPORT



**FISCAL YEAR ENDED
June 30, 2024**

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City of Lexington

Fiscal Year Ended June 30, 2024



**City Council
Jason Hayes, Mayor**

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

**Tommy Black
Becky Klass
Garrett Holloway
Matt Welborn**

**City Manager
Johnnie F. Taylor**

**Interim Finance Director
Kathy M. Whitman**



**City of Lexington, North Carolina
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2024**

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INTRODUCTORY SECTION





LEXINGTON
NORTH CAROLINA

FINANCE DEPARTMENT
INTEGRITY FIRST

November 22, 2024

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

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the City of Lexington, North Carolina for your review and use. This report was prepared by the City's Finance Department, and it is the comprehensive publication of the City's financial position and results of operations as of and for the fiscal year ended June 30, 2024. 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, 2024.

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

As noted earlier, the City is required by state law to have an annual independent financial audit. Compliance audits on federal and state financial assistance may also be required under applicable sections of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Martin Starnes & Associates, CPAs, P.A., conducted the audits and concluded in an unmodified ("clean") opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the City of Lexington, North Carolina, as of June 30, 2024. The independent auditor's report on the basic financial statements is presented as the first component of the financial section of this report. The auditors' compliance reports are included in the compliance section of this report.

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

Profile of the Government

The City of Lexington, North Carolina, was settled in the industrial region of North Carolina known as the "Piedmont Triad Area" in 1775. Lexington incorporated in 1828 under North Carolina General Statutes and became the county seat of Davidson County in 1847. Lexington's land area is 18.8 square miles with a population of 19,632 (US Census Bureau, 2020). In response to densities recorded in the 2010 Census, Lexington is now included within the Winston-Salem urbanized area.

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

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

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

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

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

Local Economy

The City of Lexington has recently emerged as one of the major centers comprising the Piedmont Triad region. It functions on multiple levels, serving as a quaint urban housing market for Winston-Salem and Greensboro, while also standing independently with a strong tourism industry and a growing manufacturing base. Major employers include new manufacturers, warehousing and distribution, retail and service businesses, schools, government, and hospital and medical facilities. Recent quality of life initiatives and overall growth are demonstrated by a recent surge in new market rate apartments, as well as new multi-family and single-family housing units. New growth from Charlotte north along the I-85 corridor is now reaching Lexington as well.

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

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

After years of stagnant economic growth, the City is experiencing new development and healthy redevelopment. In 2018, there was \$21.4 million in commercial and residential development. In 2019 there was \$56.7 million. In 2020 investment dropped to \$24.7 million as a result of temporary halts due to COVID-19 closing impacts. The 2021, construction values rebounded to \$48.8 million and leveled off in 2022 with \$33.8 million. Most recently, a few approved projects have experienced delays due to supply chain issues and inflation. Unemployment for the area is in step with state and national trends. The current unemployment rate for the county is 4.4, compared to 4.9 for the region, 4.3% in North Carolina and 3.9% nationally. (NC Department of Commerce, Labor and Economic Analytics) The current growth is expected to continue as a result of ongoing initiatives such as: industrial development; investing in redevelopment of the Depot District; tourism; progressive leadership; marketing ample infrastructure and an ideal location for logistics; business development assistance and recruitment efforts by the City and its partners; a future passenger rail service; former manufacturing building space appropriate for redevelopment; and a flexible workforce with translatable skills in furniture, assembly, and textiles. Confidence in growth is demonstrated by the number of applications submitted for new commercial and residential development. This continued growth will be necessary to overcome poverty rates that have slightly improved but remain comparatively high in Lexington.

Improvements in poverty rates typically lag development as it takes time for wealth to reach all residents and recovery is accomplished over time through debt reduction, savings, security levels necessary for investment, access to transportation, education, jobs, and health care, as well as time to build savings.

Therefore, exponential development and growth will only slowly be reflected in improved poverty rates. What is critical is that the poverty rates continue to improve. Based on recent development and job growth outlined herein, the economic position of the citizenry demonstrated improvement in the 2020 Census, down 2% from the previous Census. Nevertheless, 21% of Lexington is living in poverty. This compares to 12.3% of Davidson County, 13.3% in North Carolina, and 12.6% in the US. Per capita income in Lexington is \$21,934, compared to \$31,596 in Davidson County, \$38,701 in North Carolina, and \$41,804 in the US. Further, Median Household Income is \$36,868 in Lexington, compared with \$63,741 in Davidson County, \$67,481 in North Carolina, and \$74,755 in the US. Therefore, new job investment and growth will continue to be critical to this community. (censusreporter.org)

The vibrant Lexington community is swiftly establishing itself as a prominent nucleus for employment opportunities in the heart of the Piedmont Triad Region. Strategically positioned at a central nexus, the subject site enjoys the advantage of being just a mere 15-minute drive away from numerous significant employment hubs. A testament to its rising stature, the City of Lexington has garnered attention by securing the prestigious selection from [Siemens Mobility](#) to house an international train manufacturing facility. This landmark decision not only underscores the city's prowess but also promises a boost to the local economy and job market. Adding to its momentum, the City has further expanded its horizons by annexing an expansive 768-acre tract of land that is currently undergoing intensive development for industrial purposes, spearheaded by the acclaimed [Samet Construction](#). The City will partner with Samet Corporation to leverage resources for development of this property as the NC I-85 Center whereby Samet Corporation will own and develop the industrial park with industrial recruitment and infrastructure support from the City. This progressive step is set to enhance the city's industrial landscape and provide a fertile ground for economic growth. Within the vicinity, two prominent industrial players are shaping the employment landscape. [Egger Wood Products](#) and the current construction of [Nucor](#) not only stand as industrial powerhouses but also represent a wellspring of job opportunities, collectively contributing to the generation of hundreds of jobs. In essence, the Lexington community is not merely evolving; it is emerging as a dynamic force within the region, fostering economic advancement, job proliferation, and a future brimming with potential. Outside of the forementioned, many of the City's vacant industrial buildings have been filled by new industrial users of various scales in recent years.

Halyard North Carolina (formerly Kimberly-Clark Health Care), a global healthcare products company, continues to be the City's largest taxpayer, with 5.95% of the City's assessed valuation. Moran Foods, Wal-Mart, Masterbrand Cabinets, and Vitacost.com round out the top five at 1.33%, 1.15%, 0.94%, and 0.72%, respectively, of the assessed valuation. (Please refer to Table 13 for the Schedule of Principal Property Taxpayers in the Statistical Section for a complete list.)

New job creation and retention is a driving force in the local housing shortage and the resulting upswing in dense urban residential construction. An influx of new residents will, in turn, bolster the community's ability to attract commercial and industrial development, grow the tax base, and therefore increase investment in quality-of-life initiatives. In addition, improvements to the school system and the new living options have improved the desirability of owning a home within the City. The City's holistic approach to community improvement should result in value-added economic development. While industrial development will provide a tremendous boost to the local economy, leadership's commitment to diversification through multi-faceted initiatives remains at the forefront for long-term stability. In an effort to attract new industry, the City partners with the County to offer economic development incentive grants. As part of Winston-Salem's metropolitan statistical area and located at the convergence of Charlotte and Greensboro growth, Lexington remains a serious contender for industrial location along the I-85 corridor with ample access to rail via Norfolk Southern Rail Service.

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

impact of visitor spending to Davidson County in 2019 was \$185.4 million, a 5.3 % increase from 2018. COVID-19 resulted in a substantial halt to tourism, with economic impact falling to \$147 million in 2020, but rebounding to \$215.67 million in 2021. Tourism growth is expected to return to a steady annual increase. Attractions include historic Uptown Lexington, the Depot District and Breeden Insurance Amphitheater, the Richard Childress Winery, the Lexington Skate Park, the Richard Childress Racing Museum, the Bob Timberlake Gallery, the annual Barbecue Festival, the annual Lexington Music Festival, several local wineries and venues, events at the nearby Denton Farm Park, the Bass Masters Tournament at High Rock Lake, and many more. COVID-19 and fluctuating spikes in cases have directly impacted tourism to the area. Although 2020 results have yet to be released, the cancellation of events, decrease in serving capacity for restaurants and limited business openings, economic numbers since March 2020 are anticipated to be considerably less than 2019. Predictors indicate that travel will increase as vaccinations increase.

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

Uptown Lexington, Inc. (ULI) manages the historic uptown with added financial support from a municipal service tax district. The organization is a member of North Carolina's Main Street Program, having won numerous awards over the years and earned a reputation as one of the top redevelopment programs in the state. ULI promotes historic preservation through façade grants, attracts patrons to the Uptown with special events and promotions, and facilitates new businesses. The tax value within the district totaled approximately \$44.2 million in 2023.

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

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

Long-Term Financial Planning and Major Initiatives

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

A complete and accurate Census count was critical to ensuring the City received its fair share of revenue, as well as attracting new commercial and industrial investment. Although it is widely believed that most communities were severely underreported due to COVID19, tremendous local efforts resulted in a reported increase of 701 citizens, a 3.7% growth rate since 2010. This growth rate will secure positive increases in revenue over the next 10 years as the Census Bureau 2022 estimates reflect growth.

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

Finally, the City workforce is of utmost importance with strategic value choices made to support public servants in the delivery of services; especially as the organization continues to combat employee wages below market, hiring and retention challenges, while attempting to boost flexibility to appeal to multiple generations in the workplace. Newly appointed City Manager Johnnie Taylor is committed supporting staff levels and developing the structure necessary to meet expectations of the community.

In August 2013, the City of Lexington completed a Parks and Recreation Facility Development Master Plan. Recognizing the importance of parks and recreation to quality of life for the citizens of Lexington, this plan provides a ten year vision (2013-2022) for improvements to the City's facilities and parks and can be found in its entirety through the City's website at www.LexingtonNC.gov. At the 2014 annual City Council Retreat, the City Manager introduced the "Re-creation of Recreation" master plan as a vision to restore recreational facilities and enrich the community's recreational opportunities, addressing the City Council goal to "*expand recreational opportunities for citizens.*" This vision was incorporated into the budget planning process. In August 2014, the City acquired a facility with intentions of developing it into an indoor recreation facility during the next three to five years. Reconstruction and renovation of Hillside Pool and pool house, a community pool, began in the fall of 2014 and concluded in the spring of 2015 with the opening of Lexington Aquatics Park. Washington Park improvements followed with completion of a water splash pad in 2017. Improvements to Holt-Moffitt Baseball Park were also completed in 2017. In 2019, the City celebrated the opening of a Skate/BMX Park professionally designed by Team Pain and acclaimed to be the best in several states. A new playground featuring wheelchair accessible amenities such as an inclusive whirl and artificial turf safety surfacing opened at Finch Park in May 2021. In partnership with Tourism-Recreation Investment Partnership for Davidson County, a 4.5 mile Mountain Bike Trail, The Ridge Cycle Hub, was constructed and opened for public use in May 2021, which has proven to be a substantial draw for recreation-based tourism. Currently, the City is progressing plans to develop a youth recreation facility to round out recreation initiatives identified in the original plan.

With tremendous support from Congressman Ted Budd and Senator Thom Tillis, the City was awarded a \$25 million federal grant to construct a passenger rail / multimodal transportation station with nearby roadway improvements. The State of North Carolina will be contributing an additional \$10.5 million to the project. Increasingly, North Carolinians are utilizing mass transit, not only for long range travel but as part of their daily commute. The [Raleigh-Charlotte passenger rail](#) line is a new "economic corridor," and communities connected along this route are flourishing. In 1975, Lexington's passenger rail stop was

removed, the station was demolished, and the City was cut off from the passenger rail "interstate." In 2003, Lexington began the long and arduous process of re-establishing this service. Although the cost of the project has increased from \$41 to \$57 million due to inflation, supply chain issues, and increasing cost of construction, the investment will return long term benefits to the residents of this greater community. The project is scheduled to be complete in 2028.

In 2006, Lexington Furniture Industries (LFI) closed Plant 1, an 18-acre/1 million square-foot furniture manufacturing complex, which was adjacent to both the Uptown and the site identified for the future passenger rail station. The City took a significant step to control its own economic future by purchasing the property for \$1,000,000 and branded it and the surrounding area as "The Depot District." All buildings within the campus have been sold or leased, and the district is being redevelopment in accordance with the community's vision for a mixed-use, transit-oriented destination with an emphasis on community life and events, entertainment, retail, restaurants, innovation jobs, urban housing options, and community events. One building was recently re-obtained by the City and is the subject of a request for proposals with selection of a developer expected within the next couple of months. The Depot District is an emerging activity center, situated adjacent to the historic Uptown. Rich with historical significance in furniture manufacturing, this district has become a focal point for redevelopment initiatives, with ongoing projects that emphasize community-oriented spaces and commercial ventures. The City of Lexington has committed significant resources to revitalize the Depot District, making it a priority for sustainable growth and community enhancement. The area presents an exceptional canvas for developers to create a landmark project that complements the existing amenities while contributing to the overall vitality of the community. Key features and attractions within the Depot District include:

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

Comprehensive long range financial planning is essential to maintaining the sound fiscal integrity of the City's financial position in an ever-changing environment while addressing economic development opportunities, capital infrastructure needs, and personnel costs. Decisions in these areas affect the City's fiscal condition. The City's five-year capital planning process is used to help identify and plan for the resources necessary for equipment replacement and major capital improvements. The analysis provided by

the capital planning process and the prudent use of debt are used to help the City forge strategies to maintain the goal of a strong financial condition, while simultaneously ensuring professional service delivery. The City is committed to updating the five-year capital plans every year in concert with the annual budget development. The business plans for the City's three major utilities were completely evaluated and updated in fiscal year 2014-15. The plans identify and recommend ways to effectively deal with areas of uncertainty, reliability of utility infrastructure, and increased risks due to adverse changes in the local economy. These plans are periodically adjusted to aid in long range scenario financial planning for the utilities, which represent over 67% of the annual operating budget. The City uses these plans along with the five-year capital planning process to adjust to various pressures facing each of the utilities in future years.

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

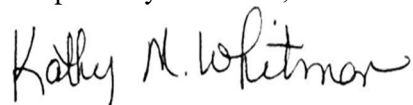
Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Lexington for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2023. This was the thirty-second consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Kathy M. Whitman
Interim Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lexington
North Carolina**

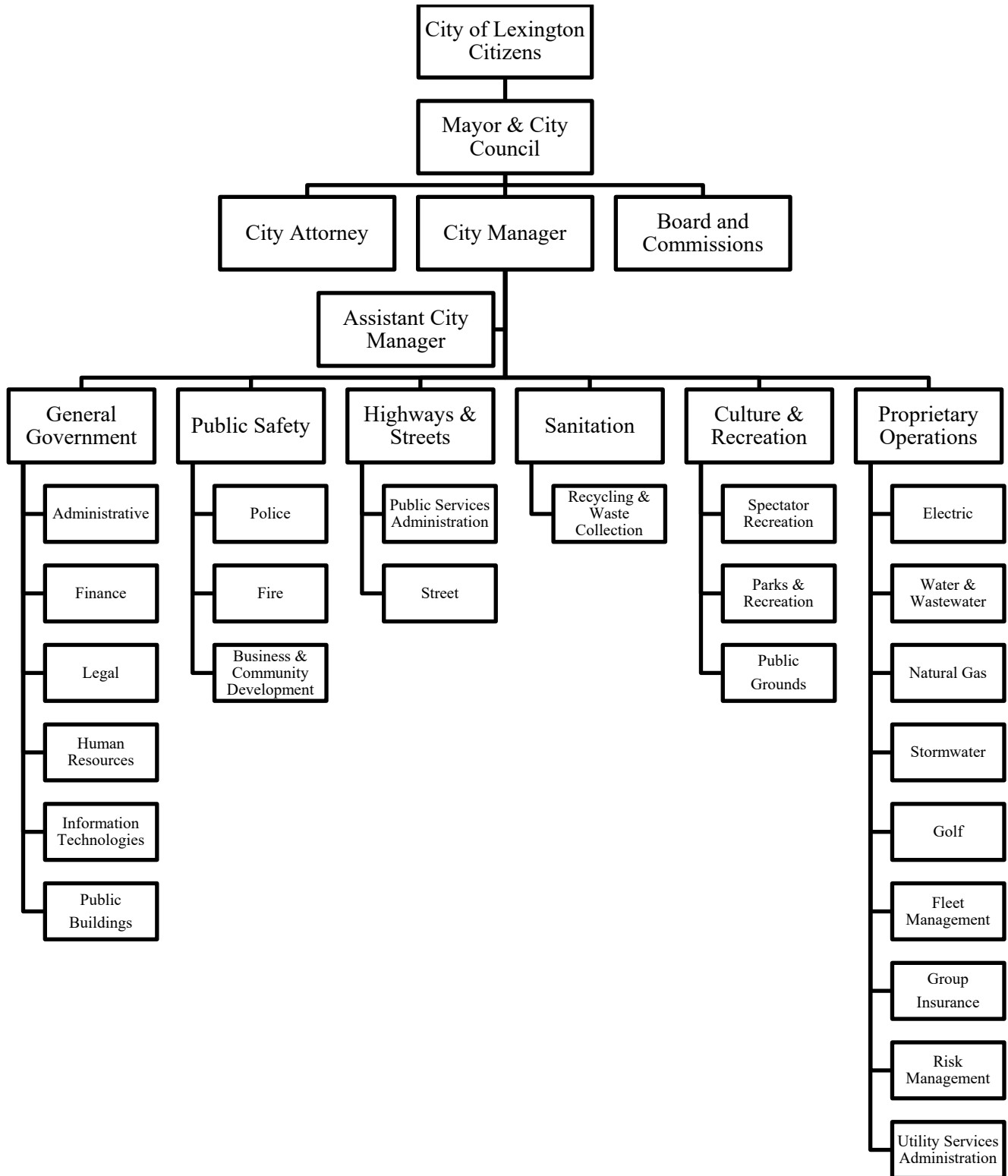
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

City of Lexington, North Carolina Organizational Chart



FINANCIAL SECTION



MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Lexington ABC Board, which represents 62%, 57% and 47%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2024. We did not audit the financial statements of Front Street-Lexington, LLC, which represents 5%, 6%, and 48% of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2024. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Lexington ABC Board and Front Street-Lexington, LLC, is based solely on the reports of the other auditors.

Basis for Opinions

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lexington's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, component unit statements and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit and the reports of the other auditors, the combining and individual fund financial statements, budgetary schedules, other schedules, component unit statements, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024 on our consideration of the City of Lexington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lexington's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lexington's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2024

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, 2024. 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

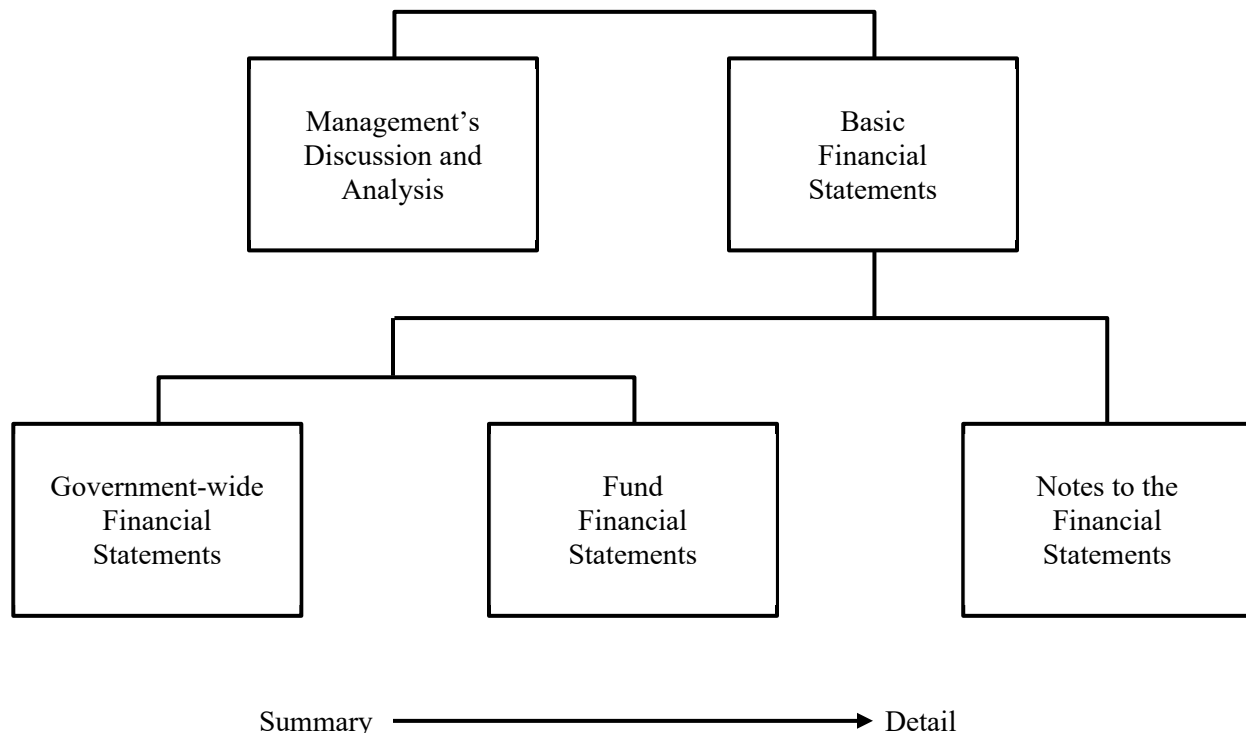
- The assets and deferred outflows of resources of the City of Lexington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$226,085,145 (*net position*).
- The government's total net position increased by \$7,872,769, primarily due to a \$5,000,000 capital contribution from Davidson County for an allocation of wastewater capacity, as well as increases in unrestricted intergovernmental revenues such as sales taxes, increases in investment earnings, budgetary savings in personnel and other operating expenses, and overall operating profitability of the City's utilities, which include Electric, Water and Wastewater, and Natural Gas.
- As of the close of the current fiscal year, the City of Lexington's governmental funds reported combined ending fund balances of \$23,295,940, which is an decrease of \$70,400 in comparison with the prior year. Approximately 21.4% of this total amount, or \$4,994,467, is non spendable or restricted. The decrease is primarily driven by administrative charges to the risk management and utility administration funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,309,504, or 27.7% 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 \$24,905,778 which decreased by \$3,148,444 (12.6%) during the current fiscal year. This includes lease liabilities totaling \$94,586 and subscription liabilities of \$127,699. Other factors in the overall change include the payment of scheduled principal payments.
- The City of Lexington continues to maintain its Aa3 bond rating by Moody's, which has been in place since May 2016. In addition, the City continues to maintain its AA- bond rating by Standard and Poor's, which has been in place since June 2010.
- For 32 consecutive years, the City of Lexington has received a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) presented by the Government Finance Officers Association of the United States and Canada.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Lexington's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements beginning on page 99 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Lexington's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 38,989,292	\$ 37,972,356	\$ 93,972,561	\$ 96,552,865	\$ 132,961,853	\$ 134,525,221
Capital assets	31,816,346	35,279,585	125,644,927	114,283,284	157,461,273	149,562,869
Total assets	<u>70,805,638</u>	<u>73,251,941</u>	<u>219,617,488</u>	<u>210,836,149</u>	<u>290,423,126</u>	<u>284,088,090</u>
Deferred outflows of resources	9,054,462	8,796,817	4,234,933	4,096,998	13,289,395	12,893,815
Current liabilities	2,238,694	2,042,383	7,058,589	7,746,588	9,297,283	9,788,971
Long-term liabilities outstanding	30,859,960	31,343,575	31,578,014	33,124,440	62,437,974	64,468,015
Total liabilities	<u>33,098,654</u>	<u>33,385,958</u>	<u>38,636,603</u>	<u>40,871,028</u>	<u>71,735,257</u>	<u>74,256,986</u>
Deferred inflows of resources	4,189,451	3,161,821	1,702,668	1,350,722	5,892,119	4,512,543
Net position						
Net investment in capital assets	27,523,548	29,870,284	105,715,145	102,040,289	133,238,693	131,910,573
Restricted	4,947,242	6,542,298	-	-	4,947,242	6,542,298
Unrestricted	10,101,205	9,088,397	77,798,005	70,671,108	87,899,210	79,759,505
Total net position	<u>\$ 42,571,995</u>	<u>\$ 45,500,979</u>	<u>\$ 183,513,150</u>	<u>\$ 172,711,397</u>	<u>\$ 226,085,145</u>	<u>\$ 218,212,376</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Lexington exceeded liabilities and deferred inflows by \$226,085,145 as of June 30, 2024. The City's net position increased by \$7,872,769 for the fiscal year ended June 30, 2024. However, the largest portion (58.9%) of net position reflects the City's net investment in capital assets (e.g. land, buildings, machinery and equipment, infrastructure such as roads and bridges, plants and distribution systems, and

right to use leased assets). The City of Lexington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lexington’s net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Lexington’s net position, \$6,542,298, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$79,759,505 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 97.9%. The statewide average in fiscal year 2022-23 was 99.11%.
- Increased sales tax revenues of approximately \$235,000 due to continued economic growth in the City.
- Increased unrestricted investment earnings of approximately \$1,448,000 due to a sharply rising interest rate environment.
- Vacancies and delays in hiring resulting in approximately \$4,827,000 in unspent budgetary appropriations, for personnel cost in governmental activities, including \$626,000 in unspent budgetary appropriations for health insurance cost.
- Increased revenues for electricity sales of approximately \$535,000, primarily due to a 1% increase in overall consumption.
- Increased revenues for water and wastewater charges of approximately \$2,570,000, primarily due to 4.3% increase in customer water consumption and a 2.4% decrease in wastewater consumption, along with rate increases of 13.5% for water and 14.5% for wastewater that went into effect on July 1, 2023.
- Continued investment in plant and infrastructure maintenance for the electric, water and wastewater, and natural gas systems.
- Decreased revenues for natural gas sales of approximately \$1,000,000, or 7.7%, due to both a 0.2% decrease in consumption and continued market-driven volatility in the variable “cost of gas” component, along with an average rate increase of 8.6% for residential base rates in July 2023.
- Decreased cost of gas purchased for resale of approximately \$3,200,000, or 58.3%, due primarily to continued market-driven commodity price volatility.
- Continued low cost of debt due to the City’s excellent bond rating.

City of Lexington's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ 2,633,281	\$ 2,533,499	\$ 79,748,665	\$ 77,708,949	\$ 82,381,946	\$ 80,242,448
Operating grants and contributions	1,569,562	1,578,280	196,584	183,416	1,766,146	1,761,696
Capital grants and contributions	-	-	879,212	5,000,000	879,212	5,000,000
General revenues						
Property taxes	12,187,628	11,980,395	-	-	12,187,628	11,980,395
Other taxes	1,021,714	959,025	-	-	1,021,714	959,025
Other general revenues	12,155,133	18,233,688	3,276,787	2,347,494	15,431,920	20,581,182
Total revenues	<u>29,567,318</u>	<u>35,284,887</u>	<u>84,101,248</u>	<u>85,239,859</u>	<u>113,668,566</u>	<u>120,524,746</u>

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Expenses						
General government	\$ 5,982,523	\$ 5,143,326	\$ -	\$ -	\$ 5,982,523	\$ 5,143,326
Public safety	16,220,174	15,043,883	-	-	16,220,174	15,043,883
Highways and streets	4,180,238	2,447,632	-	-	4,180,238	2,447,632
Sanitation	2,878,342	2,587,139	-	-	2,878,342	2,587,139
Culture and recreation	2,563,789	2,406,899	-	-	2,563,789	2,406,899
Economic and physical development	2,502,598	1,073,204	-	-	2,502,598	1,073,204
Interest on long-term debt	136,741	153,994	-	-	136,741	153,994
Electric	-	-	42,717,606	42,089,910	42,717,606	42,089,910
Water and Wastewater	-	-	13,959,075	13,355,496	13,959,075	13,355,496
Natural gas	-	-	11,446,138	13,355,743	11,446,138	13,355,743
Stormwater	-	-	1,665,316	1,223,335	1,665,316	1,223,335
Golf	-	-	1,543,257	1,328,078	1,543,257	1,328,078
Total expenses	34,464,405	28,856,077	71,331,392	71,352,562	105,795,797	100,208,639
Increase (decrease) in net position before transfers	(4,897,087)	6,428,810	12,769,856	13,887,297	7,872,769	20,316,107
Special items	-	4,562,661	-	-	-	4,562,661
Transfers	1,968,103	(4,331,482)	(1,968,103)	4,331,482	-	-
Increase (decrease) in net position	(2,928,984)	6,659,989	10,801,753	18,218,779	7,872,769	24,878,768
Net position, beginning, previously reported	45,500,979	38,840,990	172,711,397	154,492,618	218,212,376	193,333,608
Restatement	-	-	-	-	-	-
Net position, beginning	45,500,979	38,840,990	172,711,397	154,492,618	218,212,376	193,333,608
Net position, ending	\$ 42,571,995	\$ 45,500,979	\$ 183,513,150	\$ 172,711,397	\$ 226,085,145	\$ 218,212,376

Governmental activities - Governmental activities decreased the City's net position by \$2,928,984. Key elements of this increase are as follows:

- Operating grants and contributions decreased by approximately \$8,700, primarily due to economic development grants.
- Property taxes increased by only a modest amount of approximately \$207,000, inclusive of the impact of losing approximately \$149,000 of annual property tax revenue from aircraft due to a de-annexation of property owned by the Davidson County Airport Authority.
- Retail sales continued to see a growth trend that began several years ago, driving a \$317,382 increase in unrestricted intergovernmental revenues.
- Unrestricted investment earnings increased by approximately \$519,500 due to a sharply rising interest rate environment.
- Personnel costs, particularly in public safety, increased by approximately \$1,665,000 as the City continues to try to remain competitive in the labor market.
- Pension and OPEB expense increased by approximately \$597,600.
- Paving expenses for streets increased by approximately \$1,060,000.

Business-type activities - Business-type activities increased the City of Lexington's net position by \$10,801,753. Key elements of the business-type increase are as follows:

- Continuing benefits from decreased rates paid for purchased electric power, a 13.5% increase in water and 14.5% for wastewater rates, decreases in DT of natural gas sold, an 8.6% average residential natural gas base rate increase, an increase in investment earnings of approximately \$1,213,000, and cost containment measures contributed to operating margins in the three major utility funds of Electric, Water and Wastewater, and Natural Gas, resulting in an aggregate positive change of \$9,852,333 in net position related to these three utilities.
- Nonmajor utility funds and internal service funds contributed an aggregate positive change of \$1,009,000 in net position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The General Fund is the chief operating fund of the City of Lexington. At the end of the current fiscal year, City of Lexington fund balance available for appropriation in the General Fund was \$15,547,681, while total fund balance reached \$20,170,617. 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 51.19% of General Fund expenditures, while total fund balance represents 66.41% of the same amount. Of the fund balance available, \$6,620 is restricted in what it can be used for and \$4,245,158 has been committed for specific purposes. The City Council has appropriated \$2,983,299 of the fund balance available for use in the year ended June 30, 2024.

At June 30, 2024, the governmental funds of the City of Lexington reported a combined fund balance of \$23,295,940, with a net decrease in fund balance of \$70,400. Included in this change in fund balance is an decrease of \$86,491 in the General Fund and an increase of \$104,505 in the BUILD Grant Project Fund. The increase in the BUILD Grant Project Fund was due to investment earnings. Increases in unrestricted intergovernmental revenues resulted from a continued improving economy. Investment earnings increased by approximately \$347,400 due to a rising interest rate environment. Vacancies, delays in hiring, and savings in health insurance costs also resulted in budgetary savings.

General Fund Budgetary Highlights – During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased appropriations by \$440,900, representing a 1.25 percent increase from the original budget. These included the following significant amendments: 1) \$300,000 related to use of funds for additional budgetary authority for street construction for Creekside Parkway; 2) \$300,000 budgetary authority to transfer funds from the Governmental Capital Reserve Fund for fire personnel equipment, representing the use of proceeds from the sale of a leasehold improvement (Fire Station Building) to Davidson County Airport Authority; 3) reduction of \$376,000 related to a vehicle acquisition for the Recycling & Waste Collection department in the prior fiscal year.

Revenues were \$569,284 lower than the final budgeted amounts. Ad valorem tax revenues exceeded those amounts estimated with the budget by \$265,387. Taxable property values were \$29,554,683 more than values estimated with the budget, primarily due to new residential and commercial construction. The collection rate and collections on past due taxes exceeded the original estimates used in the budget and positively impacted tax revenues. Unrestricted intergovernmental revenues were less than budgeted amounts by \$430,807. Included in this category

is the local option sales tax with revenues less than budgeted amounts by \$534,146. Permits and fees were less than budgeted amounts by \$92,475 and investment earnings were less than budgeted amounts by \$172,405.

Expenditures were \$4,827,764, or 13.9%, lower than the final budgeted amounts. Personnel costs were \$2,409,000 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 \$642,000. Another significant part of this variance is represented by outstanding encumbrances at June 30, 2024, which totaled \$1,000,905 for the General Fund. These purchase and contractual commitments, although originally authorized under budgetary appropriations for the year ended June 30, 2024, will be reflected as expenditures in the subsequent fiscal year. These purchase commitments include \$770,803, outstanding encumbrances for paving resurfacing contracts and \$44,210 in outstanding encumbrances for capital items that had not been delivered by fiscal year end. Debt service was \$107,672 lower than budget amounts, primarily because \$107,574 in repayments on internal borrowings were budgeted as debt service. Other expenditures were held in check by management in its continuing effort to manage expenditures.

Proprietary Funds – The City of Lexington’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the City’s major enterprise funds at the end of the fiscal year totaled \$73,642,135, including \$39,355,471 in Electric, \$26,722,401 in Water and Wastewater, and \$7,564,263 in Natural Gas. Unrestricted net position of the City’s nonmajor enterprise funds (Stormwater and Golf) totaled \$505,544 at the end of the fiscal year. Total unrestricted net position for all enterprise funds amounted to \$74,146,679.

The change in net position for the City’s major enterprise funds totaled \$9,852,333, including \$4,929,462 in Electric, \$3,492,822 in Water and Wastewater, and \$1,430,049 in Natural Gas. The change in net position for the City’s nonmajor enterprise funds (Stormwater and Golf) totaled (\$185,836). These changes include changes in net position invested in capital assets and changes in unrestricted net position as follows:

	Water and			Total Major	Nonmajor	Total Enterprise
	Electric	Wastewater	Natural Gas			
Changes in						
Net investment in capital assets	\$ 1,809,364	\$ (429,056)	\$ 411,356	\$ 1,791,664	\$ (88,935)	\$ 1,702,729
Unrestricted	<u>3,120,098</u>	<u>3,921,878</u>	<u>1,018,693</u>	<u>8,060,669</u>	<u>(96,901)</u>	<u>7,963,768</u>
Total Net Position	<u>\$ 4,929,462</u>	<u>\$ 3,492,822</u>	<u>\$ 1,430,049</u>	<u>\$ 9,852,333</u>	<u>\$ (185,836)</u>	<u>\$ 9,666,497</u>

Electric unrestricted net position increased by \$3,120,098. The increase is primarily due to continuing benefits from decreased rates paid for purchased electric power, including a 10.6% wholesale rate reduction that went into effect in July 2022. In addition, the continuing wholesale rate decreases have had a positive impact on the Electric Fund’s cash flow and enabled the City to focus on previously delayed infrastructure maintenance projects, pass along decreases of 2.7%, 2.0%, 2.0%, 5.0%, 2.9%, and 5.0% in rates charged to the City’s residential and commercial customers in 2015-16, 2016-17, 2018-19, 2019-20, 2020-21, and 2022-23, respectively, and to positively impact the financial position and liquidity of the Electric utility. The Electric utility sold approximately 4,163,500 kWh more than in the previous year, representing a 1.1% increase. The impact of this increase is reflected in both revenues and in the cost of purchased electric power.

Water and Wastewater unrestricted net position increased by \$3,921,878. Increases are primarily due to the impact of 13.5% for water and 14.5% for wastewater rate increases that went into effect on July 1, 2023. The Water and Wastewater utility reported charges for approximately 44,034 more CCF’s of water than in the previous year and 20,135 less CCF’s of wastewater than in the previous year.

Natural Gas unrestricted net position increased by \$1,018,693. This is primarily related to a 8.6% residential base rate increase. The Natural Gas utility sold approximately 4,887 DT’s less than in the previous year. An average residential base rate increase of 8.6% went into effect on July 1, 2023.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2024, the City of Lexington had \$157,461,273 invested in a broad range of capital assets, net of accumulated depreciation/amortization, for its governmental and business-type activities. This amount includes assets such as land, buildings, vehicles and equipment, roads and bridges, park facilities, and various utility plants, substations, and distribution system infrastructure. The total increase in capital assets for the current fiscal year is 5.3%.

Major capital asset transactions during the year include the following:

- Investments in governmental equipment & vehicles, reflecting the continuing implementation of vehicle & equipment replacement plans.
 - Investments in the General Fund and other governmental funds totaling \$1,765,445, including \$854,157 for Recycling & Waste Collection vehicles and equipment and \$647,300 for Police vehicles.
 - Investments in governmental internal service funds totaling \$12,530.
- Investments in the Electric Delivery Station No. 3 Project at a cost of \$123,065 and Siemen’s Utility Relocation at a cost of \$607,428, Electric Fund projects.
- Investments in the Advanced Metering Infrastructure (AMI) Project at a cost of \$2,257,877. This project is being financed by a \$5,310,000 debt issuance that occurred during the 2021-22 fiscal year. Also, the Wastewater Solids-Handling Pre-Construction Planning Grant Project at a cost of \$363,291, Water and Wastewater Fund projects.
- Investments in the Transco Interconnect Distribution Pipeline Project and the Natural Gas System Improvement Grant Project, Natural Gas Fund projects, at a cost of \$207,680 and \$419, respectively.
- Investments in infrastructure improvements in the Electric Fund at a cost of \$1,778,577.
- Investments in infrastructure improvements in the Natural Gas Fund at a cost of \$383,713.
- Investments in business-type vehicles & equipment by the three major enterprise funds (Electric, Water & Wastewater, and Natural Gas), reflecting the continuing implementation of vehicle and equipment replacement plans.
 - Investments in the Electric Fund totaling \$405,386.
 - Investments in the Water & Wastewater Fund totaling \$387,888.
 - Investments in the Natural Gas Fund totaling \$556,231.

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

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 2,538,814	\$ 4,536,534	\$ 2,292,083	\$ 2,292,083	\$ 4,830,897	\$ 6,828,617
Construction in progress	1,566,011	1,553,741	25,359,861	13,913,808	26,925,872	15,467,549
Buildings	6,974,125	7,253,838	6,970,182	7,119,629	13,944,307	14,373,467
Other improvements	3,402,657	3,579,874	489,116	458,022	3,891,773	4,037,896
Equipment & vehicles	5,802,639	5,768,254	4,468,237	4,401,688	10,270,876	10,169,942
Intangibles	209,813	283,599	1	14,818	209,814	298,417
Infrastructure	11,086,762	12,102,527	-	-	11,086,762	12,102,527
Plant & distribution systems	-	-	85,931,533	85,991,509	85,931,533	85,991,509
Right to use assets						
IT subscriptions in progress	56,049	56,924	-	-	56,049	56,924
Leased land	91,203	110,666	-	-	91,203	110,666
Leased equipment & vehicles	-	-	2,135	5,960	2,135	5,960
IT subscriptions	88,273	33,628	131,779	85,767	220,052	119,395
Total	\$ 31,816,346	\$ 35,279,585	\$ 125,644,927	\$ 114,283,284	\$ 157,461,273	\$ 149,562,869

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

Long-term Debt – At June 30, 2024, the City had installment purchase debt outstanding of \$24,905,778. Installment purchase debt represents contracts entered into by the City for the acquisition or construction of capital assets and are secured by the assets being financed. The remainder of the City’s long-term debt obligations are comprised of lease and subscription liabilities.

City of Lexington's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Lease liabilities	\$ 92,619	\$ 111,853	\$ 1,967	\$ 5,875	\$ 94,586	\$ 117,728
Subscription liabilities	24,203	16,829	103,496	72,410	127,699	89,239
Direct placement installment purchases	4,175,976	5,280,619	20,729,802	22,566,636	24,905,778	27,847,255
Total	<u>\$ 4,292,798</u>	<u>\$ 5,409,301</u>	<u>\$ 20,835,265</u>	<u>\$ 22,644,921</u>	<u>\$ 25,128,063</u>	<u>\$ 28,054,222</u>

The City of Lexington’s total debt decreased by \$2,926,159 (10.5%). The City also recorded \$38,460 in new subscription liabilities. Principal retirements during the year totaled \$2,941,477.

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 \$122,994,597. The City has no bonds authorized but unissued at June 30, 2024.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Economic Factors

- Unemployment. The local unemployment rate of 4.1% was the same as the state rate at the end of the fiscal year. This is a slightly higher unemployment rate than the previous year when the local unemployment rate was 3.2%. The state unemployment rate from the previous year was 3.6%.
- Principal property taxpayers. Halyard North Carolina is the largest taxpayer in the City, with 5.95% of total assessed valuation.
- Principal utility customers. For the year ended June 30, 2024, the City of Lexington was the largest electric customer providing 2.85% of total electric revenue, Electric Glass Fiber America was the largest water customer providing 4.88% of total water revenue, Davidson County schools was the largest wastewater customer providing 1.94% of total wastewater revenue, and Egger Wood Products was the largest natural gas customer providing 6.4% of total natural gas revenue.
- Inspections for construction activity in the City totaled 5,615 with a value of \$190.6 million compared to prior year inspections totaling 5,330 with a value of \$156.4 million.
- Economic development incentive agreements. Economic development incentive agreements and commitments that remain in effect as of June 30, 2024 include:
 - 1) Halyard North Carolina – Under the terms of this December 2020 agreement, Halyard North Carolina agreed to make new expanded investment in its manufacturing plant of \$6,000,000 and create 40 new full-time employment positions.

- 2) Border Concepts – Under the terms of this May 2023 agreement, Border Concepts agreed to make new expanded investment in its manufacturing plant of \$8,000,000 and create 5 new full-time employment positions.
- 3) Childress Winery – Under the terms of this February 2023 agreement, Childress Winery agreed to make new expanded investment in its manufacturing plant of \$5,500,000 and create 20 new full-time employment positions.
- Siemens Mobility, Inc. – The City has committed to an economic development incentive agreement with Siemens Mobility under which Siemens Mobility will agree to invest between \$200,000,000 and \$250,000,000 in new investment in a manufacturing facility and create a minimum of 200 new full-time employment positions.
- Economic development grants. The City has been successful in assisting local industry obtain economic development grants in the form of building reuse grants. Building reuse grants that remain open as of June 30, 2024 include:
 - 1) Cider Bros, LLC – Under the terms of this *CDBG Building Reuse* grant, announced in March 2018, Cider Bros committed to invest \$1 million to renovate a vacant industrial building and to create 25 full time jobs.
 - 2) Tapped Tees, LLC – Under the terms of this *CDBG Building Reuse* grant, announced in September 2019, Tapped Tees committed to invest \$600 thousand to renovate a vacant industrial building and to create 15 full time jobs.
 - 3) Border Concepts, Inc. – Under the terms of this *Rural Building Reuse and Infrastructure* grant, announced in April 2022, Border Concepts committed to renovate or expand an industrial building and to create 10 full time jobs.
 - 4) Childress Winery, LLC. – Under the terms of this *Rural Building Reuse and Infrastructure* grant, announced in December 2022, Childress Winery committed to renovate or expand an industrial building and to create 20 full time jobs.
 - 5) Millwork Brands Inc. – Under the terms of this *Rural Building Reuse and Infrastructure* grant, announced in February 2024, Millwork Brands committed to invest \$4.8 million to renovate or expand a vacant industrial building and create 27 full time jobs.

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

- 1) \$24,999,000 U.S. Department of Transportation Better Utilizing Investments to Leverage Development (BUILD) – This funding, along with a \$10,950,000 allocation from the N.C. Department of Transportation, is part of a \$57,087,598 project to construct a passenger rail station, a grade separation and surrounding improvements.
- 2) \$1,345,950 U.S. Department of Commerce Economic Development Administration grant – This funding, along with a \$1,345,950 funding commitment from Nucor Steel Lexington, is part of a \$2,691,900 project to extend the City’s natural gas distribution system to Nucor Steel Lexington.
- 3) \$400,000 N.C. Department of Environmental Quality Solids Handling Pre-Construction Improvements grant – This funding, along with \$156,000 matching funds, is a part of the preliminary engineering design for the upcoming Solids Handling Infrastructure project.
- 4) \$283,360 N.C. Department of Environment Quality Stormwater Planning grant – This project is for asset inventory and condition assessment for the MS4 system.
- 5) \$5,404,065 Federal Emergency Management Agency Staffing for Adequate Fire and Emergency Response grant – This is to hire 18 new Fire personnel to increase minimum staffing requirements in order to lower citizen ISO rating.

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities – Budgeted revenue is expected to be 7.6% higher than for 2023-24. The property tax rate for 2024-25 remains unchanged at \$0.65 per \$100 of assessed valuation. Increases in anticipated taxable property values are expected to increase budgeted revenue by \$207,000 (1.7% increase) and reflect modest increased property values due to economic growth. Unrestricted intergovernmental revenues are expected to increase budgeted revenue by \$114,692 (1.1% increase). Permits and fees are expected to decrease budgeted

revenue by \$82,150 due to previous year's activity with Siemens Mobility. With the interest rate environment becoming more moderate, investment earnings are expected to decrease budgeted revenue by \$4,000.

Budgeted expenditures in the General Fund are expected to decrease approximately \$4,000 from final 2023-24 budgeted expenditures to \$38,359,026. Included are provisions for 4% merit pay increases and ongoing pay studies to ensure the City can attract and retain quality employees. The City is continuing its implementation of vehicle & equipment replacement plans. The previous year's capital outlay budget included funding for a fire aerial truck. Debt service is budgeted to decrease by \$152,000 (12.7% decrease) as the City continues efforts to reduce or eliminate borrowing for most vehicles and equipment in the future. Other strategic investments are being made for the future, including continuing the budgetary appropriation for street resurfacing at \$1,100,000 and continuing increased levels of investments in technology.

Business-type Activities – Rates for electricity will not change. A one time working capital power agency refund in the amount of \$8,641,000 is budgeted with related budgeted transfers to the Electric Capital Reserve Fund and Rate Stabilization Fund in the amounts of \$7,541,000 and \$1,100,000, respectively. Budgeted expenditures in the Electric Fund are expected to increase approximately 15% to \$55,697,176. Purchased electricity is expected to decrease by approximately 9% based on expected power purchased and expected cost of power purchased. Maintenance costs, including critical infrastructure maintenance, are expected to increase by approximately 21%. The City is continuing its funding of vehicle & equipment replacement plans. Construction continues for the Electric Delivery Station No. 3 Project, an Electric Fund Project budgeted at \$5.304 million.

Based on the recommendations of a recent water and wastewater cost of service rate study, water and wastewater rates in the City will increase by 13.5% and 14.5%, respectively. Budgeted expenditures in the Water and Wastewater Fund are expected to increase approximately 3.5% to \$18,002,505. Personnel expenditures in the Water and Wastewater Fund are expected to increase approximately 2.3% from the 2023-24 final budget. The 2024-25 personnel budget includes a provision for merit increases. Maintenance costs, including critical infrastructure maintenance, are expected to decrease by approximately 8.7%.

The results of a natural gas cost of service rate study completed in 2021-22 recommended an average base rate increase of 8.6% for residential customers, with varying impacts to other customer classes. With natural gas commodity prices elevated and as a conscientious measure to mitigate rate increase impacts post Covid-19, the 2022-23 budget included a base rate increase of approximately 50% of the recommended increase. The remainder of the recommended rate base rate increase is being implemented in 2023-24. Volume rates are adjusted during the year based on cost of gas. Expected cost of gas is budgeted at \$4.00 per dekatherm for 2024-25, down from \$4.50 per dekatherm in 2023-24. Budgeted expenditures in the Natural Gas Fund are expected to decrease approximately .5% to \$15,594,207. Personnel expenditures in the Natural Gas Fund are expected to increase approximately .25% as labor markets continue to place upward pressures on pay scales. Personnel expenditures include a provision for merit increases. Maintenance costs, including critical infrastructure maintenance/rehabilitation/relocation, are expected to increase by approximately 38.2% due to a gas line relocation for a bridge on 5th Avenue. Purchased natural gas is expected to decrease by approximately 9.9% based on expected cost of gas and expected sales volumes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lexington's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the City of Lexington Finance Department, 28 West Center Street, Lexington, NC 27292 or visit the City's website at www.LexingtonNC.gov.

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BASIC FINANCIAL STATEMENTS

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City of Lexington, North Carolina
Statement of Net Position
June 30, 2024

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	Total
ASSETS				
Cash and cash equivalents	\$ 38,251,698	\$ 66,326,286	\$ 104,577,984	\$ 2,007,173
Receivables (net)				
Taxes	37,207	-	37,207	-
Accounts - billed	194,133	5,774,268	5,968,401	-
Accounts - unbilled	137,090	5,570,810	5,707,900	-
Interest	5,415	8,819	14,234	-
Interest on leases	-	471	471	-
Leases receivable	63,161	307,842	371,003	-
Due from other governments	3,140,397	1,126,967	4,267,364	-
Due from component units	176,820	-	176,820	-
Due from primary government	-	-	-	54,525
Internal balances	(3,568,709)	3,568,709	-	-
Inventories	211,346	8,607,050	8,818,396	1,360,834
Deposits and prepaid items	156,454	17,000	173,454	8,593
Restricted cash and cash equivalents	68,165	2,342,923	2,411,088	-
Equity interest in joint venture	116,115	321,416	437,531	-
Capital assets				
Capital assets not being depreciated	4,160,874	27,651,943	31,812,817	253,386
Capital assets, net of accumulated depreciation	27,475,996	97,859,070	125,335,066	681,112
Right to use assets, net of accumulated amortization	179,476	133,914	313,390	37,082
Total capital assets	<u>31,816,346</u>	<u>125,644,927</u>	<u>157,461,273</u>	<u>971,580</u>
Total assets	<u>70,805,638</u>	<u>219,617,488</u>	<u>290,423,126</u>	<u>4,402,705</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>9,054,462</u>	<u>4,234,933</u>	<u>13,289,395</u>	<u>243,584</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Net Position
June 30, 2024

Exhibit 1
continued

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Total	Total
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,108,087	\$ 5,711,128	\$ 7,819,215	\$ 248,607
Due to component units	54,525	-	54,525	-
Due to primary government	-	-	-	176,820
Unearned revenue	7,917	-	7,917	-
Payable from restricted assets				
Accounts payable and accrued liabilities	-	579,821	579,821	-
Deposits	68,165	767,640	835,805	-
Long-term liabilities				
Due in one year	6,421,319	4,915,238	11,336,557	59,864
Due in more than one year	24,438,641	26,662,776	51,101,417	374,761
Total liabilities	33,098,654	38,636,603	71,735,257	860,052
DEFERRED INFLOWS OF RESOURCES	4,189,451	1,702,668	5,892,119	733
NET POSITION				
Net investment in capital assets	27,523,548	105,715,145	133,238,693	848,611
Restricted for				
Stabilization by state statute	4,577,349	-	4,577,349	54,525
Council chamber improvements	3,100	-	3,100	-
Law enforcement	360,173	-	360,173	-
Cultural and recreation	6,620	-	6,620	-
Tourism promotion	-	-	-	1,176,012
Uptown revitalization	-	-	-	169,447
Economic development, nonexpendable	-	-	-	112,042
Working capital	-	-	-	259,750
Unrestricted	10,101,205	77,798,005	87,899,210	1,165,117
Total net position	\$ 42,571,995	\$ 183,513,150	\$ 226,085,145	\$ 3,785,504

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, 2024

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total	
Primary government								
Governmental Activities								
General government	\$ 5,982,523	\$ 2,698	\$ -	\$ -	\$ (5,979,825)	\$ -	\$ (5,979,825)	
Public safety	16,220,174	756,472	453,746	-	(15,009,956)	-	(15,009,956)	
Highways and streets	4,180,238	1,769	756,491	-	(3,421,978)	-	(3,421,978)	
Sanitation	2,878,342	1,611,144	31,484	-	(1,235,714)	-	(1,235,714)	
Culture and recreation	2,563,789	168,132	83,025	-	(2,312,632)	-	(2,312,632)	
Economic and physical development	2,502,598	93,066	244,816	-	(2,164,716)	-	(2,164,716)	
Interest on long-term debt	136,741	-	-	-	(136,741)	-	(136,741)	
Total governmental activities	<u>34,464,405</u>	<u>2,633,281</u>	<u>1,569,562</u>	<u>-</u>	<u>(30,261,562)</u>	<u>-</u>	<u>(30,261,562)</u>	
Business-type activities								
Electric	42,717,606	46,860,469	-	879,212	-	5,022,075	5,022,075	
Water and Wastewater	13,959,075	16,274,658	196,584	-	-	2,512,167	2,512,167	
Natural Gas	11,446,138	14,021,008	-	-	-	2,574,870	2,574,870	
Stormwater	1,665,316	1,574,811	-	-	-	(90,505)	(90,505)	
Golf	1,543,257	1,017,719	-	-	-	(525,538)	(525,538)	
Total business-type activities	<u>71,331,392</u>	<u>79,748,665</u>	<u>196,584</u>	<u>879,212</u>	<u>-</u>	<u>9,493,069</u>	<u>9,493,069</u>	
Total primary government	<u>\$ 105,795,797</u>	<u>\$ 82,381,946</u>	<u>\$ 1,766,146</u>	<u>\$ 879,212</u>	<u>(30,261,562)</u>	<u>9,493,069</u>	<u>(20,768,493)</u>	
Discretely presented component units	<u>\$ 18,269,189</u>	<u>\$ 17,718,721</u>	<u>\$ 781,405</u>	<u>\$ -</u>				<u>230,937</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Activities
For the fiscal year ended June 30, 2024

Exhibit 2
continued

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- type Activities	Total	
General revenues								
Taxes								
Property taxes				\$ 12,187,628	\$ -	\$ 12,187,628	\$ -	
Other taxes				1,021,714	-	1,021,714	-	
Grants and contributions not restricted to specific programs				10,233,584	-	10,233,584	-	
Investment earnings, unrestricted				1,891,943	3,276,787	5,168,730	60,420	
Miscellaneous, unrestricted				29,606	-	29,606	-	
Total general revenues not including transfers				25,364,475	3,276,787	28,641,262	60,420	
Transfers								
Other transfers				1,968,103	(1,968,103)	-	-	
Total general revenues and transfers				27,332,578	1,308,684	28,641,262	60,420	
Change in net position				(2,928,984)	10,801,753	7,872,769	291,357	
Net position - beginning				45,500,979	172,711,397	218,212,376	3,494,147	
Net position - ending				<u>\$ 42,571,995</u>	<u>\$ 183,513,150</u>	<u>\$ 226,085,145</u>	<u>\$ 3,785,504</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, 2024

Exhibit 3

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	BUILD Grant Project Fund		
Assets				
Cash and cash equivalents	\$ 17,941,506	\$ 2,234,395	\$ 945,865	\$ 21,121,766
Receivables (net)				
Property taxes	33,120	-	4,087	37,207
Accounts - billed	194,133	-	-	194,133
Accounts - unbilled	126,712	-	-	126,712
Interest	2,707	298	130	3,135
Leases receivable	-	-	63,161	63,161
Due from other governments	2,916,784	-	163,471	3,080,255
Due from other funds	158,421	-	-	158,421
Due from component unit	176,820	-	-	176,820
Prepaid items	46,454	-	-	46,454
Restricted cash and cash equivalents				
Customer deposits	68,165	-	-	68,165
Total assets	\$ 21,664,822	\$ 2,234,693	\$ 1,176,714	\$ 25,076,229
Liabilities				
Accounts payable and accrued liabilities	\$ 1,119,978	\$ 330	\$ 52,939	\$ 1,173,247
Due to other funds	108,660	-	158,421	267,081
Due to component units	54,525	-	-	54,525
Unearned revenue	-	-	7,917	7,917
Liabilities payable from restricted assets				
Deposits	68,165	-	-	68,165
Advance from other funds	109,757	-	-	109,757
Total liabilities	1,461,085	330	219,277	1,680,692
Deferred inflows of resources	33,120	-	66,477	99,597

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit 3
continued

	Major Funds		Total Non- Major Funds	Total Governmental Funds
	General Fund	BUILD Grant Project Fund		
Fund balances				
Nonspendable				
Prepaid items	\$ 46,454	\$ -	\$ -	\$ 46,454
Leases receivable, net	-	-	771	771
Restricted				
Stabilization by state statute	4,576,482	298	569	4,577,349
Council chamber improvements	3,100	-	-	3,100
Law enforcement	-	-	360,173	360,173
Recreation programs	6,620	-	-	6,620
Committed				
Police facilities and equipment	1,000,000	-	-	1,000,000
Fire facilities and equipment	1,700,000	-	-	1,700,000
Passenger rail	-	2,234,065	-	2,234,065
Recreation facilities and equipment	1,250,000	-	298,325	1,548,325
Other	295,158	-	288,833	583,991
Assigned				
Subsequent year's expenditures	2,983,299	-	-	2,983,299
Unassigned	8,309,504	-	(57,711)	8,251,793
Total fund balances	<u>20,170,617</u>	<u>2,234,363</u>	<u>890,960</u>	<u>23,295,940</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 21,664,822</u>	 <u>\$ 2,234,693</u>	 <u>\$ 1,176,714</u>	 <u>\$ 25,076,229</u>

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit 3
continued

		Total Governmental Funds
<i>Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:</i>		
Fund balances as reported on the Balance Sheet of Governmental Funds	\$ 23,295,940	
Equity interest in joint venture is not a current financial resource and therefore not reported in the funds.		116,115
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 107,689,387	
Accumulated depreciation	(76,108,566)	
Right to use assets at historical cost	335,305	
Accumulated amortization	(99,780)	
Less internal service funds' net capital assets included in net position adjustment below	(137,001)	31,679,345
Deferred outflows of resources related to pensions and OPEB are not reported in the funds		
Deferred outflows for governmental activities related to pensions - LGERS	6,030,886	
Deferred outflows for governmental activities related to pensions - LEOSSA	461,703	
Deferred outflows for governmental activities related to OPEB	2,561,874	
Deferred outflows included in internal service funds' net position adjustment below	(348,845)	8,705,618
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(30,780)	
Leases, subscriptions, bonds and installment financing	(4,292,798)	
Compensated absences	(1,804,954)	
Compensated absences included in internal service funds' net position adjustment below	83,924	(6,044,608)
Net pension liability - LGERS		
Net pension liability for governmental activities	(9,824,025)	
Net pension liability included in internal service funds' net position adjustment below	469,753	(9,354,272)
Total pension liability - LEOSSA		
		(2,768,320)
Total OPEB liability		
Total OPEB liability for governmental activities	(12,169,863)	
Total OPEB liability included in internal service funds' net position adjustment below	287,242	(11,882,621)
Earned revenues considered deferred inflow of resources in the funds		
		37,207

Continued on next page.

City of Lexington, North Carolina
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit 3
continued

		<u>Total Governmental Funds</u>
Deferred inflows of resources related to pensions and OPEB are not reported in the funds		
Deferred inflows for governmental activities related to pensions - LGERS	(87,981)	
Deferred inflows for governmental activities related to pensions - LEOSSA	(345,907)	
Deferred inflows for governmental activities related to OPEB	(3,693,174)	
Deferred inflows of resources included in internal service funds' net position adjustment below	<u>91,376</u>	(4,035,686)
Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk		
Net position of governmental-type internal service	16,173,569	
Portion of net position allocated to business type activities	<u>(3,350,292)</u>	<u>12,823,277</u>
Net position of governmental activities		<u>\$ 42,571,995</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, 2024

Exhibit 4

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General Fund	BUILD Grant Project Fund		
Revenues				
Ad valorem taxes	\$ 12,167,397	\$ -	\$ 86,498	\$ 12,253,895
Other taxes and licenses	1,021,714	-	-	1,021,714
Unrestricted intergovernmental	10,233,584	-	-	10,233,584
Restricted intergovernmental	839,476	-	441,732	1,281,208
Permits and fees	579,913	-	-	579,913
Sales and services	1,948,993	-	93,041	2,042,034
Investment earnings	1,067,850	109,468	48,917	1,226,235
Miscellaneous	36,977	-	2,141	39,118
Total revenues	<u>27,895,904</u>	<u>109,468</u>	<u>672,329</u>	<u>28,677,701</u>
Expenditures				
Current				
General government	5,731,980	-	-	5,731,980
Public safety	14,827,957	-	308,823	15,136,780
Highways and streets	2,804,730	-	119,621	2,924,351
Sanitation	3,025,822	-	19,836	3,045,658
Culture and recreation	2,160,075	-	8,500	2,168,575
Economic and physical development	141,779	4,963	332,269	479,011
Debt service				
Principal	1,135,308	-	-	1,135,308
Interest and other charges	142,955	-	-	142,955
Total expenditures	<u>29,970,606</u>	<u>4,963</u>	<u>789,049</u>	<u>30,764,618</u>
Revenues over (under) expenditures	<u>(2,074,702)</u>	<u>104,505</u>	<u>(116,720)</u>	<u>(2,086,917)</u>
Other financing sources (uses)				
Subscription liabilities issued	24,203	-	-	24,203
Transfers from other funds	2,368,103	-	28,306	2,396,409
Transfers to other funds	(428,306)	-	-	(428,306)
Sales of capital assets	24,211	-	-	24,211
Total other financing sources (uses)	<u>1,988,211</u>	<u>-</u>	<u>28,306</u>	<u>2,016,517</u>
Net change in fund balances	(86,491)	104,505	(88,414)	(70,400)
Fund balance - beginning	<u>20,257,108</u>	<u>2,129,858</u>	<u>979,374</u>	<u>23,366,340</u>
Fund balances - ending	<u>\$ 20,170,617</u>	<u>\$ 2,234,363</u>	<u>\$ 890,960</u>	<u>\$ 23,295,940</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, 2024

Exhibit 4
continued

		Total Governmenta <u>1</u>
<i>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</i>		
Net change in fund balances - total governmental funds	\$	(70,400)
Changes in equity interest in joint venture are included on the Statement of Activities		116,115
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the</p>		
Capital outlay expenditures which were capitalized	\$ 1,966,999	
Depreciation expense for governmental assets	(3,417,556)	
Right to use asset capital outlay expenditures which were capitalized	80,652	
Amortization expense for governmental right to use assets	<u>(42,827)</u>	(1,412,732)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		1,699,154
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		250,659
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		656,561
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental</p>		
Proceeds from the sale of assets	(24,211)	
Gain (loss) on disposal of capital assets	(1,973,509)	
Change in unavailable revenues	<u>(66,267)</u>	(2,063,987)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect</p>		
New long-term debt issued	(24,203)	
Principal payments on long-term debt	1,135,308	
Decrease (increase) in accrued interest payable	<u>6,331</u>	1,117,436

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, 2024

Exhibit 4
continued

		Total Governmental <u>1</u>
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	(211,883)	
Pension expense - LGERS	(2,652,716)	
Pension expense - LEOSSA	(270,843)	
OPEB plan expense	<u>(740,539)</u>	(3,875,981)
Internal service funds are used by management to charge the costs of certain activities (Fleet Management, Group Insurance, Risk		
Net revenue of governmental-type internal service	594,655	
Portion of revenue allocated to business-type activities	<u>59,536</u>	<u>654,191</u>
Total change in net position of governmental activities		<u><u>\$(2,928,984)</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, 2024**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 11,902,000	\$ 11,902,000	\$ 12,167,397	\$ 265,397
Other taxes and licenses	907,680	1,007,680	1,021,714	14,034
Unrestricted intergovernmental	10,664,391	10,664,391	10,233,584	(430,807)
Restricted intergovernmental	792,395	792,395	839,476	47,081
Permits and fees	672,388	672,388	579,913	(92,475)
Sales and services	2,014,156	2,145,679	1,948,993	(196,686)
Investment earnings	824,234	1,024,234	851,829	(172,405)
Miscellaneous	<u>34,000</u>	<u>40,400</u>	<u>36,977</u>	<u>(3,423)</u>
Total revenues	<u>27,811,244</u>	<u>28,249,167</u>	<u>27,679,883</u>	<u>(569,284)</u>
Expenditures				
Current				
General government	6,368,917	6,611,110	5,707,777	903,333
Public safety	16,239,660	16,571,174	14,827,957	1,743,217
Highways and streets	4,342,038	3,982,038	2,804,730	1,177,308
Sanitation	3,642,514	3,275,514	3,025,822	249,692
Culture and recreation	2,502,038	2,702,038	2,160,075	541,963
Economic and physical development	247,871	246,358	141,779	104,579
Debt service				
Principal	1,223,895	1,242,885	1,135,308	107,577
Interest and other charges	<u>141,311</u>	<u>143,050</u>	<u>142,955</u>	<u>95</u>
Total expenditures	<u>34,708,244</u>	<u>34,774,167</u>	<u>29,946,403</u>	<u>4,827,764</u>
Revenues over (under) expenditures	<u>(6,897,000)</u>	<u>(6,525,000)</u>	<u>(2,266,520)</u>	<u>4,258,480</u>

Continued on next page.

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

**Exhibit 5
continued**

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2024**

	Budget		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Transfers from other funds	\$ 2,703,103	\$ 3,003,103	\$ 3,003,103	\$ -
Transfers to other funds	(535,614)	(910,614)	(533,920)	376,694
Sales of capital assets	<u>3,000</u>	<u>3,000</u>	<u>24,211</u>	<u>21,211</u>
Total other financing sources (uses)	<u>2,170,489</u>	<u>2,095,489</u>	<u>2,493,394</u>	<u>397,905</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(4,726,511)	(4,429,511)	226,874	4,656,385
Fund balance appropriated	<u>4,726,511</u>	<u>4,429,511</u>	<u>-</u>	<u>(4,429,511)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	226,874	<u>\$ 226,874</u>
Reconciliation from Budgetary Basis to Modified Accrual Basis				
Items related to SBITA standard				
Subscription liabilities issued			24,203	
Capital outlay				
Governing board			<u>(24,203)</u>	
Net change in fund balances			226,874	
Fund balance - beginning			<u>15,702,173</u>	
Fund balance - ending			<u>\$ 15,929,047</u>	
A legally budgeted Governmental Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			216,021	
Transfer from the General Fund			105,614	
Transfer to the General Fund			(635,000)	
Fund Balance - beginning			<u>4,554,935</u>	
Fund balance - ending (Exhibit 4)			<u>\$ 20,170,617</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, 2024

Exhibit 6

	Business-type Activities - Enterprise Funds					
	Major Funds			Total Non- Major Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas			
Assets						
Current assets						
Cash and cash equivalents	\$ 15,323,482	\$ 9,396,804	\$ 5,130,844	\$ 1,090,550	\$ 30,941,680	\$ 8,287,359
Receivables (net)						
Accounts - billed	3,861,371	1,111,570	635,457	85,383	5,693,781	80,487
Accounts - unbilled	3,853,548	1,115,937	487,569	110,705	5,567,759	13,429
Interest	4,055	3,328	867	170	8,420	2,679
Interest on leases	-	471	-	-	471	-
Leases receivable	-	27,429	-	-	27,429	-
Due from other governments	389,663	390,872	93,361	15,130	889,026	298,083
Due from other funds	403,817	-	-	-	403,817	-
Restricted cash and cash equivalents						
Customer deposits	572,204	65,586	129,300	550	767,640	-
Unexpended debt proceeds	-	1,575,283	-	-	1,575,283	-
Inventories	5,978,888	690,419	1,894,879	42,864	8,607,050	211,346
Prepaid items	-	-	-	-	-	127,000
Total current assets	<u>30,387,028</u>	<u>14,377,699</u>	<u>8,372,277</u>	<u>1,345,352</u>	<u>54,482,356</u>	<u>9,020,383</u>
Noncurrent assets						
Advances to other funds	983,836	-	-	-	983,836	-
Designated cash and cash equivalents						
Capital reserve	12,488,706	17,653,779	1,095,604	-	31,238,089	1,288,255
Rate stabilization	634,733	-	49,502	-	684,235	-
Group insurance reserve	-	-	-	-	-	11,016,600
Leases receivable	-	280,413	-	-	280,413	-
Equity interest in joint venture	-	321,416	-	-	321,416	-

Continued on next page.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2024

Exhibit 6
continued

	Business-type Activities - Enterprise Funds					
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas			
Capital assets						
Capital assets not being depreciated	\$ 4,584,329	\$ 5,808,214	\$ 963,960	\$ 40,728	\$ 11,397,231	\$ 16,269,712
Capital assets, net of accumulated depreciation	37,550,282	31,546,892	25,186,992	960,765	95,244,931	2,732,651
Right to use assets, net of accumulated amortization	-	-	-	46,858	46,858	90,545
Total capital assets	<u>42,134,611</u>	<u>37,355,106</u>	<u>26,150,952</u>	<u>1,048,351</u>	<u>106,689,020</u>	<u>19,092,908</u>
Total noncurrent assets	<u>56,241,886</u>	<u>55,610,714</u>	<u>27,296,058</u>	<u>1,048,351</u>	<u>140,197,009</u>	<u>31,397,763</u>
Total assets	<u>86,628,914</u>	<u>69,988,413</u>	<u>35,668,335</u>	<u>2,393,703</u>	<u>194,679,365</u>	<u>40,418,146</u>
Deferred outflows of resources	<u>131,691</u>	<u>1,761,076</u>	<u>779,587</u>	<u>389,688</u>	<u>3,062,042</u>	<u>1,521,736</u>
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	\$ 3,956,918	\$ 652,617	\$ 459,665	\$ 154,417	\$ 5,223,617	\$ 780,202
Due to other funds	-	-	-	24,975	24,975	270,182
Unpaid claims costs	-	-	-	-	-	611,369
Compensated absences	-	218,000	78,000	37,000	333,000	231,000
Pension liability	-	410,051	184,826	97,080	691,957	377,311
OPEB liability	61,050	568,879	248,427	156,912	1,035,268	582,718
Lease liabilities	-	-	-	-	-	1,967
Subscription liabilities	-	-	-	25,557	25,557	27,691
Installment purchases payable	348,042	651,697	146,998	-	1,146,737	726,328
Liabilities payable from restricted assets						
Accounts payable	-	482,587	-	-	482,587	97,234
Customer deposits	<u>572,204</u>	<u>65,586</u>	<u>129,300</u>	<u>550</u>	<u>767,640</u>	<u>-</u>
Total current liabilities	<u>4,938,214</u>	<u>3,049,417</u>	<u>1,247,216</u>	<u>496,491</u>	<u>9,731,338</u>	<u>3,706,002</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2024

Exhibit 6
continued

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non- Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Noncurrent liabilities						
Compensated absences	-	184,147	83,274	26,892	294,313	107,788
Pension liability	-	1,815,728	828,250	430,499	3,074,477	1,678,721
OPEB liability	564,530	1,306,040	500,557	155,716	2,526,843	650,272
Lease liabilities	-	-	-	-	-	-
Subscription liabilities	-	-	-	21,764	21,764	28,484
Installment purchases payable	1,938,725	3,552,623	-	-	5,491,348	13,365,389
Advances from other funds	-	-	-	-	-	874,079
Total noncurrent liabilities	<u>2,503,255</u>	<u>6,858,538</u>	<u>1,412,081</u>	<u>634,871</u>	<u>11,408,745</u>	<u>16,704,733</u>
 Total liabilities	<u>7,441,469</u>	<u>9,907,955</u>	<u>2,659,297</u>	<u>1,131,362</u>	<u>21,140,083</u>	<u>20,410,735</u>
 Deferred inflows of resources	<u>189,844</u>	<u>875,650</u>	<u>236,365</u>	<u>99,597</u>	<u>1,401,456</u>	<u>392,588</u>
 Net position						
Net investment in capital assets	39,773,821	34,243,483	25,987,997	1,001,030	101,006,331	4,845,815
Unrestricted	<u>39,355,471</u>	<u>26,722,401</u>	<u>7,564,263</u>	<u>551,402</u>	<u>74,193,537</u>	<u>16,290,744</u>
Total net position	<u>\$ 79,129,292</u>	<u>\$ 60,965,884</u>	<u>\$ 33,552,260</u>	<u>\$ 1,552,432</u>	175,199,868	<u>\$ 21,136,559</u>
 Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					4,962,990	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>3,350,292</u>	
Net position of business-type activities					<u>\$183,513,150</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, 2024

Exhibit 7

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Operating revenues						
Charges for sales and services	\$ 45,377,909	\$ 15,020,867	\$ 13,345,901	\$ 2,485,230	\$ 76,229,907	\$ 15,374,458
Other operating	410,870	815,945	107,188	2,808	1,336,811	1,537,101
Total operating revenues	<u>45,788,779</u>	<u>15,836,812</u>	<u>13,453,089</u>	<u>2,488,038</u>	<u>77,566,718</u>	<u>16,911,559</u>
Operating expenses						
Cost of sales and services	10,918,407	485,355	4,095,778	2,291,311	17,790,851	2,371,788
Purchases for resale	27,800,488	-	4,430,190	-	32,230,678	-
Water treatment	-	2,590,867	-	-	2,590,867	-
Waste collection and treatment	-	4,138,459	-	-	4,138,459	-
Water and wastewater construction	-	2,705,166	-	-	2,705,166	-
Administration	3,491,140	2,310,126	2,141,093	573,906	8,516,265	6,573,639
Premiums	-	-	-	-	-	1,580,996
Claims	-	-	-	-	-	4,937,677
Depreciation	1,384,476	1,434,701	823,671	283,604	3,926,452	266,067
Overhead capitalized	<u>(1,528,945)</u>	<u>(37,022)</u>	<u>(383,713)</u>	<u>-</u>	<u>(1,949,680)</u>	<u>-</u>
Total operating expenses	<u>42,065,566</u>	<u>13,627,652</u>	<u>11,107,019</u>	<u>3,148,821</u>	<u>69,949,058</u>	<u>15,730,167</u>
Operating income (loss)	3,723,213	2,209,160	2,346,070	(660,783)	7,617,660	1,181,392
Nonoperating revenues (expenses)						
Federal Build America Bond interest credit	-	1,818	5,152	-	6,970	-
Investment earnings	1,557,312	1,151,369	264,712	76,781	3,050,174	1,055,873
Restricted intergovernmental	-	196,584	-	-	196,584	-
Gain (loss) on sale of property	32,107	17,038	(4,164)	-	44,981	14,842
Interest and other charges	<u>(62,382)</u>	<u>(83,147)</u>	<u>(13,618)</u>	<u>(1,834)</u>	<u>(160,981)</u>	<u>(462,660)</u>
Total nonoperating revenues (expenses)	<u>1,527,037</u>	<u>1,283,662</u>	<u>252,082</u>	<u>74,947</u>	<u>3,137,728</u>	<u>608,055</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2024

Exhibit 7
continued

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non- Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Income (loss) before transfers	\$ 5,250,250	\$ 3,492,822	\$ 2,598,152	\$ (585,836)	\$ 10,755,388	\$ 1,789,447
Capital contributions	879,212	-	-	-	879,212	-
Transfers from other funds	-	-	-	400,000	400,000	-
Transfers to other funds	<u>(1,200,000)</u>	<u>-</u>	<u>(1,168,103)</u>	<u>-</u>	<u>(2,368,103)</u>	<u>-</u>
Change in net position	4,929,462	3,492,822	1,430,049	(185,836)	9,666,497	1,789,447
Net position - beginning	<u>74,199,830</u>	<u>57,473,062</u>	<u>32,122,211</u>	<u>1,738,268</u>		<u>19,347,112</u>
Net position - ending	<u>\$ 79,129,292</u>	<u>\$ 60,965,884</u>	<u>\$ 33,552,260</u>	<u>\$ 1,552,432</u>		<u>\$ 21,136,559</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,194,792	
Adjustment to reflect the profit/(loss) distribution of internal service fund activities related to governmental funds					<u>(59,536)</u>	
Change in net position - business-type activities					<u>\$ 10,801,753</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, 2024

Exhibit 8

	Business-type Activities - Enterprise Funds					
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	Internal Service Funds
	Electric	Water and Wastewater	Natural Gas			
Cash flows from operating activities						
Cash received from customers	\$ 43,393,887	\$ 14,621,960	\$ 13,275,079	\$ 2,436,558	\$ 73,727,484	\$ -
Cash received (paid) for interfund services provided (used)	(3,491,140)	(2,310,126)	(2,141,093)	(573,906)	(8,516,265)	15,363,169
Cash paid for goods and services	(40,730,359)	(4,769,057)	(6,498,851)	(907,037)	(52,905,304)	(12,802,519)
Cash paid to employees	(61,068)	(4,538,391)	(2,055,029)	(1,199,600)	(7,854,088)	(2,699,251)
Other operating income	410,870	810,599	107,188	2,808	1,331,465	1,537,101
Net cash provided (used) by operating activities	<u>(477,810)</u>	<u>3,814,985</u>	<u>2,687,294</u>	<u>(241,177)</u>	<u>5,783,292</u>	<u>1,398,500</u>
Cash flows from noncapital financing activities						
Operating grants	-	196,584	-	-	196,584	-
Transfers from other funds	-	-	-	400,000	400,000	-
Transfers to other funds	<u>(1,200,000)</u>	<u>-</u>	<u>(1,168,103)</u>	<u>-</u>	<u>(2,368,103)</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(1,200,000)</u>	<u>196,584</u>	<u>(1,168,103)</u>	<u>400,000</u>	<u>(1,771,519)</u>	<u>-</u>
Cash flows from capital and related financing activities						
Repayments on advances (from) to other funds	388,035	-	-	(24,724)	363,311	(255,739)
Subscription liabilities issued	-	-	-	-	-	85,475
Capital grants and contributions	879,212	-	-	-	879,212	-
Acquisition and construction of capital assets	(1,339,952)	(2,615,118)	(718,905)	(241,997)	(4,915,972)	(9,712,578)
Federal Build America Bond interest credit	-	1,818	5,152	-	6,970	-
Principal paid on lease liabilities and debt	(344,836)	(639,858)	(141,348)	-	(1,126,042)	(749,398)
Interest and other charges paid on lease liabilities and debt	(64,484)	(84,589)	(15,429)	(440)	(164,942)	(496,748)
Proceeds from the sale of assets	<u>52,000</u>	<u>17,038</u>	<u>4,775</u>	<u>-</u>	<u>73,813</u>	<u>16,235</u>
Net cash provided (used) by capital and related financing activities	<u>(430,025)</u>	<u>(3,320,709)</u>	<u>(865,755)</u>	<u>(267,161)</u>	<u>(4,883,650)</u>	<u>(11,112,753)</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2024

Exhibit 8
continued

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non- Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Cash flows from investing activities						
Receipts of investment earnings	\$ 1,553,257	\$ 1,148,041	\$ 263,845	\$ 76,611	\$ 3,041,754	\$ 1,053,194
Net cash provided by investing activities	<u>1,553,257</u>	<u>1,148,041</u>	<u>263,845</u>	<u>76,611</u>	<u>3,041,754</u>	<u>1,053,194</u>
Net increase (decrease) in cash and cash equivalents	(554,578)	1,838,901	917,281	(31,727)	2,169,877	(8,661,059)
Cash and cash equivalents - beginning	<u>29,573,703</u>	<u>26,852,551</u>	<u>5,487,969</u>	<u>1,122,827</u>	<u>63,037,050</u>	<u>29,253,273</u>
Cash and cash equivalents - ending	<u>\$ 29,019,125</u>	<u>\$ 28,691,452</u>	<u>\$ 6,405,250</u>	<u>\$ 1,091,100</u>	<u>\$ 65,206,927</u>	<u>\$ 20,592,214</u>

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2024

Exhibit 8
continued

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non-Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating income (loss)	\$ 3,723,213	\$ 2,209,160	\$ 2,346,070	\$ (660,783)	\$ 7,617,660	\$ 1,181,392
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Charges for sales and services - value of "trade rounds" provided in lieu of subscription payments	-	-	-	(26,400)	(26,400)	-
Depreciation and amortization	1,384,476	1,434,701	823,671	283,604	3,926,452	266,067
Overhead capitalized	(1,528,945)	(37,022)	(383,713)	-	(1,949,680)	-
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	(1,984,022)	(398,907)	(70,822)	(22,272)	(2,476,023)	(11,289)
(Increase) decrease in lease and related interest receivable	-	24,837	-	-	24,837	-
(Increase) decrease in intergovernmental receivable	(85,337)	48,976	1,781	3,227	(31,353)	(114,027)
(Increase) decrease in inventory	(2,021,631)	(23,100)	(84,242)	(13,034)	(2,142,007)	(40,999)
(Increase) decrease in prepaid items	-	-	-	-	-	(110,000)
(Increase) decrease in equity interest in joint venture	-	(12,318)	-	-	(12,318)	-
(Increase) decrease in deferred outflows of resources - pensions	-	(48,200)	(20,504)	(45,722)	(114,426)	(139,655)
(Increase) decrease in deferred outflows of resources - OPEB	30,989	(14,944)	22,784	(365)	38,464	38,152
Increase (decrease) in accounts payable and accrued liabilities	259,553	560,799	38,320	81,291	939,963	(1,469,703)
(Increase) decrease in capital-related payable amounts	(45,559)	(393,938)	(13,421)	-	(452,918)	1,499,548
(Increase) decrease in amounts accrued related to interest on capital debt	2,102	1,442	1,811	(83)	5,272	3,934
Increase (decrease) in customer deposits	(81,371)	4,306	4,320	(2,450)	(75,195)	-
Increase (decrease) in unpaid claims cost	-	-	-	-	-	(12,263)
Increase (decrease) in compensated absences	-	15,118	(12,084)	26,051	29,085	65,984

Continued on next page.

City of Lexington, North Carolina
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2024

Exhibit 8
continued

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Major Funds			Total Non- Major Funds	Total Enterprise Funds	
	Electric	Water and Wastewater	Natural Gas			
Increase (decrease) in net pension liability	-	266,529	119,180	114,154	499,863	387,597
Increase (decrease) in total OPEB liability	(175,360)	5,267	(139,460)	(9,602)	(319,155)	(232,741)
Increase (decrease) in deferred inflows of resources - pensions	-	(26,263)	(12,004)	(5,023)	(43,290)	(20,927)
Increase (decrease) in deferred inflows of resources - OPEB	44,082	228,725	65,607	36,230	374,644	107,430
Increase (decrease) in deferred inflows of resources - leases	-	(30,183)	-	-	(30,183)	-
Total adjustments	<u>(4,201,023)</u>	<u>1,605,825</u>	<u>341,224</u>	<u>419,606</u>	<u>(1,834,368)</u>	<u>217,108</u>
Net cash provided (used) by operating activities	<u>\$ (477,810)</u>	<u>\$ 3,814,985</u>	<u>\$ 2,687,294</u>	<u>\$ (241,177)</u>	<u>\$ 5,783,292</u>	<u>\$ 1,398,500</u>

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

**City of Lexington, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2024**

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

City of Lexington Board of Alcoholic Control

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

Lexington Tourism Authority

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

Uptown Lexington, Inc.

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

Front Street-Lexington, LLC

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, intergovernmental revenues and transfers from Enterprise Funds. The primary expenditures are for public safety, highways and streets, sanitation, culture and recreation, and general governmental services. Additionally, the City has legally adopted a Governmental Capital Reserve Fund. Under GASB 54 Guidance the Governmental Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Governmental Capital Reserve Fund has been included in the supplemental information.

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

The City reports the following nonmajor governmental funds:

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

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

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

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

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

General Capital Projects Fund – The City’s General Capital Projects Fund represents various aspects of construction or acquisition related to its capital improvements planning process.

The City reports the following major enterprise funds:

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

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

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

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

The City reports the following nonmajor enterprise funds:

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

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

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

The City reports the following fund type:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Lexington because the tax is levied by Davidson County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to

accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

D. Budgetary Data

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

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

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

1. Deposits and Investments

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

State law [G.S. 159-30] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. The NCCMT, which consists of a SEC-registered mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries, government agencies, and collateralized repurchase agreements, is a money market mutual fund (2a-7) and maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. It is reported at fair value.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Unexpended debt proceeds for a Water and Wastewater Fund project are classified as restricted cash because its use is restricted to the purpose for which the debt was originally issued. Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected.

<u>City of Lexington Restricted Cash</u>	
Governmental Activities	
General Fund	
Customer deposits	\$ 68,165
Total Governmental Activities	<u>\$ 68,165</u>
 Business-type Activities	
Electric Fund	
Customer deposits	\$ 572,204
Water and Wastewater Fund	
Customer deposits	65,586
Unexpended debt proceeds	1,575,283
Natural Gas Fund	
Customer deposits	129,300
Golf Fund	
Customer deposits	<u>550</u>
Total Business-type Activities	<u>\$ 2,342,923</u>
 Total Restricted Cash	 <u><u>\$ 2,411,088</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2023.

5. Allowances for Doubtful Accounts

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

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

6. Leases Receivable

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

7. Inventories and Prepaid Items

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

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

8. Capital Assets

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

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

The City has recorded the right-to-use subscription assets related to subscription-based information technology arrangements (SBITAs) as a result of implementing GASB 96. The right-to-use subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus payments made to the SBITA vendor before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

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

Asset Class	Estimated Useful Lives
Infrastructure	50 years
Plant facilities and systems	20 to 50 years
Buildings	20 to 50 years
Furniture and office equipment	10 years
Maintenance and construction equipment	7 years
Motor vehicles	5 to 7 years
Intangible assets	5 years
Computer equipment	3 years

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

9. Deferred Outflows/Inflows of Resources

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

10. Long-Term Obligations

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

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

11. Compensated Absences

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

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

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

12. Reimbursements for Pandemic-Related Expenditures

In fiscal year 2020-21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The City was allocated \$6,033,899 in American Rescue Plan funding and has received the full allocation. The City elected to use all of its ARPA funding as revenue replacement for the Water and Wastewater Fund and has used those funds to fund Water and Wastewater personnel costs. These funds, along with investment earnings on those funds, were transferred from the ARPA Grant Project Special Revenue Fund to the Water and Wastewater Fund during the fiscal year ended June 30, 2023, and as of June 30, 2024 all ARPA funds have been fully expended on Water and Wastewater personnel costs.

13. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

Prepaid Items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

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

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

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

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

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

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

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

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

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

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

Committed for Recreation Facilities and Equipment – portion of fund balance that is committed for future Recreation facilities and equipment, including \$298,325 for the Recreation Center Development Project

Committed for Other – portion of fund balance that is committed for other purposes, including \$4,154 for City Council improvements to their neighborhoods (neighborhood revitalization program), \$105,614 for ADA (Americans with Disabilities Act) Transition Plan funding, \$185,399 for future General Government facilities and equipment, and \$288,834 for the redevelopment of the Lexington Furniture Industries Inc. Plant #1 property acquired by the City.

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

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

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

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

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

14. Defined Benefit Cost-Sharing Plans

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

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

2. Detailed Notes On All Funds

A. Assets

1. Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing

deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has a formal investment policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2024, the City's deposits had a carrying amount of \$49,664,909 and a bank balance of \$50,670,773. Of the City's actual bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2024, the City's petty cash fund totaled \$6,250.

2. Investments

At June 30, 2024, the City had the following investments and maturities:

Investment Type	Valuation	Fair Value	Less Than		
	Measurement Method		6 Months	6-12 Months	1-3 Years
US Government Agencies	Fair Value-Level 2	\$ 7,982,853	\$ 5,985,769	\$ -	\$ 1,997,084
NC Capital Management Trust - Government Portfolio	Fair Value-Level 1	\$ 49,335,060	\$49,335,060	\$ -	\$ -
Total		<u>\$ 57,317,913</u>	<u>\$ 55,320,829</u>	<u>\$ -</u>	<u>\$ 1,997,084</u>

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

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

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

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

Credit Risk. The City's investment policy limits the City's investments to the provisions of G.S. 159-30 and State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard and Poor's and AAAMf by Moody's Investor Service as of June 30, 2024. The NC Capital Management Trust is a SEC registered money market mutual fund operating in accordance with Rule 2a-7 of the Investment Act of 1940. The City's investments in US Agencies (Federal Home Loan Bank) 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%

3. Receivables – Allowances for Doubtful Accounts

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

<u>General Fund</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<u>\$ 887,000</u>	<u>\$ 300</u>	<u>\$ 887,300</u>

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

4. Leases Receivable

In March 2018, the City entered into a lease for warehouse space with a company doing business in Lexington. This lease is accounted for as a governmental activity. An initial lease receivable was recorded in the amount of \$250,285 on July 1, 2021. Under the lease the company pays the City monthly rental payments for five years in exchange for the use of the warehouse space. The lease contains options for two one-year renewals, which were exercised by the company. Scheduled monthly rental payments under the term of the lease are as follows:

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

The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.727%, which is estimated to be the City’s incremental borrowing rate. As of June 30, 2024, the City’s remaining lease receivable was \$63,161. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflow of resources was \$62,390. The City recognized \$93,585 of lease revenue and \$781 of interest revenue during the current fiscal year related to this lease.

In January 2009, the City entered into a lease with a cellular service provider for space on its water tower. This lease is accounted for as a business-type activity. An initial lease receivable was recorded in the amount of \$377,287 on July 1, 2021. Under the lease the company pays the City monthly rental

payments for five years in exchange for space on the City’s water tower for mounting it’s antenna. The lease contains options for four five-year renewals and the City believes that it is likely that all the renewal options will be exercised. Scheduled monthly rental payments under the term of the lease are as follows:

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

The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.836%, which is estimated to be the City’s incremental borrowing rate. As of June 30, 2024, the City’s remaining lease receivable was \$307,842. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2024, the balance of the deferred inflow of resources was \$286,738. The City recognized \$30,183 of lease revenue and \$5,871 of interest revenue during the current fiscal year related to this lease.

The future principal and interest expected to maturity as of June 30, 2024 are as follows:

Year Ending June 30	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>	<u>Principal Payments</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 63,161	\$ 172	\$ 63,333	\$ 27,429	\$ 5,422	\$ 32,851
2026	-	-	-	27,937	4,914	32,851
2027	-	-	-	28,454	4,397	32,851
2028	-	-	-	28,981	3,870	32,851
2029	-	-	-	31,991	3,324	35,315
2030-2034	-	-	-	163,050	6,953	170,003
	<u>\$ 63,161</u>	<u>\$ 172</u>	<u>\$ 63,333</u>	<u>\$ 307,842</u>	<u>\$ 28,880</u>	<u>\$ 336,722</u>

The leases receivable activity for City of Lexington for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental Activities	\$ 63,161	\$ 94,170	\$ (94,170)	\$ 63,161	\$ 63,161
Business-Type Activities	332,641	-	(24,799)	307,842	27,429
	<u>\$ 395,802</u>	<u>\$ 94,170</u>	<u>\$ (118,969)</u>	<u>\$ 371,003</u>	<u>\$ 90,590</u>

5. Due from Other Governments

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Local option sales tax	\$ 1,919,074	\$ -	\$ 1,919,074
Utilities sales tax	490,628	-	490,628
Piped natural gas sales tax	56,166	-	56,166
Telecommunications tax	27,537	-	27,537
Local video programming revenue	28,793	-	28,793
Solid waste disposal tax	3,749	-	3,749
Sales and use tax refund	219,452	930,383	1,149,835
Federal and state grant funding	161,877	196,584	358,461
Unremitted property tax collections	233,121	-	233,121
	<u>\$ 3,140,397</u>	<u>\$ 1,126,967</u>	<u>\$ 4,267,364</u>

6. Capital Assets

a. Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>General governmental assets</i>				
Capital assets not being depreciated:				
Land	\$ 4,521,534	\$ -	\$ (1,997,720)	\$ 2,523,814
Construction in progress	1,553,741	12,270	-	1,566,011
Total capital assets not being depreciated	<u>6,075,275</u>	<u>12,270</u>	<u>(1,997,720)</u>	<u>4,089,825</u>
Capital assets being depreciated:				
Buildings	17,085,173	-	-	17,085,173
Other improvements	8,375,199	189,284	-	8,564,483
Equipment & vehicles	18,171,928	1,895,210	(396,813)	19,670,325
Infrastructure	54,234,255	-	-	54,234,255
Intangibles	2,811,147	-	-	2,811,147
Total capital assets being depreciated	<u>100,677,702</u>	<u>2,084,494</u>	<u>(396,813)</u>	<u>102,365,383</u>
Less accumulated depreciation for:				
Buildings	9,840,335	279,713	-	10,120,048
Other improvements	4,806,629	366,501	-	5,173,130
Equipment & vehicles	12,551,151	1,811,556	(396,813)	13,965,894
Infrastructure	42,131,728	1,015,765	-	43,147,493
Intangibles	2,527,548	73,786	-	2,601,334
Total accumulated depreciation	<u>71,857,391</u>	<u>3,547,321</u>	<u>(396,813)</u>	<u>75,007,899</u>
Total capital assets being depreciated, net	<u>28,820,311</u>	<u>(1,462,827)</u>	<u>-</u>	<u>27,357,484</u>
Capital assets not being amortized:				
Right to use assets:				
IT subscriptions in progress	56,924	49,661	(50,536)	56,049
Total capital assets not being amortized	<u>56,924</u>	<u>49,661</u>	<u>(50,536)</u>	<u>56,049</u>
Capital assets being amortized:				
Right to use assets:				
Leased land	149,591	-	-	149,591
IT subscriptions	37,613	81,527	-	119,140
Total capital assets being amortized	<u>187,204</u>	<u>81,527</u>	<u>-</u>	<u>268,731</u>
Less accumulated amortization for:				
Right to use assets:				
Leased land	38,925	19,463	-	58,388
IT subscriptions	10,992	23,364	-	34,356
Total accumulated amortization	<u>49,917</u>	<u>42,827</u>	<u>-</u>	<u>92,744</u>
Total capital assets being amortized, net	<u>(49,917)</u>	<u>(42,827)</u>	<u>-</u>	<u>175,987</u>
General governmental capital assets, net	<u>\$ 34,902,593</u>	<u>\$ (1,443,723)</u>	<u>\$ (2,048,256)</u>	<u>\$ 31,679,345</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental-type Internal Service Funds				
Capital assets not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets not being depreciated	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Capital assets being depreciated:				
Buildings	90,000	-	-	90,000
Other improvements	113,045	-	-	113,045
Equipment & vehicles	1,063,381	12,530	(69,622)	1,006,289
Intangibles	9,845	-	-	9,845
Total capital assets being depreciated	<u>1,276,271</u>	<u>12,530</u>	<u>(69,622)</u>	<u>1,219,179</u>
Less accumulated depreciation for:				
Buildings	81,000	-	-	81,000
Other improvements	101,741	-	-	101,741
Equipment & vehicles	915,904	61,799	(69,622)	908,081
Intangibles	9,845	-	-	9,845
Total accumulated depreciation	<u>1,108,490</u>	<u>61,799</u>	<u>(69,622)</u>	<u>1,100,667</u>
Total capital assets being depreciated, net	<u>167,781</u>	<u>(49,269)</u>	<u>-</u>	<u>118,512</u>
Capital assets being amortized:				
Right to use assets:				
IT subscriptions	10,525	-	-	10,525
Total capital assets being amortized	<u>10,525</u>	<u>-</u>	<u>-</u>	<u>10,525</u>
Less accumulated amortization for:				
Right to use assets:				
IT subscriptions	3,518	3,518	-	7,036
Total accumulated amortization	<u>3,518</u>	<u>3,518</u>	<u>-</u>	<u>7,036</u>
Total capital assets being amortized, net	<u>7,007</u>	<u>(3,518)</u>	<u>-</u>	<u>3,489</u>
Governmental-type Internal Service Funds capital assets, net	<u>\$ 189,788</u>	<u>\$ (52,787)</u>	<u>\$ -</u>	<u>\$ 137,001</u>
Summary of governmental activity capital assets				
Land and construction in progress	\$ 6,090,275	\$ 12,270	\$ (1,997,720)	\$ 4,104,825
Other capital assets being depreciated	101,953,973	2,097,024	(466,435)	103,584,562
Accumulated depreciation	<u>72,965,881</u>	<u>3,609,120</u>	<u>(466,435)</u>	<u>76,108,566</u>
Other capital assets, net of accumulated depreciation	<u>28,988,092</u>	<u>(1,512,096)</u>	<u>-</u>	<u>27,475,996</u>
Right to use assets not being amortized	<u>56,924</u>	<u>49,661</u>	<u>(50,536)</u>	<u>56,049</u>
Right to use assets being amortized	197,729	81,527	-	279,256
Accumulated amortization	<u>53,435</u>	<u>46,345</u>	<u>-</u>	<u>99,780</u>
Right to use assets, net of accumulated amortization	<u>144,294</u>	<u>35,182</u>	<u>-</u>	<u>179,476</u>
Governmental activity capital assets, net	<u>\$ 35,279,585</u>	<u>\$ (1,414,983)</u>	<u>\$ (2,048,256)</u>	<u>\$ 31,816,346</u>

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

Depreciation/Amortization Expense

General government	\$ 285,330
Public safety	838,012
Highways and streets	1,211,217
Sanitation	576,784
Cultural and recreation	524,785
Economic and physical development	24,255
Capital assets held by internal service funds	<u>65,317</u>
<i>Total depreciation/amortization expense</i>	<u>3,525,700</u>

Increases in Accumulated Depreciation/Amortization Related to Capital Asset Transfers

Equipment & vehicles	129,765
Equipment & vehicles - Internal Service Funds	<u>-</u>
<i>Total accumulated depreciation/amortization transferred</i>	<u>129,765</u>

Total Accumulated Depreciation/Amortization Increases \$ 3,655,465

There was a transfer of assets to public grounds, a governmental activity, from the Natural Gas Fund, a business-type activity. The General Fund paid \$0 for the assets, which had an original acquisition cost of \$102,438 and accumulated depreciation of \$102,438.

There was a transfer of assets to highways and streets, a governmental activity, from the Water and Wastewater Fund, a business-type activity. The General Fund paid \$0 for the assets, which had an original acquisition cost of \$25,933 and accumulated depreciation of \$25,933.

There was a transfer of assets to finance, a governmental activity, from the Utility Administration Fund, an internal service fund. The General Fund paid \$1,394 for the assets, which had an original acquisition cost of \$2,787 and accumulated depreciation of \$1,393.

There was a transfer of assets to the Stormwater Fund, a business-type activity, from general government, a governmental activity. The Stormwater Fund paid \$0 for the assets, which had an original acquisition cost of \$160,849 and accumulated depreciation of \$160,849.

There was a transfer of assets to the Natural Gas Fund, a business-type activity, from the Water and Wastewater Fund, a business-type activity. The Natural Gas Fund paid \$0 for the asset, which had an original acquisition cost of \$32,004 and accumulated depreciation of \$32,004.

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Electric Fund</i>				
Capital assets not being depreciated:				
Land	\$ 637,286	\$ -	\$ -	\$ 637,286
Construction in progress	<u>3,216,550</u>	<u>730,493</u>	<u>-</u>	<u>3,947,043</u>
Total capital assets not being depreciated	<u>3,853,836</u>	<u>730,493</u>	<u>-</u>	<u>4,584,329</u>
Capital assets being depreciated:				
Buildings	2,987,612	-	-	2,987,612
Other improvements	27,509	-	-	27,509
Plant and distribution systems	66,363,367	1,778,577	(198,936)	67,943,008
Equipment & vehicles	<u>3,685,891</u>	<u>405,386</u>	<u>(241,153)</u>	<u>3,850,124</u>
Total capital assets being depreciated	<u>73,064,379</u>	<u>2,183,963</u>	<u>(440,089)</u>	<u>74,808,253</u>
Less accumulated depreciation for:				
Buildings	268,885	53,777	-	322,662
Other improvements	2,638	1,506	-	4,144
Plant and distribution systems	33,764,959	820,752	(179,043)	34,406,668
Equipment & vehicles	<u>2,257,209</u>	<u>508,441</u>	<u>(241,153)</u>	<u>2,524,497</u>
Total accumulated depreciation	<u>36,293,691</u>	<u>1,384,476</u>	<u>(420,196)</u>	<u>37,257,971</u>
Total capital assets being depreciated, net	<u>36,770,688</u>	<u>799,487</u>	<u>(19,893)</u>	<u>37,550,282</u>
Electric Fund capital assets, net	<u>\$ 40,624,524</u>	<u>\$ 1,529,980</u>	<u>\$ (19,893)</u>	<u>\$ 42,134,611</u>
 <i>Water and Wastewater Fund</i>				
Capital assets not being depreciated:				
Land	\$ 865,590	\$ -	\$ -	\$ 865,590
Construction in progress	<u>2,321,457</u>	<u>2,621,168</u>	<u>-</u>	<u>4,942,625</u>
Total capital assets not being depreciated	<u>3,187,047</u>	<u>2,621,168</u>	<u>-</u>	<u>5,808,215</u>
Capital assets being depreciated:				
Buildings	699,043	-	-	699,043
Other improvements	21,000	-	-	21,000
Plant and distribution systems	73,083,394	37,022	-	73,120,416
Equipment & vehicles	<u>4,757,668</u>	<u>387,888</u>	<u>(213,597)</u>	<u>4,931,959</u>
Total capital assets being depreciated	<u>78,561,105</u>	<u>424,910</u>	<u>(213,597)</u>	<u>78,772,418</u>
Less accumulated depreciation for:				
Buildings	195,494	11,070	-	206,564
Other improvements	18,900	-	-	18,900
Plant and distribution systems	42,225,041	1,018,427	-	43,243,468
Equipment & vehicles	<u>3,564,988</u>	<u>405,204</u>	<u>(213,597)</u>	<u>3,756,595</u>
Total accumulated depreciation	<u>46,004,423</u>	<u>1,434,701</u>	<u>(213,597)</u>	<u>47,225,527</u>
Total capital assets being depreciated, net	<u>32,556,682</u>	<u>(1,009,791)</u>	<u>-</u>	<u>31,546,891</u>
Water and Wastewater Fund capital assets, net	<u>\$ 35,743,729</u>	<u>\$ 1,611,377</u>	<u>\$ -</u>	<u>\$ 37,355,106</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Natural Gas Fund</i>				
Capital assets not being depreciated:				
Land	\$ 303,049	\$ -	\$ -	\$ 303,049
Construction in progress	452,812	208,099	-	660,911
Total capital assets not being depreciated	<u>755,861</u>	<u>208,099</u>	<u>-</u>	<u>963,960</u>
Capital assets being depreciated:				
Buildings	1,969,152	-	-	1,969,152
Plant and distribution systems	35,973,536	383,713	(89,396)	36,267,853
Equipment & vehicles	2,433,046	556,231	(136,113)	2,853,164
Total capital assets being depreciated	<u>40,375,734</u>	<u>939,944</u>	<u>(225,509)</u>	<u>41,090,169</u>
Less accumulated depreciation for:				
Buildings	361,179	35,454	-	396,633
Plant and distribution systems	13,438,788	391,277	(80,457)	13,749,608
Equipment & vehicles	1,464,105	428,944	(136,113)	1,756,936
Total accumulated depreciation	<u>15,264,072</u>	<u>855,675</u>	<u>(216,570)</u>	<u>15,903,177</u>
Total capital assets being depreciated, net	<u>25,111,662</u>	<u>84,269</u>	<u>(8,939)</u>	<u>25,186,992</u>
Natural Gas Fund capital assets, net	<u>\$ 25,867,523</u>	<u>\$ 292,368</u>	<u>\$ (8,939)</u>	<u>\$ 26,150,952</u>
<i>Stormwater Fund</i>				
Capital assets being depreciated:				
Equipment & vehicles	\$ 593,650	\$ 269,990	\$ -	\$ 863,640
Total capital assets being depreciated	<u>593,650</u>	<u>269,990</u>	<u>-</u>	<u>863,640</u>
Less accumulated depreciation for:				
Equipment & vehicles	350,935	225,513	-	576,448
Total accumulated depreciation	<u>350,935</u>	<u>225,513</u>	<u>-</u>	<u>576,448</u>
Total capital assets being depreciated, net	<u>242,715</u>	<u>44,477</u>	<u>-</u>	<u>287,192</u>
Stormwater Fund capital assets, net	<u>\$ 242,715</u>	<u>\$ 44,477</u>	<u>\$ -</u>	<u>\$ 287,192</u>
<i>Golf Fund</i>				
Capital assets not being depreciated:				
Land	\$ 40,728	\$ -	\$ -	\$ 40,728
Total capital assets not being depreciated	<u>40,728</u>	<u>-</u>	<u>-</u>	<u>40,728</u>
Capital assets being depreciated:				
Buildings	61,500	-	-	61,500
Other improvements	2,157,984	132,856	-	2,290,840
Equipment & vehicles	754,897	-	-	754,897
Total capital assets being depreciated	<u>2,974,381</u>	<u>132,856</u>	<u>-</u>	<u>3,107,237</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated depreciation for:				
Buildings	45,765	810	-	46,575
Other improvements	1,726,933	100,256	-	1,827,189
Equipment & vehicles	467,585	92,315	-	559,900
Total accumulated depreciation	<u>2,240,283</u>	<u>193,381</u>	<u>-</u>	<u>2,433,664</u>
Total capital assets being depreciated, net	<u>734,098</u>	<u>(60,525)</u>	<u>-</u>	<u>673,573</u>
Capital assets being amortized:				
Right to use assets:				
IT subscriptions	<u>72,630</u>	<u>-</u>	<u>-</u>	<u>72,630</u>
Total capital assets being amortized	<u>72,630</u>	<u>-</u>	<u>-</u>	<u>72,630</u>
Less accumulated amortization for:				
Right to use assets:				
IT subscriptions	<u>213</u>	<u>25,559</u>	<u>-</u>	<u>25,772</u>
Total accumulated amortization	<u>213</u>	<u>25,559</u>	<u>-</u>	<u>25,772</u>
Total capital assets being amortized, net	<u>72,417</u>	<u>(25,559)</u>	<u>-</u>	<u>46,858</u>
Golf Fund capital assets, net	<u>\$ 847,243</u>	<u>\$ (86,084)</u>	<u>\$ -</u>	<u>\$ 761,159</u>

Business-type Internal Service Funds

Capital assets not being depreciated:

Land	\$ 445,430	\$ -	\$ -	\$ 445,430
Construction in progress	<u>7,922,989</u>	<u>7,886,293</u>	<u>-</u>	<u>15,809,282</u>
Total capital assets not being depreciated	<u>8,368,419</u>	<u>7,886,293</u>	<u>-</u>	<u>16,254,712</u>

Capital assets being depreciated:

Buildings	3,220,114	-	-	3,220,114
Other improvements	3,163,255	-	-	3,163,255
Equipment & vehicles	836,227	228,732	(26,362)	1,038,597
Intangibles	<u>1,551,812</u>	<u>-</u>	<u>-</u>	<u>1,551,812</u>
Total capital assets being depreciated	<u>8,771,408</u>	<u>228,732</u>	<u>(26,362)</u>	<u>8,973,778</u>

Less accumulated depreciation for:

Buildings	946,469	48,336	-	994,805
Other improvements	3,163,255	-	-	3,163,255
Equipment & vehicles	554,869	119,868	(24,969)	649,768
Intangibles	<u>1,536,994</u>	<u>14,817</u>	<u>-</u>	<u>1,551,811</u>
Total accumulated depreciation	<u>6,201,587</u>	<u>183,021</u>	<u>(24,969)</u>	<u>6,359,639</u>
Total capital assets being depreciated, net	<u>2,569,821</u>	<u>45,711</u>	<u>(1,393)</u>	<u>2,614,139</u>

Capital assets being amortized:

Right to use assets:

Leased equipment & vehicles	13,610	-	-	13,610
IT subscriptions	<u>26,965</u>	<u>85,475</u>	<u>(26,965)</u>	<u>85,475</u>
Total capital assets being amortized	<u>40,575</u>	<u>85,475</u>	<u>(26,965)</u>	<u>99,085</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Less accumulated amortization for:				
Right to use assets:				
Leased equipment & vehicles	7,650	3,825	-	11,475
IT subscriptions	13,615	13,904	(26,965)	554
Total accumulated amortization	21,265	17,729	(26,965)	12,029
Total capital assets being amortized, net	19,310	67,746	-	87,056
Business-type Internal Service Funds capital assets, net	\$ 10,957,550	\$ 7,999,750	\$ (1,393)	\$ 18,955,907
Summary of business-type activity capital assets				
Land and construction in progress	\$ 16,205,891	\$ 11,446,053	\$ -	\$ 27,651,944
Other capital assets being depreciated	204,340,657	4,180,395	(905,557)	207,615,495
Accumulated depreciation	106,354,991	4,276,767	(875,332)	109,756,426
Other capital assets, net of accumulated depreciation	97,985,666	(96,372)	(30,225)	97,859,069
Right to use assets being amortized	113,205	85,475	(26,965)	171,715
Accumulated amortization	21,478	43,288	(26,965)	37,801
Right to use assets, net of accumulated amortization	91,727	42,187	-	133,914
Business-type activities capital assets, net	\$ 114,283,284	\$ 11,391,868	\$ (30,225)	\$ 125,644,927

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

Depreciation/Amortization Expense

Electric	\$ 1,384,476
Water and Wastewater	1,434,701
Natural Gas	823,671
Stormwater	64,663
Golf	218,940
Capital assets held by internal service funds	200,749
<i>Total depreciation/amortization expense</i>	<u>4,127,200</u>

Increases in Accumulated Depreciation/Amortization Related to Capital Asset Transfers

Equipment & vehicles - Electric Fund	-
Equipment & vehicles - Water and Wastewater Fund	-
Equipment & vehicles - Stormwater Fund	160,849
Equipment & vehicles - Internal Service Funds	-
<i>Total accumulated depreciation/amortization transferred</i>	<u>160,849</u>
Total Accumulated Depreciation/Amortization Increases	<u>\$ 4,288,049</u>

There was a transfer of assets from the Natural Gas Fund, a business-type activity, to public grounds, a governmental activity. The General Fund paid \$0 for the assets, which had an original acquisition cost of \$102,438 and accumulated depreciation of \$102,438.

There was a transfer of assets from the Water and Wastewater Fund, a business-type activity, to highways and streets, a governmental activity. The General Fund paid \$0 for the assets, which had an original acquisition cost of \$25,933 and accumulated depreciation of \$25,933.

There was a transfer of assets from the Utility Administration Fund, an internal service fund, to finance, a governmental activity. The General Fund paid \$1,394 for the assets, which had an original acquisition cost of \$2,787 and accumulated depreciation of \$1,393.

There was a transfer of assets from general government, a governmental activity, to the Stormwater Fund, a business-type activity. The Stormwater Fund paid \$0 for the assets, which had an original acquisition cost of \$160,849 and accumulated depreciation of \$160,849.

There was a transfer of assets from the Water and Wastewater Fund, a business-type activity, to the Natural Gas Fund, a business-type activity. The Natural Gas Fund paid \$0 for the asset, which had an original acquisition cost of \$32,004 and accumulated depreciation of \$32,004.

b. Construction Commitments

The government has active construction projects as of June 30, 2024. At year-end, the government’s remaining commitments for active projects are as follows:

	<u>Spent To Date</u>	<u>Remaining Commitments</u>
General Capital Projects Fund		
Highways and Street Improvements	\$ 57,121	\$ 1,802,879
Recreation Improvements	650,000	250,000
Economic Development Improvements	<u>4,548,754</u>	<u>339,639</u>
Total General Capital Projects Fund	<u>\$ 5,255,875</u>	<u>\$ 2,392,518</u>
Enterprise Funds:		
Electric Fund		
System improvements	<u>\$ 3,947,043</u>	<u>\$ 5,356,957</u>
Total Electric Fund	<u>\$ 3,947,043</u>	<u>\$ 5,356,957</u>
Water and Wastewater Fund		
System improvements	<u>\$ 4,942,625</u>	<u>\$ 923,375</u>
Total Water and Wastewater Fund	<u>\$ 4,942,625</u>	<u>\$ 923,375</u>
Natural Gas Fund		
System improvements	<u>\$ 660,911</u>	<u>\$ 4,030,989</u>
Total Natural Gas Fund	<u>\$ 660,911</u>	<u>\$ 4,030,989</u>
Utility Administration Fund		
City Centre	\$ 15,809,282	\$ 190,718
Work Order System	<u>377,909</u>	<u>66,453</u>
Total Utility Administration Fund	<u>\$ 16,187,191</u>	<u>\$ 257,171</u>

B. Liabilities

1. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the government-wide level at June 30, 2024 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Other	Total
Governmental Activities					
General	\$ 386,261	\$ 649,216	\$ 30,780	\$ 84,501	\$ 1,150,758
Other Governmental	26,390	-	-	26,879	53,269
Governmental Internal Service	<u>260,968</u>	<u>31,723</u>	<u>-</u>	<u>611,369</u>	<u>904,060</u>
Total - governmental activities	<u>\$ 673,619</u>	<u>\$ 680,939</u>	<u>\$ 30,780</u>	<u>\$ 722,749</u>	<u>\$ 2,108,087</u>
Business-type Activities					
Electric	\$ 3,913,384	\$ -	\$ 14,451	\$ 29,083	\$ 3,956,918
Water and Wastewater	954,956	173,435	6,549	264	1,135,204
Natural Gas	390,562	64,510	1,883	2,710	459,665
Stormwater	60,710	15,539	-	-	76,249
Golf	54,464	23,611	93	-	78,168
Business-type Internal Service	<u>405,152</u>	<u>106,865</u>	<u>70,651</u>	<u>2,077</u>	<u>584,745</u>
Total - business-type activities	<u>\$ 5,779,228</u>	<u>\$ 383,960</u>	<u>\$ 93,627</u>	<u>\$ 34,134</u>	<u>\$ 6,290,949</u>

2. Unearned Revenue

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

Unearned rent (Nonmajor General Capital Projects Fund)	\$ 7,917
Total	<u>\$ 7,917</u>

3. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Lexington employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Lexington's contractually required contribution rate for the year ended June 30, 2024, was 14.10% of compensation for law enforcement officers and 12.89% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Lexington were \$2,756,774 for the year ended June 30, 2024.

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, 2024, the City reported a liability of \$15,176,738 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023 (measurement date), the City's proportion was 0.229%, which was an increase of 0.003% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City recognized pension expense of \$4,279,498. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,691,138	\$ 36,407
Changes of assumptions	644,924	-
Net difference between projected and actual earnings on pension plan investments	4,061,959	-
Changes in proportion and differences between City contributions and proportionate share of contributions	162,074	99,510
City contributions subsequent to the measurement date	<u>2,756,774</u>	<u>-</u>
Total	<u>\$ 9,316,869</u>	<u>\$ 135,917</u>

\$2,756,774 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 ending June 30, 2025. 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 ending June 30:

2025	\$ 2,291,988
2026	1,235,955
2027	2,724,474
2028	171,761
2029	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the board of trustees on January 28, 2021.

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, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary as part of a study conducted in 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of

2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the City’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability (asset)	\$ 26,293,102	\$ 15,176,738	\$ 6,024,705

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

b. Law Enforcement Officers Special Separation Allowance

Plan Description

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

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2022, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>56</u>
Total	<u><u>68</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.00 percent

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

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

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

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

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

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

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

Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$244,849 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, 2024, the City reported a total pension liability of \$2,768,320. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the City recognized pension expense of \$270,843.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 71,621	\$ 8,922
Changes of assumptions and other inputs	265,025	336,985
Benefit payments and administrative expenses subsequent to the measurement date	<u>125,057</u>	<u>-</u>
Total	<u>\$ 461,703</u>	<u>\$ 345,907</u>

The City paid \$125,057 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 ending June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2025	\$ 61,113
2026	26,912
2027	(71,396)
2028	(35,158)
2029	9,268
Thereafter	-

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 4.00 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	<u>\$ 2,985,643</u>	<u>\$ 2,768,320</u>	<u>\$ 2,571,770</u>

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

	2024
Beginning balance	\$ 2,722,910
Service Cost	99,745
Interest on the total pension liability	112,081
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	19,290
Changes of assumptions or other inputs	59,143
Benefit payments	(244,849)
Other changes	-
Ending balance of the total pension liability	\$ 2,768,320

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, 2022 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

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

The net pension liability for LGERS was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability for LEOSSA was measured as of December 31, 2023, with an actuarial valuation date of December 31, 2022. 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:

	LGERS	LEOSSA	Total
Proportionate Share of Net Pension Liability	\$ 15,176,738	\$ -	\$ 15,176,738
Proportion of the Net Pension Liability	0.22915%	n/a	
Total Pension Liability	\$ -	\$ 2,768,320	\$ 2,768,320
Pension Expense	\$ 4,279,498	\$ 270,843	\$ 4,550,341

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 1,691,138	\$ 71,621	\$ 1,762,759
Changes of assumptions	644,924	265,025	909,949
Net difference between projected and actual earnings on plan investments	4,061,959	-	4,061,959
Changes in proportion and differences between City contributions and proportionate share of contributions	162,074	-	162,074
City contributions (LGERS)/Benefit payments and administrative costs (LEOSSA) paid subsequent to the measurement date	2,756,774	125,057	2,881,831
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 36,407	\$ 8,922	\$ 45,329
Changes of assumptions	-	336,985	336,985
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between City contributions and proportionate share of contributions	99,510	-	99,510

d. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The City made contributions of \$163,418 for the reporting year. No amounts were forfeited.

e. Supplemental Retirement Income Plan for General Employees

Plan Description. The City participates in the Supplemental Retirement Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for General Employees is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's

ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for General Employees. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

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

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

f. Firefighters' and Rescue Squad Workers' Pension Fund

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

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

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. The State's contributions recognized for accounting purposes for the fiscal year ending June 30, 2023, were \$19,702,208. The City of Lexington's proportionate share of the State's contribution is \$26,866.

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

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

At June 30, 2024, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF.

The total portion of the net pension liability (asset) that was associated with the City and supported by the State was \$12,694. The net pension liability (asset) was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability (asset) was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2023 and at June 30, 2022 was 0%.

For the year ended June 30, 2024, the City recognized pension expense (revenue) of \$13,164 and revenue (expense) of \$13,164 for support provided by the State. At June 30, 2024, 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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	Not applicable
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

g. Other Postemployment Benefits

1. Postemployment Healthcare Benefits

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

Benefits Provided. The City provides continuation of group insurance coverage to employees who retire under the North Carolina Local Governmental Employees' Retirement System and have twenty years of consecutive service with the City, or have ten years of consecutive service

and are age 60 or older upon retirement, or have five years consecutive service with the City in the case of disability retirement. Retirees who qualify for coverage receive the same benefits as active employees. The retiree and his or her dependents may elect to receive this coverage until the participant becomes Medicare or Medicaid eligible or is no longer eligible under the plan provisions. The City is self-insured and pays 100% of health claims (after out-of-pocket limits are met) up to an individual stop loss of \$100,000, and an aggregate stop loss of 125% of expected net claims. The retiree may purchase dependent healthcare coverage at the City's group rates which are adjusted periodically. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

	General Employees	Firefighters	Law Enforcement Officers	Total
Retirees and dependents receiving benefits	46	19	21	86
Active plan members	211	46	49	306
Total	<u>257</u>	<u>65</u>	<u>70</u>	<u>392</u>

Total OPEB Liability

The City's total OPEB liability of \$16,677,722 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2023, using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increase, including wage inflation	
General Employees	3.25% - 8.41%
Firefighters	3.25% - 8.15%
Law Enforcement Officers	3.25% - 7.90%
Municipal Bond Index Rate	
Prior Measurement Date	3.54%
Measurement Date	3.65%
Health Care Cost Trends	
Pre-Medicare	7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033
Medicare	5.125% for 2023 decreasing to an ultimate rate of 4.50% by 2026
Dental	3.50%

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

Schedule of Changes in Total OPEB Liability

Total OPEB Liability as of June 30, 2023	<u>\$ 18,528,666</u>
Changes for the year:	
Service cost at the end of the year	683,445
Interest on TOL and cash flows	664,700
Change in benefit terms	254,400
Differences between expected and actual experience	(2,932,125)
Changes of assumptions or other inputs	356,831
Benefit payments	(878,195)
Other changes	<u>-</u>
Net changes	<u>(1,850,944)</u>
Total OPEB Liability as of June 30, 2024	<u>\$ 16,677,722</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.65%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2023 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2023 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 (2.65 percent) or 1 percentage-point higher (4.65 percent) than the current discount rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	\$ 18,216,983	\$ 16,677,722	\$ 15,311,296

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

	1% Decrease	Healthcare Cost Trend Rate (7.00% decreasing to 4.50%)	1% Increase
Total OPEB liability	\$ 15,086,300	\$ 16,677,722	\$ 18,555,487

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

For the year ended June 30, 2024, the City recognized OPEB expense of \$1,084,275. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143,607	\$ 3,118,535
Changes of assumptions and other inputs	2,445,707	1,942,632
Benefit payments and administrative expenses subsequent to the measurement date	921,509	-
Total	<u>\$ 3,510,823</u>	<u>\$ 5,061,167</u>

\$921,509 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 ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30:

2025	\$ (473,885)
2026	(386,714)
2027	(278,803)
2028	(326,650)
2029	(686,237)
Thereafter	(319,564)

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 64 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, 2024, the City made contributions to the State for death benefits of \$11,723. The City's required contributions for employee not engaged in law enforcement and for law enforcement represented 0.04% and 0.14% of covered payroll, respectively. The City considers these contributions to be immaterial.

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

4. Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>		<u>Balance Sheet -</u>
	<u>Deferred</u>	<u>Deferred</u>	<u>Governmental</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Funds</u>
	<u>Resources</u>	<u>Resources</u>	<u>Deferred</u>
			<u>Inflows of</u>
			<u>Resources</u>
(Pensions, OPEB) - difference between expected and actual experience	\$ 1,906,366	\$ 3,163,864	\$ -
(Pensions, OPEB) - changes of assumptions	3,355,656	2,279,617	-
(Pensions) - net difference between projected and actual investment earnings	4,061,959	-	-
(Pensions) - change in proportion and difference between employer contributions and proportionate share of contributions	162,074	99,510	-
Contributions to pension plan subsequent to the measurement date (LGRS)	2,756,774	-	-
Benefit payments and administrative costs paid subsequent to the measurement date (LEOSSA)	125,057	-	-
Benefit payments for the OPEB plan paid subsequent to measurement date	921,509	-	-
Deferred inflows - leases (Capital Projects Fund)	-	62,390	62,390
Deferred inflows - leases (Water and Wastewater Fund)	-	286,738	-
Property taxes receivable, net (General Fund)	-	-	33,120
Property taxes receivable, net (Special Revenue Fund)	-	-	4,087
Total	<u>\$ 13,289,395</u>	<u>\$ 5,892,119</u>	<u>\$ 99,597</u>

5. Risk Management

The City's insurance deductible for property is \$50,000 per occurrence and equipment deductible is \$10,000. The property insurance limit is \$94,490,220 and equipment limit is \$10,989,461. The self-insurance retention for general liability, employee benefit liability, police professional, public officials and auto is \$300,000 per occurrence. The general liability, public official's liability and police liability insurance limits are \$11,000,000 per occurrence; \$12,000,000 aggregate. The employee benefit liability limits are \$11,000,000 per occurrence; \$12,000,000 aggregate. The auto liability has a combined single limit of \$11,000,000. The auto physical damage coverage is a catastrophic only limit of \$1,000,000 and a \$50,000 per occurrence deductible. This applies to all liabilities except workers' compensation. Workers' compensation has a self-insured retention of \$600,000 per occurrence with excess coverage up to the statutory limit. Crime has a \$2,500 deductible and a \$200,000 limit. Claims that do not exceed \$10,000 can be settled by the City Manager (or designee). Claims that exceed \$10,000 and do not exceed \$50,000 (fifty thousand dollars) can be settled by the Risk Management Committee, which includes the City Manager (or designee), City Attorney, Finance Director, Risk/Safety Manager and Human Resources Director. Claims that exceed \$50,000 must have City Council approval and authorization to settle. All claims involving bodily injury will be reported to the City's third-party administrator for adjudication and will follow the aforementioned monetary guidelines. Claims arising under the North Carolina Workers' Compensation Act will be reported to the City's third-party administrator for handling. Those claims are subject to statutorily defined benefit amounts and all final settlements of such claims must be approved by the North Carolina Industrial Commission. Accordingly, the aforementioned monetary guidelines are modified as follows for workers' compensation claims: settlements that do not exceed \$50,000 may be approved by the City Manager (or designee); settlements greater than \$50,000 and do not exceed \$125,000 will be referred to the Risk Management Committee for approval; and final settlements above \$125,000 must have City Council approval.

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

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

In accordance with G.S. 159-29, the Finance Director, who is responsible for accounting for Uptown Lexington, Inc., is individually bonded for \$1,000,000. All other City employees are covered under a blanket faithful performance bond.

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

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

Unpaid claims, 7/1	\$ 102,632
Incurred claims	751,192
Claim payments	<u>(744,455)</u>
Unpaid claims, 6/30	<u><u>\$ 109,369</u></u>

6. Group Health Insurance

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

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

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

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

Unpaid claims, 7/1	\$ 521,000
Incurred claims	4,186,485
Claim payments	<u>(4,205,485)</u>
Unpaid claims, 6/30	<u><u>\$ 502,000</u></u>

7. Claims, Judgments and Contingent Liabilities

At June 30, 2024, the City of Lexington was a defendant in various lawsuits. In the opinion of the City's attorneys and management, the ultimate outcome of these legal matters will not have a material adverse effect on the City's financial position.

8. Long-Term Obligations

a. Leases

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

On April 27, 2009, an agreement was executed to lease land for a fire station beginning on July 1, 2009 and requires 240 monthly payments that began at \$1,500, subject to adjustment once every three years based on changes in the consumer price index. The most recent adjustment occurred on July 1, 2021 resulting in monthly payments of \$1,601. An initial lease liability was recorded in the amount of \$145,227 on July 1, 2021. The lease liability is measured at a discount rate of 1.451%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of the lease liability was \$92,619. The value of the right to use asset as of the end of the current fiscal year was \$145,227 with accumulated amortization of \$54,460 and is included with Leased Land in the Capital Asset section of this note.

On October 2, 2009, an agreement was executed to lease real property in the City's depot district area owned by North Carolina Railroad Company beginning on November 1, 2009 and requires 5 annual payments that began at \$1,000, subject to a 3% increase annually. The lease included two options to renew for 5 additional years at each renewal. Both of these options have been exercised. The most recent 3% increase occurred on November 1, 2022 resulting in an annual payment of \$1,469. An initial lease liability was recorded in the amount of \$4,364 on July 1, 2021. The lease liability is measured at a discount rate of 0.727%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of the lease liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$4,364 with accumulated amortization of \$3,928 and is included with Leased Land in the Capital Asset section of this note.

On December 30, 2019, an agreement was executed to lease a postage machine beginning on January 22, 2020 and requires 20 quarterly payments of \$987. There are no variable payment components of the lease. An initial lease liability was recorded in the amount of \$13,610 on July 1, 2021. The lease liability is measured at a discount rate of 0.893%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of the lease liability was \$1,967. The value of the right to use asset as of the end of the current fiscal year was \$13,610 with accumulated amortization of \$11,475 and is included with Leased Equipment and Vehicles in the Capital Asset section of this note.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest	Total
2025	\$ 17,991	\$ 1,225	\$ 19,216	\$ 1,967	\$ 7	\$ 1,974
2026	18,254	961	19,215	-	-	-
2027	18,520	695	19,215	-	-	-
2028	18,790	425	19,215	-	-	-
2029	19,064	150	19,214	-	-	-
2030-2034	-	-	-	-	-	-
	<u>\$ 92,619</u>	<u>\$ 3,456</u>	<u>\$ 96,075</u>	<u>\$ 1,967</u>	<u>\$ 7</u>	<u>\$ 1,974</u>

b. **Subscriptions**

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

On July 1, 2022, the City entered into a 33-month subscription agreement for the use of DebtBook. The City is required to make annual fixed payments of \$7,763. An initial subscription liability was recorded in the amount of \$15,113. The subscription liability is measured at a discount rate of 2.184%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of the subscription liability is \$0. The value of the right to use asset as of the end of the current fiscal year was \$15,113 with accumulated amortization of \$10,991 and is included with IT subscriptions in the Capital Asset section of this note.

On July 1, 2022, the City entered into a 35-month subscription agreement for the use of HQ – Online Material Safety Data Sheets. The City is required to make annual fixed payments of \$5,355. An initial subscription liability was recorded in the amount of \$10,525. The subscription liability is measured at a discount rate of 2.184%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of the subscription liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$10,525 with accumulated amortization of \$7,036 and is included with IT subscriptions in the Capital Asset section of this note.

On July 1, 2022, the City entered into a 25-month subscription agreement for the use of HAAS Alert Safety Cloud. The City is required to make annual fixed payments of \$3,912. An initial subscription liability was recorded in the amount of \$7,720. The subscription liability is measured at a discount rate of 2.024%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of the subscription liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$7,720 with accumulated amortization of \$7,412 and is included with IT subscriptions in the Capital Asset section of this note.

On August 1, 2022, the City entered into a 60-month subscription agreement for use of Granicus GovAccess Website. As of June 30, 2024, the subscription is progress with implementation in fiscal year 2024-25. The City will be required to make annual payments ranging from \$26,326 to \$28,767 during the subscription period. An initial subscription liability was recorded in the amount of \$24,203. The subscription liability is measured at a discount rate of 3.110%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of the subscription liability was \$24,203. The value of the right to use asset as of the end of the current fiscal year was \$74,740 with accumulated amortization of \$8,845 and is included with IT subscriptions in the Capital Asset section of this note.

On January 6, 2023, the City entered into a 36-month subscription agreement for the use of Wasabi 25TB Cloud Storage. The City made one payment of \$5,260 at the beginning of the term that covered the entire period of the agreement and is not required to make annual fixed payments; therefore, no initial subscription liability was recorded. The subscription liability is measured at a discount rate of 2.656%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of the subscription liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$5,260 with accumulated amortization of \$2,605 and is included with IT subscriptions in the Capital Asset section of this note.

On March 22, 2023, the City entered into a 34-month subscription agreement for the use of Wasabi 50TB Cloud Storage. The City made one payment of \$9,520 at the beginning of the term that covered the entire period of the agreement and is not required to make annual fixed payments; therefore, no initial subscription liability was recorded. The subscription liability is measured at a discount rate of 2.656%, which is the City's estimated incremental borrowing rate. As of June 30, 2024, the value of

the subscription liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$9,520 with accumulated amortization of \$4,352 and is included with IT subscriptions in the Capital Asset section of this note.

On June 28, 2023, the City entered into a 34-month subscription agreement for the use of GolfNow Platform and EZSuite/EZTee Pro. In lieu of making fixed monthly payments, the City is required to compensate GolfNow in the form of eight (8) traded rounds of golf per day. For purposes of recording the subscription liability, the City has assigned an equivalent monthly monetary value of \$2,200 for eight (8) traded rounds of golf per day. This value was assigned based on information that was included in a pre-agreement proposal that included a cash payment option of \$1,100 per month plus four (4) traded rounds of golf per day. An initial subscription liability was recorded in the amount of \$72,630. The subscription liability is measured at a discount rate of 2.363%, which is the City’s estimated incremental borrowing rate. As of June 30, 2024, the value of the subscription liability is \$47,321. The value of the right to use asset as of the end of the current fiscal year was \$72,630 with accumulated amortization of \$25,772 and is included with IT subscriptions in the Capital Asset section of this note.

On June 7, 2024, the City entered into a 25-month subscription agreement for the use of Meraki Uptown WLAN Access Points Licensing. The City is required to make annual fixed payments of \$6,787. An initial subscription liability was recorded in the amount of \$0. The subscription liability is measured at a discount rate of 2.865%, which is the City’s estimated incremental borrowing rate. As of June 30, 2024, the value of the subscription liability was \$0. The value of the right to use asset as of the end of the current fiscal year was \$6,787 with accumulated amortization of \$151 and is included with IT subscriptions in the Capital Asset section of this note.

On June 24, 2024, the City entered into a 36-month subscription agreement for the use of ESRI – GIS System. The City is required to make annual fixed payments of \$29,300. An initial subscription liability was recorded in the amount of \$85,475. The subscription liability is measured at a discount rate of 2.865%, which is the City’s estimated incremental borrowing rate. As of June 30, 2024, the value of the subscription liability was \$56,175. The value of the right to use asset as of the end of the current fiscal year was \$85,475 with accumulated amortization of \$554 and is included with IT subscriptions in the Capital Asset section of this note.

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2024 are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal Payments	Interest Payments	Total	Principal Payments	Interest	Total
2025	7,828	292	8,120	53,248	2,452	55,700
2026	7,966	397	8,363	50,248	1,052	51,300
2027	8,409	204	8,613	-	-	-
2028	-	-	-	-	-	-
2029-2033	-	-	-	-	-	-
	<u>\$ 24,203</u>	<u>\$ 893</u>	<u>\$ 25,096</u>	<u>\$ 103,496</u>	<u>\$ 3,504</u>	<u>\$ 107,000</u>

c. **Installment Purchases**

<p>\$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.</p>	\$ 363,173
<p>\$4,223,000 direct placement installment purchase contract with First Horizon Bank dated January 15, 2015 for Public Building Improvements, Recreation Improvements and Electric System Improvements due in semi-annual payments of \$169,893 including interest beginning on June 1, 2015 through December 1, 2029; interest at 2.56%; secured by a deed of trust on City Hall; in the event of default, lender may declare all principal and accrued interest due and payable and may sell City Hall.</p>	1,732,915
<p>\$7,527,000 direct placement installment purchase contract with Truist Bank dated March 11, 2016 for recreation improvements, construction of an Electric Operations Center, and construction of a Warehouse Center due in semi-annual payments of \$250,900 plus interest beginning on September 1, 2016 through March 1, 2031; interest at 2.52%; secured by a deed of trust on the Electric Operations and Warehouse Centers; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the Electric Operations and Warehouse Centers.</p>	3,512,600
<p>\$1,140,000 direct placement installment purchase contract with First National Bank dated October 18, 2018 for construction of a Skate/BMX Park due in semi-annual payments of \$38,000 plus interest beginning on March 1, 2019 through September 1, 2033; interest at 3.25%; secured by a deed of trust on the park; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the park and related appurtenances.</p>	722,000
<p>\$430,000 direct placement installment purchase contract with First National Bank dated July 31, 2020 for a Wastewater Jet Vac Truck due in semi-annual payments of \$44,348 including interest beginning on December 1, 2020 through June 1, 2025; interest at 1.185%; secured by a deed of trust on the vehicle; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the park and related appurtenances.</p>	87,901

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

307,500

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

4,064,537

\$14,000,000 direct placement installment purchase contract with Webster Bank dated May 12, 2022 for City Centre Project due in semi-annual payments of \$460,838 including interest beginning on November 1, 2022 through May 1, 2042; interest at 2.840%; secured by a deed of trust on the property; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the property.

12,918,516

\$1,497,094 direct placement installment purchase contract with HomeTrust Bank dated October 18, 2022 for (1) Fire Aerial Truck due in semi-annual payments of \$118,442 including interest beginning on March 1, 2023 through September 1, 2029; interest at 2.890%; secured by a deed of trust on the vehicle; in the event of default, lender may declare all principal and accrued interest due and payable and may take possession of or sell the Fire Aerial Truck.

1,196,636

\$ 24,905,778

Annual debt service payments of installment purchase contracts as of June 30, 2024, including \$4,666,482 of interest, net of 35% federal credit, are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 932,528	\$ 109,795	\$ 1,873,065	\$ 525,593
2026	676,038	84,446	1,614,499	477,692
2027	584,127	67,998	1,643,412	439,002
2028	595,008	51,779	1,673,041	399,595
2029	606,190	35,259	1,703,405	359,453
2030-2034	782,085	37,869	5,667,961	1,264,844
2035-2039	-	-	3,921,773	686,602
2040-2044	-	-	2,632,646	132,380
Total Principal & Interest	<u>\$ 4,175,976</u>	387,146	<u>\$ 20,729,802</u>	4,285,161
35% Federal Credit		<u>(2,635)</u>		<u>(3,190)</u>
Interest, Net of Credit		<u>\$ 384,511</u>		<u>\$ 4,281,971</u>

At June 30, 2024, the City of Lexington had a legal debt margin of \$122,994,597.

d. **Economic Development Grants**

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

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

- Halyard North Carolina – The City has an economic development incentive agreement with Halyard North Carolina under which Halyard agreed to invest \$6,000,000 in new expanded investment in its manufacturing plant and create and maintain 40 new full-time employment positions. Under the terms of the economic development incentive agreement the City has agreed to make annual grants of up to \$23,400 each year for a five year period beginning on January 1, 2022, subject to the company's submission of timely documentation evidencing fulfilment of its obligations under the contract. No payment was made to the company during the 2023-24 fiscal year due to the failure of the company to submit timely documentation. As of June 30, 2024, the City's remaining commitment under this contract totals \$46,800.
- Childress Winery – The City has an economic development incentive agreement with Childress Winery under which Childress Winery agreed to invest \$5,500,000 in new expanded investment in its manufacturing plant and create and maintain 20 new full-time employment positions. Under the terms of the economic development incentive agreement the City has agreed to make total maximum grants of \$74,250 in annual installments of up to \$14,850 each year for a five year period beginning on January 1, 2026, subject to the company's submission of timely documentation evidencing fulfilment of its obligations under the contract. As of June 30, 2024, the City's remaining commitment under this contract totals \$74,250.

- Siemens Mobility, Inc. – The City has committed to an economic development incentive agreement with Siemens Mobility under which Siemens Mobility will agree to invest between \$200,000,000 and \$250,000,000 in new investment in a manufacturing facility and create and maintain a minimum of 200 full-time employment positions. Under the terms of the proposed economic development incentive agreement the City will agreed to make total maximum grants of \$8,200,000 in declining annual installments over a ten (10) year period beginning January 1, 2027 based on taxable investments of \$200,000,000 to \$250,000,000, subject to the company’s submission of timely documentation evidencing fulfilment of its obligations under the contract.

9. Changes in Long-Term Liabilities

The following is a summary of changes in the City’s long-term obligations for the fiscal year ended June 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Governmental activities:</u>					
Lease liabilities	\$ 111,853	\$ -	\$ 19,234	\$ 92,619	\$ 17,991
Subscription liabilities	16,829	24,203	16,829	24,203	7,828
Direct placement installment purchases	5,280,619	-	1,104,643	4,175,976	932,528
Compensated absences	1,574,190	1,292,728	1,061,964	1,804,954	861,000
Net pension liability (LGERS)	8,199,264	1,624,761	-	9,824,025	1,317,411
Total pension liability (LEO)	2,722,910	45,410	-	2,768,320	461,250
Total OPEB liability	13,437,910	49,913	1,317,960	12,169,863	2,823,311
Governmental activity long-term liabilities	<u>\$ 31,343,575</u>	<u>\$ 3,037,015</u>	<u>\$ 3,520,630</u>	<u>\$ 30,859,960</u>	<u>\$ 6,421,319</u>
<u>Electric Fund</u>					
Direct placement installment purchases	\$ 2,631,603	\$ -	\$ 344,836	\$ 2,286,767	\$ 348,042
Total OPEB liability	800,940	-	175,360	625,580	61,050
Electric Fund long-term liabilities	<u>3,432,543</u>	<u>-</u>	<u>520,196</u>	<u>2,912,347</u>	<u>409,092</u>
<u>Water and Wastewater Fund</u>					
Direct placement installment purchases	4,844,178	-	639,858	4,204,320	651,697
Compensated absences	387,029	282,745	267,627	402,147	218,000
Net pension liability (LGERS)	1,959,250	266,529	-	2,225,779	410,051
Total OPEB liability	1,869,652	5,267	-	1,874,919	568,879
Water and Wastewater Fund long-term liabilities	<u>9,060,109</u>	<u>554,541</u>	<u>907,485</u>	<u>8,707,165</u>	<u>1,848,627</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<u>Natural Gas Fund</u>					
Direct placement installment purchases	288,346	-	141,348	146,998	146,998
Compensated absences	173,358	104,956	117,040	161,274	78,000
Net pension liability (LGERS)	893,896	119,180	-	1,013,076	184,826
Total OPEB liability	<u>888,444</u>	<u>-</u>	<u>139,460</u>	<u>748,984</u>	<u>248,427</u>
Natural Gas Fund long-term liabilities	<u>2,244,044</u>	<u>224,136</u>	<u>397,848</u>	<u>2,070,332</u>	<u>658,251</u>
<u>Stormwater Fund</u>					
Compensated absences	17,629	29,488	19,196	27,921	19,000
Net pension liability (LGERS)	123,753	88,711	-	212,464	39,415
Total OPEB liability	<u>39,282</u>	<u>20,152</u>	<u>-</u>	<u>59,434</u>	<u>59,434</u>
Stormwater Fund long-term liabilities	<u>180,664</u>	<u>138,351</u>	<u>19,196</u>	<u>299,819</u>	<u>117,849</u>
<u>Golf Fund</u>					
Subscription liabilities	72,410	-	25,089	47,321	25,557
Compensated absences	20,212	34,128	18,369	35,971	18,000
Net pension liability (LGERS)	289,672	25,443	-	315,115	57,665
Total OPEB liability	<u>282,948</u>	<u>-</u>	<u>29,754</u>	<u>253,194</u>	<u>97,478</u>
Golf Fund long-term liabilities	<u>665,242</u>	<u>59,571</u>	<u>73,212</u>	<u>651,601</u>	<u>198,700</u>
<u>Utility Administration Fund</u>					
Lease liabilities	5,875	-	3,908	1,967	1,967
Subscription liabilities	-	85,475	29,300	56,175	27,691
Direct placement installment purchases	14,802,509	-	710,792	14,091,717	726,328
Arbitrage rebate payable	30,154	-	30,154	-	-
Compensated absences	207,761	234,941	187,838	254,864	188,000
Net pension liability (LGERS)	1,286,049	300,230	-	1,586,279	291,170
Total OPEB liability	<u>1,209,490</u>	<u>-</u>	<u>263,742</u>	<u>945,748</u>	<u>447,563</u>
Utility Administration Fund long-term liabilities	<u>17,541,838</u>	<u>620,646</u>	<u>1,225,734</u>	<u>16,936,750</u>	<u>1,682,719</u>
Business activity long-term liabilities	<u>\$ 33,124,440</u>	<u>\$ 1,597,245</u>	<u>\$ 3,143,671</u>	<u>\$ 31,578,014</u>	<u>\$ 4,915,238</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, 2024 consist of the following:

Receivable Fund	Payable Fund	Current	Noncurrent	Total
General Fund	Grant Projects Fund	\$158,421	\$ -	\$ 158,421
Electric Fund	General Fund	108,660	109,757	218,417
Electric Fund	Golf Fund	24,975	-	24,975
Electric Capital Reserve Fund	Utility Administration Fund	<u>270,182</u>	<u>874,079</u>	<u>1,144,261</u>
Total		<u>\$ 562,238</u>	<u>\$ 983,836</u>	<u>\$ 1,546,074</u>

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

On November 1, 2021, the Golf Fund borrowed \$98,820 from the Electric Fund to fund the purchase of a new fleet of golf carts. The terms of the arrangement require the Golf Fund to repay the Electric Fund in eight semi-annual installments, plus interest at 1.01%, beginning on December 1, 2021. The outstanding balance of this arrangement at June 30, 2024 was \$24,975.

On December 1, 2021, the General Fund borrowed \$432,487 from the Electric Fund to refinance debt owed for a Motorola Flex System for the Lexington Police Department. The terms of the arrangement require the General Fund to repay the Electric Fund in four annual installments, plus interest at 1.01%, beginning on December 1, 2022. The outstanding balance of this arrangement at June 30, 2024 was \$218,417.

On May 1, 2023, the Utility Administration Fund borrowed \$1,400,000 from the Electric Capital Reserve Fund to fund the City Centre Facility Project. The terms of the arrangement require the Utility Administration Fund to repay the Electric Capital Reserve Fund in ten semi-annual installments, plus interest at 3.785%, beginning on December 1, 2023. The outstanding balance of this arrangement at June 30, 2024 was \$1,144,261.

2. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2024 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Governmental Capital Reserve Fund	\$ 635,000
General Fund	Electric Fund	1,200,000
General Fund	Natural Gas Fund	1,168,103
Governmental Capital Reserve Fund	General Fund	105,614
Grant Projects Fund	General Fund	28,306
Electric Fund	Rate Stabilization Fund	500,000
Electric Capital Reserve Fund	Electric Fund	20,764
Water and Wastewater Fund	Water and Wastewater Capital Reserve Fund	587,340
Water and Wastewater Projects Fund	Water and Wastewater Fund	146,707
Water and Wastewater Capital Reserve Fund	Water and Wastewater Fund	568,702
Natural Gas Capital Reserve Fund	Natural Gas Fund	24,189
Golf Fund	General Fund	400,000
Fleet Management Capital Reserve Fund	Fleet Management Fund	8,239
Total		<u>\$ 5,392,964</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 Governmental Capital Reserve Fund transferred \$635,000 to the General Fund for capital needs within Parks and Recreation and Street.

The Electric and Natural Gas Funds made transfers in the amounts of \$1,200,000 and \$1,168,103 as profit distributions to support General Fund services.

The General Fund transferred \$133,920; \$105,614 to the Governmental Capital Reserve Fund for future capital needs and \$28,306 to the Grant Projects Fund for grant matching funds related to the Sidewalk Replacement Grant, Victim Advocate Grant, African American City Cemetery Grant, and Community Waste Reduction and Recycling Grant.

The Electric Fund received a transfer from the Electric Rate Stabilization Fund in the amount of \$500,000 in lieu of a rate increase for system improvements.

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

The Water and Wastewater Fund received a transfer \$587,340 from the Water and Wastewater Capital Reserve Fund for capital funding.

The Water and Wastewater Projects Fund received a transfer in the amount of \$146,707 from the Water and Wastewater Fund for the Solids Handling Improvement grant matching funds.

The Water and Wastewater Capital Reserve Fund received transfers totaling \$568,702 from the Water and Wastewater Fund, including \$534,764 for system development fees collected and \$33,938 for future capital needs.

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

The Golf Fund received a transfer from the General Fund in the amount of \$400,000 for operational and capital funding.

The Fleet Management Capital Reserve Fund received a transfer in the amount of \$8,239 from the Fleet Management Fund for future capital needs.

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure, on-behalf payments for pension contributions of \$26,866 made by the State for the fifty-nine 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	\$ 31,816,346	\$ 125,644,927
Less: long-term debt on capital assets	(4,292,798)	(20,835,265)
Less: capital-related accounts and retainage payable	-	(669,800)
Unexpended debt proceeds	-	1,575,283
Net investment in capital assets	<u>\$ 27,523,548</u>	<u>\$ 105,715,145</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	\$ 20,170,617
Less:	
Prepaid Items	(46,454)
Stabilization by State Statute	<u>(4,576,482)</u>
Fund balance available for appropriation	15,547,681
Less: Restrictions, commitments, and assignments of fund balance available for appropriation	
Restricted for general government	(3,100)
Restricted for recreation programs	(6,620)
Committed for police facilities and equipment	(1,000,000)
Committed for fire facilities and equipment	(1,700,000)
Committed for recreation facilities and equipment	(1,250,000)
Committed for other	(295,158)
Appropriated fund balance in 2022-23 budget	<u>(2,983,299)</u>
Unassigned fund balance	<u><u>\$ 8,309,504</u></u>

Amounts classified as committed for general government at the end of the fiscal year include \$2,584 in Neighborhood Revitalization Funds, \$30,509 that has been set aside for ADA (American with Disabilities Act) Transition Plan funding, and \$56,840 for general governmental facilities and equipment. These funds may not be used without action being taken by City Council.

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

	<u>General Fund</u>	<u>Non-Major Funds</u>
Encumbrances	\$ 1,000,905	\$ -

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, 2024 were \$27,800,488. 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, 2024, 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 \$44,839 for the fiscal year ended June 30, 2024.

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, 2024 was \$321,416, 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, 2024. Lake Thom-A-Lex did not issue separate financial statements.

5. Related Organizations

A. Lexington Housing Authority

This unit operates under the "Housing Authorities Law" of the State of North Carolina for the benefit of the City's residents. The five-member board of the Lexington Housing Authority is appointed by the mayor of the City of Lexington. The City is accountable because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City does not approve or modify the Authority's budget and does not select its management. The City does not finance any of the Authority's deficits and is not entitled to any surpluses. The City is not obligated in any manner for the Authority's debt. Complete financial statements for the Lexington Housing Authority can be obtained from the Authority's offices at 1 Jamaica Drive, Lexington, North Carolina 27292.

6. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

7. Discretely Presented Component Unit – Uptown Lexington

Loans Receivable

Uptown Lexington created an Emergency Business Assistance Loan program during the COVID-19 pandemic in order to assist local businesses with emergency cash needs. Under the terms of this program businesses could request up to \$5,000 in loan funding at 0% interest with monthly repayments required beginning in January

2021. As of June 30, 2024, eleven loans had been made to local businesses totaling \$27,850. The outstanding unpaid loan receivable balances at June 30, 2024 totaled \$8,375.

The loan receivable activity for Uptown Lexington for the year ended June 30, 2024 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Emergency business assistance loans receivable	<u>\$ 13,100</u>	<u>\$ -</u>	<u>\$ (4,725)</u>	<u>\$ 8,375</u>	<u>\$ 8,375</u>

The amount presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2024 is net of a \$8,375 allowance for doubtful accounts.

8. Discretely Presented Component Unit – Front Street-Lexington

In March 2023 Front Street-Lexington sold the property held for sale \$16,160,000. At the time of the sale, the property held for sale had a cost of approximately \$2,992,000 and the partnership incurred expenses relate to the sale of approximately \$4,255,000, which included the payoff of approximately \$2,077,000 for the related long-term debt, resulting in a gain of approximately \$8,913,000.

The schedule below details the changes in Front Street-Lexington’s inventories during the year ended December 31, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and land development	<u>\$ 2,644,836</u>	<u>\$ -</u>	<u>\$ (2,644,836)</u>	<u>\$ -</u>

Long-Term Debt

In March 2020 Front Street-Lexington entered into a direct placement seller-financed interest-free installment financing agreement with a base obligation of \$2,077,000.

Principal payments were payable as the property sold and the agreement also contained a maximum contingent obligation not to exceed \$495,000. The debt was satisfied through the sale of the property held for sale in March 2023.

The long-term debt activity for Front Street-Lexington for the year ended December 31, 2023 is as follows:

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

9. Significant Effects of Subsequent Event

The City received \$8,641,456 as a one-time credit of NCMPA1 excess working capital as recommended by the NCMPA1 Rate Committee and approved by the NCMPA1 Board of Commissioners and Electricities Board of Directors. This credit was applied to the August 2024 NCMPA1 wholesale power bill.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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

Exhibit A-1

Local Government Employees' Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City of Lexington's proportion of the net pension liability (asset) (%)	0.22915%	0.22604%	0.21461%	0.23300%	0.22505%	0.24601%	0.23996%	0.25048%	0.25463%	0.25594%
City of Lexington's proportionate share of the net pension liability (asset) (\$)	\$ 15,176,738	\$ 12,751,884	\$ 3,291,250	\$ 8,326,083	\$ 6,145,940	\$ 5,836,199	\$ 3,665,924	\$ 5,316,025	\$ 1,142,764	\$ (1,509,396)
City of Lexington's covered payroll	\$ 18,892,739	\$ 16,796,294	\$ 15,878,560	\$ 15,663,573	\$ 14,926,011	\$ 15,579,001	\$ 15,075,706	\$ 14,114,948	\$ 14,050,453	\$ 14,213,987
City of Lexington's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	80.33%	75.92%	20.73%	53.16%	41.18%	37.46%	24.32%	37.66%	8.13%	(10.62%)
Plan fiduciary net position as a percentage of the total pension liability**	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.47%

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

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

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

Exhibit A-2

Local Government Employees' Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,756,774	\$ 2,319,603	\$ 1,929,730	\$ 1,634,210	\$ 1,424,486	\$ 1,178,286	\$ 1,190,478	\$ 1,114,935	\$ 953,728	\$ 1,005,958
Contributions in relation to the contractually required contribution	<u>2,756,774</u>	<u>2,319,603</u>	<u>1,929,730</u>	<u>1,634,210</u>	<u>1,424,486</u>	<u>1,178,286</u>	<u>1,190,478</u>	<u>1,114,935</u>	<u>953,728</u>	<u>1,005,958</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Lexington's covered payroll	\$ 21,135,558	\$ 18,892,739	\$ 16,796,294	\$ 15,878,560	\$ 15,663,573	\$ 14,926,011	\$ 15,579,001	\$ 15,075,706	\$ 14,114,948	\$ 14,050,453
Contributions as a percentage of covered payroll	13.04%	12.28%	11.49%	10.29%	9.09%	7.89%	7.64%	7.40%	6.76%	7.16%

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

Exhibit A-3

Firefighters' and Rescue Squad Workers' Pension

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City of Lexington's proportionate share of the net pension liability (%)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
City of Lexington's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with City of Lexington	12,694	27,841	(39,397)	46,784	48,076	66,480	59,433	43,304	42,989	32,450
Total	<u>\$ 12,694</u>	<u>\$ 27,841</u>	<u>\$ (39,397)</u>	<u>\$ 46,784</u>	<u>\$ 48,076</u>	<u>\$ 66,480</u>	<u>\$ 59,433</u>	<u>\$ 43,304</u>	<u>\$ 42,989</u>	<u>\$ 32,450</u>
City of Lexington's covered payroll	\$ 3,028,398	\$ 2,646,971	\$ 2,458,295	\$ 2,416,855	\$ 2,306,355	\$ 2,287,838	\$ 2,213,203	\$ 2,056,592	\$ 2,000,993	\$ 1,965,433
City of Lexington's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.42%	1.05%	-1.60%	1.94%	2.08%	2.91%	2.69%	2.11%	2.15%	1.65%
Plan fiduciary net position as a percentage of the total pension liability	98.16%	96.07%	105.58%	92.58%	92.43%	89.69%	89.35%	84.94%	91.40%	93.42%

*The amounts presented are for the prior fiscal year.

City of Lexington, North Carolina
Schedule of Changes in Total Pension Liability
Required Supplementary Information
Last Eight Fiscal Years

Exhibit A-4

Law Enforcement Officers' Special Separation Allowance

	2024	2023	2022	2021	2020	2019	2018	2017
Beginning Balance	\$ 2,722,910	\$ 3,149,295	\$ 3,240,246	\$ 2,482,721	\$ 2,389,543	\$ 2,395,833	\$ 2,257,382	\$ 2,329,866
Service Cost	99,745	143,636	147,582	98,137	90,434	99,412	83,433	86,066
Interest on the total pension liability	112,081	68,403	60,599	78,288	84,067	73,352	84,043	79,843
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	19,290	43,773	(19,098)	84,143	7,862	61,214	396	-
Changes of assumptions or other inputs	59,143	(463,889)	(79,236)	659,467	70,836	(91,106)	130,799	(51,650)
Benefit payments	(244,849)	(218,308)	(200,798)	(162,510)	(160,021)	(149,162)	(160,220)	(186,743)
Other changes	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 2,768,320</u>	<u>\$ 2,722,910</u>	<u>\$ 3,149,295</u>	<u>\$ 3,240,246</u>	<u>\$ 2,482,721</u>	<u>\$ 2,389,543</u>	<u>\$ 2,395,833</u>	<u>\$ 2,257,382</u>

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

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

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

Exhibit A-5

Law Enforcement Officers' Special Separation Allowance

	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 2,768,320	\$ 2,722,910	\$ 3,149,295	\$ 3,240,246	\$ 2,482,721	\$ 2,389,543	\$ 2,395,833	\$ 2,257,382
Covered-employee payroll*	3,223,068	3,043,120	2,952,728	2,877,368	2,955,278	2,967,900	2,796,508	2,783,911
Total pension liability as a percentage of covered-employee payroll	85.89%	89.48%	106.66%	112.61%	84.01%	80.51%	85.67%	81.09%

Notes to the schedules:

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

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

*Valuation Payroll

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

Exhibit A-6

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service Cost at end of year	\$ 683,445	\$ 893,313	\$ 856,914	\$ 632,742	\$ 694,638	\$ 717,336	\$ 831,349
Interest	664,700	454,493	411,073	569,194	650,123	604,292	526,656
Changes of benefit terms	254,400	-	-	-	-	-	-
Differences between expected and actual experience	(2,932,125)	(58,851)	172,571	26,468	(1,674,374)	16,703	408,009
Changes of assumptions or other inputs	356,831	(2,467,723)	1,977,668	1,932,198	337,469	(515,457)	(1,189,400)
Benefit payments	(878,195)	(876,483)	(1,149,678)	(942,264)	(1,235,210)	(937,766)	(1,259,077)
Other	-	-	-	-	-	-	-
Net change in Total OPEB Liability	(1,850,944)	(2,055,251)	2,268,548	2,218,338	(1,227,354)	(114,892)	(682,463)
Total OPEB Liability - beginning	18,528,666	20,583,917	18,315,369	16,097,031	17,324,385	17,439,277	18,121,740
Total OPEB Liability - ending	\$ 16,677,722	\$ 18,528,666	\$ 20,583,917	\$ 18,315,369	\$ 16,097,031	\$ 17,324,385	\$ 17,439,277
Covered-employee payroll	\$ 17,003,710	\$ 14,672,531	\$ 14,672,531	\$ 13,589,003	\$ 13,589,003	\$ 14,058,965	\$ 14,058,965
Total OPEB liability as a percentage of covered-employee payroll	98.08%	126.28%	140.29%	134.78%	118.46%	123.23%	124.04%

Notes to Schedule

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

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

	2024	2023	2022	2021	2020	2019	2018
Discount Rate	3.65%	3.54%	2.16%	2.21%	3.50%	3.89%	3.56%

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



**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

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MAJOR GOVERNMENTAL FUNDS

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Major Governmental Funds

General Fund

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

BUILD Grant Project Special Revenue Fund

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



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

Exhibit B-1

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2024**

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Taxes	\$	\$ 12,057,031	\$
Interest		106,217	
Penalties		4,149	
Total	11,902,000	12,167,397	265,397
Other taxes and licenses			
Occupancy tax		573,244	
Municipal vehicle tax		448,470	
Total	1,007,680	1,021,714	14,034
Unrestricted intergovernmental			
Federal Build America Bond interest credit		5,759	
Utilities sales tax		2,064,628	
Piped natural gas sales tax		192,509	
Telecommunications tax		94,799	
Video franchise tax		122,551	
Payments in lieu of taxes		1,581	
Beer and wine tax		97,303	
Local option sales tax		7,408,754	
ABC revenues		245,700	
Total	10,664,391	10,233,584	(430,807)
Restricted intergovernmental			
ABC recreation		52,650	
ABC law enforcement		20,950	
Solid waste disposal tax		15,584	
Powell Bill allocation		706,425	
On-behalf of payments - fire		26,866	
Public safety		17,001	
Total	792,395	839,476	47,081
Permits and fees			
Inspection fees and permits		579,913	
Total	672,388	579,913	(92,475)

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, 2024**

	Budget	Actual	Variance Positive (Negative)
Sales and services			
Property rental	\$	\$ 6,719	\$
Court cost and parking fees		4,190	
Public safety charges		137,118	
Cemetery fees		80,875	
Mowing and debris removal fees		26,951	
Demolition fees		3,300	
Recreation fees		78,408	
Waste collection fees		1,610,725	
Other charges		707	
Total	2,145,679	1,948,993	(196,686)
Investment earnings	1,024,234	851,829	(172,405)
Miscellaneous			
Sale of materials		2,854	
Donations		16,080	
Other		18,043	
Total	40,400	36,977	(3,423)
Total revenues	28,249,167	27,679,883	(569,284)
Expenditures			
General government			
Governing board			
Salaries and employee benefits		83,297	
Operating expenses		203,490	
Cost redistribution		(227,015)	
Total governing board	197,725	59,772	137,953
City administration			
Salaries and employee benefits		747,465	
Operating expenses		35,438	
Cost redistribution		(597,922)	
City administration	321,792	184,981	136,811

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, 2024**

	Budget	Actual	Variance Positive (Negative)
Administrative - other			
Retiree benefits	\$	\$ 416,090	\$
Operating expenses		676,158	
Administrative charges risk management fund		710,159	
Administrative charges utility administration fund		801,434	
Grants to other agencies		118,432	
Payment to Davidson County School System(s) - ad valorem tax penalties		4,113	
Payment to Lexington Tourism Authority		556,023	
Cost redistribution		(129,170)	
Total administrative - other	3,284,905	3,153,239	131,666
Finance			
Salaries and employee benefits		1,008,505	
Operating expenses		56,913	
Capital outlay		1,394	
Cost redistribution		(683,031)	
Total finance	645,989	383,781	262,208
Legal			
Operating expenses		47,927	
Cost redistribution		(20,517)	
Total legal	39,983	27,410	12,573
Human resources			
Salaries and employee benefits		490,324	
Operating expenses		276,228	
Cost redistribution		(251,397)	
Total human resources	622,614	515,155	107,459
Information technologies			
Salaries and employee benefits		662,061	
Operating expenses		744,150	
Capital outlay		83,898	
Cost redistribution		(465,458)	
Total information technologies	1,079,436	1,024,651	54,785

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, 2024**

	Budget	Actual	Variance Positive (Negative)
Public buildings			
Salaries and employee benefits	\$	\$ 186,656	\$
Operating expenses		221,750	
Cost redistribution		(49,618)	
Total public buildings	418,666	358,788	59,878
Total general government	6,611,110	5,707,777	903,333
Public safety			
Police			
Salaries and employee benefits		6,254,958	
Operating expenses		928,959	
Capital outlay		662,755	
Total police	8,835,635	7,846,672	988,963
Fire			
Salaries and employee benefits		4,689,572	
Operating expenses		784,650	
Capital outlay		16,380	
Total fire	6,133,818	5,490,602	643,216
Business and community development			
Salaries and employee benefits		1,292,997	
Operating expenses		197,686	
Total business and community development	1,601,721	1,490,683	111,038
Total public safety	16,571,174	14,827,957	1,743,217
Highways and streets			
Public services administration			
Salaries and employee benefits		714,121	
Operating expenses		98,094	
Capital outlay		31,661	
Cost redistribution		(214,045)	
Total public services administration	676,539	629,831	46,708

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, 2024**

	Budget	Actual	Variance Positive (Negative)
Street			
Salaries and employee benefits	\$	\$ 591,849	\$
Operating expenses		1,868,052	
Capital outlay		55,034	
Cost redistribution		(340,036)	
Total street	3,305,499	2,174,899	1,130,600
Total highways and streets	3,982,038	2,804,730	1,177,308
Sanitation			
Recycling and waste collection services			
Salaries and employee benefits		898,293	
Operating expenses		885,167	
Tipping fees - landfill		388,205	
Capital outlay		854,157	
Total sanitation	3,275,514	3,025,822	249,692
Culture and recreation			
Spectator recreation			
Operating expenses		32,152	
Grants to other agencies		60,000	
Capital outlay		189,284	
Total spectator recreation	301,537	281,436	20,101
Parks and recreation			
Salaries and employee benefits		426,823	
Operating expenses		350,760	
Total parks and recreation	1,197,292	777,583	419,709
Public grounds			
Salaries and employee benefits		806,624	
Operating expenses		253,291	
Capital outlay		41,141	
Total public grounds	1,203,209	1,101,056	102,153
Total culture and recreation	2,702,038	2,160,075	541,963

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, 2024**

	Budget	Actual	Variance Positive (Negative)
Economic and physical development			
Operating expenses	\$	\$ 66,779	
Grants to other agencies		75,000	
Total economic and physical development	246,358	141,779	104,579
Debt service			
Principal retirement	1,242,885	1,135,308	107,577
Interest and other charges	143,050	142,955	95
Total debt service	1,385,935	1,278,263	107,672
Total expenditures	34,774,167	29,946,403	4,827,764
Revenue over (under) expenditures	(6,525,000)	(2,266,520)	4,258,480
Other financing sources (uses)			
Transfers from other funds			
Governmental Capital Reserve Fund	635,000	635,000	-
Electric Fund	1,200,000	1,200,000	-
Natural Gas Fund	1,168,103	1,168,103	-
Transfers to other funds			
Governmental Capital Reserve Fund	(105,614)	(105,614)	-
Grant Projects Fund	(45,000)	(28,306)	16,694
General Capital Projects Fund	(360,000)	-	360,000
Golf Fund	(400,000)	(400,000)	-
Sale of capital assets	3,000	24,211	21,211
Total other financing sources (uses)	2,095,489	2,493,394	397,905
Revenues, other financing sources, and special item over (under) expenditures and other financing uses	(4,429,511)	226,874	4,656,385
Fund balance appropriated	4,429,511	-	(4,429,511)
Net change in fund balance	\$ -	226,874	\$ 226,874

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, 2024**

	Budget	Actual	Variance Positive (Negative)
Reconciliation from Budgetary Basis to Modified Accrual Basis			
Items related to SBITA standard			
Subscription liabilities issued		\$ 24,203	
Capital outlay			
Governing board		(24,203)	
Net change in fund balance		226,874	
Fund balance - beginning		15,702,173	
Fund balance - ending		\$ 15,929,047	

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

Exhibit B-2

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 11,800	\$ 216,021	\$ 204,221
Total	<u>11,800</u>	<u>216,021</u>	<u>204,221</u>
Revenues over expenditures	<u>11,800</u>	<u>216,021</u>	<u>204,221</u>
Other financing sources (uses)			
Transfers from other funds			
General Fund	105,614	105,614	-
Transfers to other funds			
General Fund	<u>(635,000)</u>	<u>(635,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(529,386)</u>	<u>(529,386)</u>	<u>-</u>
Revenues and other financing sources over expenditures	(517,586)	(313,365)	204,221
Fund balance appropriated	<u>517,586</u>	<u>-</u>	<u>(517,586)</u>
Net change in fund balance	<u>\$ -</u>	(313,365)	<u>\$ (313,365)</u>
Fund balance - beginning		<u>4,554,935</u>	
Fund balance - ending		<u>\$ 4,241,570</u>	

City of Lexington, North Carolina
BUILD Grant Project Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2024

Exhibit B-3

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Restricted intergovernmental					
U.S. Department of Transportation BUILD Grant	\$ 24,999,000	\$ 32,213	\$ -	\$ 32,213	\$ (24,966,787)
N.C. Department of Transportation Grant	10,950,000	-	-	-	(10,950,000)
Investment earnings	-	-	109,468	109,468	109,468
Total revenues	<u>35,949,000</u>	<u>32,213</u>	<u>109,468</u>	<u>141,681</u>	<u>(35,807,319)</u>
Expenditures					
Economic and physical development					
BUILD Grant (Lexington Train Station) Project	57,087,598	302,355	4,963	307,318	56,780,280
Total expenditures	<u>57,087,598</u>	<u>302,355</u>	<u>4,963</u>	<u>307,318</u>	<u>56,780,280</u>
Revenues over (under) expenditures	<u>(21,138,598)</u>	<u>(270,142)</u>	<u>104,505</u>	<u>(165,637)</u>	<u>20,972,961</u>
Other financing sources					
Installment purchase debt issued	18,738,598	-	-	-	(18,738,598)
Transfers from other funds					
General Fund	2,400,000	2,400,000	-	2,400,000	-
Total other financing sources	<u>21,138,598</u>	<u>2,400,000</u>	<u>-</u>	<u>2,400,000</u>	<u>(18,738,598)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,129,858</u>	104,505	<u>\$ 2,234,363</u>	<u>\$ 2,234,363</u>
Fund balance - beginning			2,129,858		
Fund balance - ending			<u>\$ 2,234,363</u>		



NONMAJOR GOVERNMENTAL FUNDS

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

- *2022 Victim Advocate Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Public Safety Grant designed to assist with developing and strengthening victim services in cases involving crimes against women.
- *2022 Staffing for Adequate Fire and Emergency Response Grant - SAFER Grant Project* – accounts for the receipt and expenditure of funds under a FEMA Department of Homeland Security which will fund for hiring of 18 Firefighters to help communities meet industry minimum standards and attain 24-hour staffing to provide adequate protection from fire and fire-related hazards.
- *2022 State Capital and Infrastructure Fund Grant Project* – accounts for the receipt and expenditure of funds administered by the North Carolina Office of State Budget and Management which will be used to improve the quality and accessibility of existing sidewalks in the high pedestrian areas of West 5th avenue and East 4th Street, as well as adding curb along Pine Street to help with erosion and stormwater runoff.
- *2023 Community Waste Reduction and Recycling Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Environmental Quality Grant designed to improve the management of solid waste in North Carolina and specifically encourage waste reduction.
- *Archaeological Survey of the African American Section of Lexington City Cemetery Grant Project* – accounts for the receipt and expenditure of funds under a FY 2022 Historic Preservation Fund Grant through the State Historic Preservation Office of the North Carolina department of Natural and Cultural Resources designed to prepare an archaeological survey of this section of Lexington’s City Cemetery using ground penetrating radar technology.
- *Underrepresented Communities/Lincoln Park Grant Project* – accounts for the receipt and expenditure of funds under a FY 2023 Historic Preservation Fund through the State Historic Preservation Office of the North Carolina department of National Park Service designed to complete a survey and inventory of the Lincoln Park Neighborhood.
- *Tapped Tees Building Reuse Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Commerce Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.
- *Border Concepts, Inc./Project Garden Rural Building Reuse Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Commerce Rural Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.
- *Childress Winery, LLC./Project Merlot Rural Building Reuse Grant Project* – accounts for the receipt and expenditure of funds under a NC Department of Commerce Rural Building Reuse Grant designed to assist industry in the reuse and restoration of existing facilities within the jurisdiction of Lexington.

- *Millwork 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.
- *NCRR Invest Grant Project* – accounts for the receipt and expenditure of funds administered by the North Carolina Railroad Company partners with the state’s economic development which will be used to help offset the cost associated with the construction of the new onsite rail.

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

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

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

Capital Projects Fund

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

- *Recreation Center Acquisition and Development Project* – authorizes the purchase of the Recreation Center facility and land, along with the development of a recreation center.
- *Lexington Furniture Industries, Inc. Plant #1 Project* – authorizes the development and maintenance of the Plant #1 property, funded by rental property revenues.
- *Corridor Improvements to NC 8 Project* – authorizes construction to improve traffic congestion and safety along NC 8 Highway.
- *Creekside Parkway Project* – authorizes authority to obtain right-a-ways and easements to establish Creekside Parkway (relocation of previously closed Brown Street).

City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

Exhibit C-1

	Special Revenue Funds				General Capital Projects	Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants		
Assets						
Cash and cash equivalents	\$ -	\$ 361,364	\$ -	\$ -	\$ 584,501	\$ 945,865
Receivables (net)						
Taxes	-	-	4,087	-	-	4,087
Interest	-	48	-	-	82	130
Lease receivable	-	-	-	-	63,161	63,161
Due from other governments	162,950	389	132	-	-	163,471
Total assets	<u>\$ 162,950</u>	<u>\$ 361,801</u>	<u>\$ 4,219</u>	<u>\$ -</u>	<u>\$ 647,744</u>	<u>\$ 1,176,714</u>
Liabilities						
Accounts payable and accrued liabilities	\$ 4,529	\$ 1,191	\$ -	\$ -	\$ 47,219	\$ 52,939
Due to other funds	158,421	-	-	-	-	158,421
Unearned revenue	-	-	-	-	7,917	7,917
Total liabilities	<u>162,950</u>	<u>1,191</u>	<u>-</u>	<u>-</u>	<u>55,136</u>	<u>219,277</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>4,087</u>	<u>-</u>	<u>62,390</u>	<u>66,477</u>

Continued on next page.

City of Lexington, North Carolina
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2024

Exhibit C-1
Continued

	Special Revenue Funds				General Capital Projects	Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants		
Fund balances						
Nonspendable						
Leases	\$ -	\$ -	\$ -	\$ -	\$ 771	\$ 771
Restricted						
Stabilization by state statute	-	437	132	-	-	569
Law enforcement	-	360,173	-	-	-	360,173
Committed						
Recreation improvements	-	-	-	-	298,325	298,325
Depot District improvements	-	-	-	-	288,833	288,833
Unassigned	-	-	-	-	(57,711)	(57,711)
Total fund balances	-	360,610	132	-	530,218	890,960
 Total liabilities, deferred inflows of resources, and fund balances	\$ 162,950	\$ 361,801	\$ 4,219	\$ -	\$ 647,744	\$ 1,176,714

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

Exhibit C-2

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the fiscal year ended June 30, 2024**

	Special Revenue Funds				General Capital Projects	Total Nonmajor Governmental Funds
	Grant Projects	Controlled Substance	Special Tax District	Economic Stimulus Grants		
Revenues						
Ad valorem taxes	\$ -	\$ -	\$ 86,498	\$ -	\$ -	\$ 86,498
Restricted intergovernmental	309,617	132,115	-	-	-	441,732
Sales and services	-	-	-	-	93,041	93,041
Investment earnings	54	15,435	-	-	33,428	48,917
Miscellaneous	-	-	-	-	2,141	2,141
Total revenues	309,671	147,550	86,498	-	128,610	672,329
Expenditures						
Public safety	247,141	61,682	-	-	-	308,823
Highways and streets	62,500	-	-	-	57,121	119,621
Sanitation	19,836	-	-	-	-	19,836
Culture and recreation	8,500	-	-	-	-	8,500
Economic and physical development	-	-	87,944	-	244,325	332,269
Total expenditures	337,977	61,682	87,944	-	301,446	789,049
Revenues over (under) expenditures	(28,306)	85,868	(1,446)	-	(172,836)	(116,720)
Other financing sources (uses)						
Transfers from other funds						
General Fund	28,306	-	-	-	-	28,306
Total other financing sources (uses)	28,306	-	-	-	-	28,306
Net change in fund balances	-	85,868	(1,446)	-	(172,836)	(88,414)
Fund balances - beginning	-	274,742	1,578	-	703,054	979,374
Fund balances - ending	\$ -	\$ 360,610	\$ 132	\$ -	\$ 530,218	\$ 890,960

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, 2024

Exhibit C-3

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
2022 Victim Advocate Grant					
Restricted intergovernmental	\$ 84,626	\$ 50,064	\$ 23,384	\$ 73,447	\$ (11,179)
Total	<u>84,626</u>	<u>50,064</u>	<u>23,384</u>	<u>73,447</u>	<u>(11,179)</u>
2022 Staffing for Adequate Fire and Emergency Response Grant (SAFER)					
Restricted intergovernmental	5,404,065	-	219,488	219,488	(5,184,577)
Total	<u>5,404,065</u>	<u>-</u>	<u>219,488</u>	<u>219,488</u>	<u>(5,184,577)</u>
2022 State Capital Infrastructure Fund Grant					
Restricted intergovernmental	100,000	55,155	44,845	100,000	-
Investment earnings	-	945	54	999	999
Total	<u>100,000</u>	<u>56,100</u>	<u>44,899</u>	<u>100,999</u>	<u>999</u>
2023 Community Waste Reduction and Recycling Grant					
Restricted intergovernmental	20,000	-	15,900	15,900	(4,100)
Total	<u>20,000</u>	<u>-</u>	<u>15,900</u>	<u>15,900</u>	<u>(4,100)</u>
Archaeological Survey of the African American Section of Lexington City Cemetery Grant					
Restricted intergovernmental	6,000	-	6,000	6,000	-
Total	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>
Underrepresented Communities Grant - Lincoln Park					
Restricted intergovernmental	26,000	-	-	-	(26,000)
Total	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,000)</u>
Tapped Tees Building Reuse Grant					
Restricted intergovernmental	300,000	175,000	-	175,000	(125,000)
Total	<u>300,000</u>	<u>175,000</u>	<u>-</u>	<u>175,000</u>	<u>(125,000)</u>
NCRR Invest Grant					
Restricted intergovernmental	1,000,000	-	-	-	(1,000,000)
Total	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>
Cider Bros Building Reuse Grant					
Restricted intergovernmental	500,000	475,000	-	475,000	(25,000)
Total	<u>500,000</u>	<u>475,000</u>	<u>-</u>	<u>475,000</u>	<u>(25,000)</u>

Continued on next page.

City of Lexington, North Carolina
Grant Projects Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2024

Exhibit C-3
continued

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Millwork Building Reuse Grant					
Restricted intergovernmental	\$ 200,000	\$ -	\$ -	\$ -	\$ (200,000)
Total	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Total revenues	<u>7,640,691</u>	<u>756,164</u>	<u>309,671</u>	<u>1,065,834</u>	<u>(6,574,857)</u>
Expenditures					
Public safety					
2022 Victim Advocate Grant	124,028	50,064	27,653	77,717	46,311
2022 SAFER Grant	<u>5,404,065</u>	<u>-</u>	<u>219,488</u>	<u>219,488</u>	<u>5,184,577</u>
Total public safety	<u>5,528,093</u>	<u>50,064</u>	<u>247,141</u>	<u>297,205</u>	<u>5,230,888</u>
Highways and streets					
2022 State Capital Infrastructure Fund Grant	<u>130,000</u>	<u>56,100</u>	<u>62,500</u>	<u>118,600</u>	<u>11,400</u>
Total highways and streets	<u>130,000</u>	<u>56,100</u>	<u>62,500</u>	<u>118,600</u>	<u>11,400</u>
Sanitation					
2023 Community Waste Reduction and Recycling Grant	<u>24,000</u>	<u>-</u>	<u>19,836</u>	<u>19,836</u>	<u>4,164</u>
Total sanitation	<u>24,000</u>	<u>-</u>	<u>19,836</u>	<u>19,836</u>	<u>4,164</u>
Culture and recreation					
Archaeological Survey of the African American Section of Lexington City Cemetery Grant	8,500	-	8,500	8,500	-
Underrepresented Communities Grant - Lincoln Park	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
Total culture and recreation	<u>39,500</u>	<u>-</u>	<u>8,500</u>	<u>8,500</u>	<u>31,000</u>
Economic and physical development					
Tapped Tees Building Reuse Grant	\$ 300,000	\$ 175,000	\$ -	\$ 175,000	\$ 125,000
NCRR Invest Grant	1,000,000	-	-	-	1,000,000
Cider Bros Building Reuse Grant	500,000	475,000	-	475,000	25,000
Millwork Building Reuse Grant	<u>210,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,000</u>
Total economic and physical development	<u>2,010,000</u>	<u>650,000</u>	<u>-</u>	<u>650,000</u>	<u>1,360,000</u>
Total expenditures	<u>7,731,593</u>	<u>756,164</u>	<u>337,977</u>	<u>1,094,141</u>	<u>6,637,452</u>
Revenues over (under) expenditures	<u>(90,902)</u>	<u>-</u>	<u>(28,306)</u>	<u>(28,306)</u>	<u>62,596</u>

Continued on next page.

City of Lexington, North Carolina
Grant Projects Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
From inception and for the fiscal year ended June 30, 2024

Exhibit C-3
continued

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Other financing sources:					
2022 Victim Advocate Grant					
Transfers from other funds					
General Fund	39,402	-	4,269	4,269	(35,133)
Total	<u>39,402</u>	<u>-</u>	<u>4,269</u>	<u>4,269</u>	<u>(35,133)</u>
2022 State Capital Infrastructure Fund Grant					
Transfers from other funds					
General Fund	30,000	-	17,601	17,601	(12,399)
Total	<u>30,000</u>	<u>-</u>	<u>17,601</u>	<u>17,601</u>	<u>(12,399)</u>
2023 Community Waste Reduction and Recycling					
Transfers from other funds					
General Fund	4,000	-	3,936	3,936	(64)
Total	<u>4,000</u>	<u>-</u>	<u>3,936</u>	<u>3,936</u>	<u>(64)</u>
Archaeological Survey of the African American Section of Lexington City Cemetery Grant					
Transfers from other funds					
General Fund	\$ 2,500	\$ -	\$ 2,500	\$ 2,500	\$ -
Total	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Underrepresented Communities Grant - Lincoln Park					
Transfers from other funds					
General Fund	5,000	-	-	-	(5,000)
Total	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
Millwork, LLC./Project Millwork Rural Building Reuse Grant					
Transfers from other funds					
General Fund	10,000	-	-	-	(10,000)
Total	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources	<u>90,902</u>	<u>-</u>	<u>28,306</u>	<u>28,306</u>	<u>(62,596)</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, 2024

Exhibit C-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Restricted intergovernmental	\$	\$ 132,115	\$
Investment earnings		15,435	
Total revenues	-	147,550	147,550
Expenditures			
Public safety			
Operations		42,657	
Capital outlay		19,025	
Total expenditures	80,221	61,682	18,539
Revenues over (under) expenditures	(80,221)	85,868	166,089
Fund balance appropriated	80,221	-	(80,221)
Net change in fund balance	\$ -	85,868	\$ 85,868
Fund balance - beginning		274,742	
Fund balance - ending		\$ 360,610	

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, 2024

Exhibit C-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Taxes	\$	\$ 86,104	\$
Interest		394	
Total revenues	92,000	86,498	(5,502)
Expenditures			
Economic and physical development			
Payment to Uptown Lexington, Inc.		87,944	
Total expenditures	92,000	87,944	4,056
Net change in fund balance	\$ -	(1,446)	\$ (1,446)
Fund balance - beginning		1,578	
Fund balance - ending		\$ 132	

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, 2024

Exhibit C-6

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Neighborhood Stabilization Program Grant					
Restricted intergovernmental	\$ 2,100,000	\$ 2,100,000	\$ -	\$ 2,100,000	\$ -
Program income	283,552	283,551	-	283,551	(1)
Total revenues	<u>2,383,552</u>	<u>2,383,551</u>	<u>-</u>	<u>2,383,551</u>	<u>(1)</u>
Expenditures					
Economic and physical development					
Neighborhood Stabilization Program Grant	2,541,152	2,541,151	-	2,541,151	1
Total expenditures	<u>2,541,152</u>	<u>2,541,151</u>	<u>-</u>	<u>2,541,151</u>	<u>1</u>
Revenues over (under) expenditures	<u>(157,600)</u>	<u>(157,600)</u>	<u>-</u>	<u>(157,600)</u>	<u>-</u>
Other financing sources					
Transfers from other funds					
General Fund	157,600	157,600	-	157,600	-
Total other financing sources	<u>157,600</u>	<u>157,600</u>	<u>-</u>	<u>157,600</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance - beginning			<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, 2024

Exhibit C-7

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Corridor Improvements to NC 8 Project					
Restricted intergovernmental	\$ 1,000,000	\$ -	\$ -	\$ -	\$ (1,000,000)
Miscellaneous					
Other	500,000	-	-	-	(500,000)
Total	1,500,000	-	-	-	(1,500,000)
Recreation Center Acquisition and Development Project					
Restricted intergovernmental	250,000	250,000	-	250,000	-
Sales and services					
Property rental	-	23,250	-	23,250	23,250
Investment earnings	-	10,379	14,695	25,074	25,074
Miscellaneous					
Donations	125,000	125,000	-	125,000	-
Total	375,000	408,629	14,695	423,324	48,324
Lexington Furniture Industries, Inc. Plant #1 Project					
Restricted intergovernmental	180,000	180,000	-	180,000	-
Sales and services					
Property rental	1,474,362	1,221,029	-	1,221,029	(253,333)
Lease revenue	93,857	187,713	93,041	280,754	186,897
Investment earnings	23,517	17,624	18,733	36,357	12,840
Miscellaneous					
Reimbursement of costs	1,467,000	1,467,000	-	1,467,000	-
Sale of materials	72,793	72,793	-	72,793	-
Interest on lease receivable	1,379	2,210	2,141	4,351	2,972
Total	3,312,908	3,148,369	113,915	3,262,284	(50,624)
Total revenues	5,187,908	3,556,998	128,610	3,685,608	(1,502,300)
Expenditures					
Highways and streets					
Corridor Improvements to NC 8 Project	1,500,000	-	12,270	12,270	1,487,730
Creekside Parkway Project	360,000	-	44,851	44,851	315,149
Total culture and recreation	1,860,000	-	57,121	57,121	1,802,879

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, 2024

Exhibit C-7
continued

	Project	Actual			Variance
		Prior	Current	Total	
Culture and recreation					
Recreation Center Acquisition and Development Project	900,000	650,000	-	650,000	250,000
Total culture and recreation	900,000	650,000	-	650,000	250,000
Economic and physical development					
Lexington Furniture Industries, Inc. Plant #1 Project	\$ 4,888,393	\$ 4,304,429	\$ 244,325	\$ 4,548,754	\$ 339,639
Total economic and physical development	4,888,393	4,304,429	244,325	4,548,754	339,639
Total expenditures	7,648,393	4,954,429	301,446	5,255,875	2,392,518
Revenues over (under) expenditures	(2,460,485)	(1,397,431)	(172,836)	(1,570,267)	890,218
Other financing sources (uses)					
Creekside Parkway Project					
Transfers from other funds					
General Fund	360,000	-	-	-	(360,000)
Total	360,000	-	-	-	(360,000)
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	-
Lexington Furniture Industries, Inc. Plant #1 Project					
Transfers from other funds					
General Fund	1,329,878	1,329,878	-	1,329,878	-
Sale of capital assets	245,607	245,607	-	245,607	-
Total	1,575,485	1,575,485	-	1,575,485	-
Total other financing sources (uses)	2,460,485	2,100,485	-	2,100,485	(360,000)
Net change in fund balance	\$ -	\$ 703,054	(172,836)	\$ 530,218	\$ 530,218
Fund balance - beginning			703,054		
Fund balance - ending			\$ 530,218		

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MAJOR ENTERPRISE FUNDS

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MAJOR ENTERPRISE FUNDS

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

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

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

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



City of Lexington, North Carolina
Electric Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2024

Exhibit D-1

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 26,439,034	\$
Commercial		14,916,991	
Industrial		2,265,831	
Area lights		950,674	
Street lighting		451,328	
Traffic lights		21,926	
Cable amplifiers		172,091	
Renewable Energy Portfolio Standards		330,079	
Other operating		410,870	
Total operating revenues	45,286,342	45,958,824	672,482
Nonoperating revenues			
Investment earnings		745,759	
Sale of property		52,000	
Total nonoperating revenues	764,900	797,759	32,859
Total revenues	46,051,242	46,756,583	705,341

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, 2024

Exhibit D-1
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Electric operations			
Salaries and employee benefits	\$	\$ 61,068	\$
Maintenance		3,228,149	
Cost of sales and services		9,751,110	
Purchases for resale		27,800,488	
Administrative charges general fund		833,886	
Administrative charges risk management fund		65,157	
Administrative charges utility administration fund		2,592,097	
Capital outlay		655,018	
Total electric operations	46,804,423	44,986,973	1,817,450
Debt service			
Principal retirement		344,836	
Interest and other charges		64,484	
Total debt service	409,321	409,320	1
Total expenditures	47,213,744	45,396,293	1,817,451
Revenues over expenditures	(1,162,502)	1,360,290	2,522,792
Other financing sources (uses)			
Capital contributions	-	271,784	271,784
Electric Rate Stabilization Fund	500,000	500,000	-
Transfers to other funds			
General Fund	(1,200,000)	(1,200,000)	-
Electric Capital Reserve Fund	(20,764)	(20,764)	-
Total other financing sources (uses)	(720,764)	(448,980)	271,784
Revenues and other financing sources over (under) expenditures and other financing uses	(1,883,266)	911,310	2,794,576
Appropriated net position	1,883,266	-	(1,883,266)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	911,310	\$ 911,310

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, 2024

Exhibit D-1
continued

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 911,310	
Reconciling items			
Principal retirement		344,836	
Capital outlay		655,018	
Depreciation		(1,384,476)	
Contracted labor and overhead charged to construction		758,835	
Materials charged to construction		770,110	
Gain (loss) on sale of property		(19,893)	
Increase (decrease) in inventory		2,021,631	
Provision for uncollectable accounts		(170,045)	
Change in accrued interest		2,102	
Increase (decrease) in deferred outflow of resources - OPEB		(30,989)	
(Increase) decrease in total OPEB liability		175,360	
(Increase) decrease in deferred inflows of resources - OPEB		(44,082)	
Items related to subfund - Electric Projects Fund			
Investment earnings		102,404	
Capital contributions		607,428	
Items related to subfund - Electric Capital Reserve Fund			
Investment earnings		655,640	
Transfer from Electric Fund		20,764	
Items related to subfund - Electric Rate Stabilization Fund			
Investment earnings		53,509	
Transfer to Electric Fund		(500,000)	
 Total reconciling items		 4,018,152	
 Change in net position		 \$ 4,929,462	

City of Lexington, North Carolina

Exhibit D-2

Electric Projects Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non-GAAP)

From inception and for the fiscal year ended June 30, 2024

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Electric Delivery Station No.3 Project					
Investment earnings	\$ -	\$ 89,386	\$ 102,404	\$ 191,790	\$ 191,790
Total	<u>-</u>	<u>89,386</u>	<u>102,404</u>	<u>191,790</u>	<u>191,790</u>
 Total revenues	<u>-</u>	<u>89,386</u>	<u>102,404</u>	<u>191,790</u>	<u>191,790</u>
Expenditures					
Electric Delivery Station No.3 Project					
Siemen's Utility Relocation	5,304,000	3,216,550	123,065	3,339,615	1,964,385
Siemen's Utility Relocation	4,000,000	-	607,428	607,428	3,392,572
Total expenditures	<u>9,304,000</u>	<u>3,216,550</u>	<u>730,493</u>	<u>3,947,043</u>	<u>5,356,957</u>
 Revenues over (under) expenditures	<u>(9,304,000)</u>	<u>(3,127,164)</u>	<u>(628,089)</u>	<u>(3,755,253)</u>	<u>5,548,747</u>
Other financing sources (uses)					
Electric Delivery Station No.3 Project					
Transfers from other funds					
Operating fund	5,304,000	5,304,000	-	5,304,000	-
Total	<u>5,304,000</u>	<u>5,304,000</u>	<u>-</u>	<u>5,304,000</u>	<u>-</u>
 Siemen's Utility Relocation					
Capital Contributions	4,000,000	-	607,428	607,428	(3,392,572)
Transfers from other funds					
Operating fund	-	-	-	-	-
Total	<u>4,000,000</u>	<u>-</u>	<u>607,428</u>	<u>607,428</u>	<u>(3,392,572)</u>
 Total other financing sources (uses)	<u>9,304,000</u>	<u>5,304,000</u>	<u>607,428</u>	<u>5,911,428</u>	<u>(3,392,572)</u>
 Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,176,836</u>	<u>\$ (20,661)</u>	<u>\$ 2,156,175</u>	<u>\$ 2,156,175</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, 2024

Exhibit D-3

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 667,000	\$ 655,640	\$ (11,360)
Revenues over expenditures	667,000	655,640	(11,360)
Other financing sources			
Transfers from other funds			
Electric Fund	20,764	20,764	-
Total other financing sources	20,764	20,764	-
Revenues and other financing sources over (under) expenditures	687,764	676,404	(11,360)
Addition to reserve for electric capital requirements	(687,764)	-	687,764
Revenues and other financing sources over (under) expenditures, other financing uses, and addition to net position	\$ -	\$ 676,404	\$ 676,404

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, 2024

Exhibit D-4

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Investment earnings	\$ 55,600	\$ 53,509	\$ (2,091)
Revenues over expenditures	<u>55,600</u>	<u>53,509</u>	<u>(2,091)</u>
Other financing sources			
Transfers to other funds			
Electric Fund	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Total other financing sources	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	(444,400)	(446,491)	(2,091)
Net position appropriated	<u>444,400</u>	<u>-</u>	<u>(444,400)</u>
Revenues and other financing sources over (under) expenditures and addition to net position	<u>\$ -</u>	<u>\$ (446,491)</u>	<u>\$ (446,491)</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, 2024

Exhibit D-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services - Water			
Residential	\$	\$ 3,555,221	\$
Commercial		1,844,969	
Industrial		1,189,785	
Other water charges		91,199	
Charges for sales and services - Wastewater			
Residential		4,338,998	
Commercial		3,253,805	
Industrial		569,472	
Other wastewater charges		248,296	
Other operating		815,945	
Total operating revenues	15,744,301	15,907,690	163,389
Nonoperating revenues			
Federal Build America Bond interest credit		1,818	
Investment earnings		310,641	
Sale of property		17,038	
Total nonoperating revenues	214,697	329,497	114,800
Total revenues	15,958,998	16,237,187	278,189

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, 2024

Exhibit D-5
continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
Water and wastewater operations			
Water and wastewater administration			
Salaries and employee benefits	\$	\$ 344,052	\$
Cost of sales and services		112,777	
Administrative charges general fund		1,128,235	
Administrative charges risk management fund		137,180	
Administrative charges utility administration fund		1,044,711	
Total water and wastewater administration	<u>2,810,456</u>	<u>2,766,955</u>	<u>43,501</u>
Water plant			
Salaries and employee benefits		1,206,772	
Maintenance		134,876	
Cost of sales and services		1,141,776	
Total water plant	<u>3,719,277</u>	<u>2,483,424</u>	<u>1,235,853</u>
Wastewater plant			
Salaries and employee benefits		1,558,265	
Maintenance		1,347,055	
Cost of sales and services		1,088,751	
Capital outlay		26,702	
Total wastewater plant	<u>6,215,541</u>	<u>4,020,773</u>	<u>2,194,768</u>
Water resources maintenance & construction			
Salaries and employee benefits		1,438,818	
Maintenance		243,775	
Cost of sales and services		912,116	
Capital outlay		361,186	
Total water resources maintenance & construction	<u>4,810,577</u>	<u>2,955,895</u>	<u>1,854,682</u>
Total water and wastewater operations	<u>17,555,851</u>	<u>12,227,047</u>	<u>5,328,804</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, 2024

Exhibit D-5
continued

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal retirement	\$	\$ 639,858	\$
Interest and other charges		84,589	
Total debt service	724,451	724,447	4
Total expenditures	18,280,302	12,951,494	5,328,808
Revenue over expenditures	(2,321,304)	3,285,693	5,606,997
Other financing sources (uses)			
Transfers from other funds			
Water and Wastewater Capital Reserve Fund	1,957,340	587,340	(1,370,000)
Transfers to other funds			
Water and Wastewater Projects Fund	(156,000)	(146,707)	9,293
Water and Wastewater Capital Reserve Fund	(568,702)	(568,702)	-
Total other financing sources (uses)	1,232,638	(128,069)	(1,360,707)
Revenues and other financing sources over (under) expenditures and other financing uses	(1,088,666)	3,157,624	4,246,290
Appropriated net position	1,088,666	-	(1,088,666)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	3,157,624	\$ 3,157,624

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, 2024

Exhibit D-5
continued

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 3,157,624	
Reconciling items			
Principal retirement		639,858	
Capital outlay		387,888	
Depreciation		(1,434,701)	
Wages and overhead charged to construction		30,488	
Materials charged to construction		6,534	
Increase (decrease) in inventory		23,100	
Provision for uncollectable accounts		(70,878)	
Change in accrued interest		1,442	
(Increase) decrease in compensated absences payable		(15,118)	
Increase (decrease) in deferred outflow of resources - pensions		48,200	
(Increase) decrease in net pension liability		(266,529)	
(Increase) decrease in deferred inflows of resources - pensions		26,263	
Increase (decrease) in deferred outflow of resources - OPEB		14,944	
(Increase) decrease in total OPEB liability		(5,267)	
(Increase) decrease in deferred inflows of resources - OPEB		(228,725)	
Change in equity interest in joint venture		12,318	
Items related to subfund - Water and Wastewater Projects Fund			
Investment earnings		232	
Restricted intergovernmental - capital grants		196,584	
Transfer from Water and Wastewater Capital Reserve Fund		146,707	
Items related to subfund - Water and Wastewater Capital Reserve Fund			
Investment earnings		840,496	
Transfer from Water and Wastewater Fund		568,702	
Transfer to Water and Wastewater Fund		(587,340)	
 Total reconciling items		 335,198	
 Change in net position		 \$ 3,492,822	

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, 2024

Exhibit D-6

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Advanced Metering Infrastructure (AMI) Project					
Investment earnings	\$ -	\$ 645	\$ 232	\$ 877	\$ 877
Total	<u>-</u>	<u>645</u>	<u>232</u>	<u>877</u>	<u>877</u>
Wastewater Solids-Handling Pre-Construction Planning Grant Project					
Restricted intergovernmental	400,000	183,416	196,584	380,000	(20,000)
Total	<u>400,000</u>	<u>183,416</u>	<u>196,584</u>	<u>380,000</u>	<u>(20,000)</u>
Total revenues	<u>400,000</u>	<u>184,061</u>	<u>196,816</u>	<u>380,877</u>	<u>(19,123)</u>
Expenditures					
Advanced Metering Infrastructure (AMI) Project	5,310,000	2,138,041	2,257,877	4,395,918	914,082
Wastewater Solids-Handling Pre-Construction Planning Grant Project	556,000	183,416	363,291	546,707	9,293
Total expenditures	<u>5,866,000</u>	<u>2,321,457</u>	<u>2,621,168</u>	<u>4,942,625</u>	<u>923,375</u>
Revenues over (under) expenditures	<u>(5,466,000)</u>	<u>(2,137,396)</u>	<u>(2,424,352)</u>	<u>(4,561,748)</u>	<u>904,252</u>
Other financing sources					
Advanced Metering Infrastructure (AMI) Project					
Installment purchase obligations issued	5,310,000	5,310,000	-	5,310,000	-
Total	<u>5,310,000</u>	<u>5,310,000</u>	<u>-</u>	<u>5,310,000</u>	<u>-</u>
Wastewater Solids-Handling Pre-Construction Planning Grant Project					
Transfers from other funds					
Water and Wastewater Capital Reserve Fund	156,000	-	146,707	146,707	(9,293)
Total	<u>156,000</u>	<u>-</u>	<u>146,707</u>	<u>146,707</u>	<u>(9,293)</u>
Total other financing sources	<u>5,466,000</u>	<u>5,310,000</u>	<u>146,707</u>	<u>5,456,707</u>	<u>(9,293)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,172,604</u>	<u>\$ (2,277,645)</u>	<u>\$ 894,959</u>	<u>\$ 894,959</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, 2024

Exhibit D-7

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 289,600	\$ 840,496	\$ 550,896
Revenues over expenditures	289,600	840,496	550,896
Other financing sources			
Transfers from other funds			
Water and Wastewater Fund	533,938	568,702	34,764
Transfers to other funds			
Water and Wastewater Fund	(1,957,340)	(587,340)	1,370,000
Total other financing sources	(1,423,402)	(18,638)	1,404,764
Revenues and other financing sources over (under) expenditures	(1,133,802)	821,858	1,955,660
Addition to reserve for water and wastewater capital requirements	1,133,802	-	(1,133,802)
Revenues, other financing sources, and appropriated net position over (under) expenditures	\$ -	\$ 821,858	\$ 821,858

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, 2024

Exhibit D-8

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Residential	\$	\$ 5,797,410	\$
Commercial		3,976,852	
Industrial		3,668,810	
Other operating		107,188	
Total operating revenues	15,184,877	13,550,260	(1,634,617)
Nonoperating revenues			
Federal Build America Bond interest credit		5,152	
Investment earnings		193,980	
Sale of property		4,775	
Total nonoperating revenues	231,592	203,907	(27,685)
Total revenues	15,416,469	13,754,167	(1,662,302)

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, 2024

Exhibit D-8
continued

	Budget	Actual	Variance Positive (Negative)
Expenditures			
Natural gas operations			
Salaries and employee benefits	\$	\$ 2,053,910	\$
Maintenance		483,682	
Cost of sales and services		1,618,909	
Purchases for resale		4,430,190	
Administrative charges general fund		668,394	
Administrative charges risk management fund		69,496	
Administrative charges utility administration fund		1,403,203	
Capital outlay		524,228	
Total natural gas operations	14,982,647	11,252,012	3,730,635
Debt service			
Principal retirement		141,348	
Interest and other charges		15,429	
Total debt service	156,778	156,777	1
Total expenditures	15,139,425	11,408,789	3,730,636
Revenues over expenditures	277,044	2,345,378	2,068,334
Other financing sources (uses)			
Transfers to other funds			
General Fund	(1,168,103)	(1,168,103)	-
Natural Gas Capital Reserve Fund	(24,189)	(24,189)	-
Total other financing uses	(1,192,292)	(1,192,292)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(915,248)	1,153,086	2,068,334
Appropriated net position	915,248	-	(915,248)
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses	\$ -	1,153,086	\$ 1,153,086

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, 2024

Exhibit D-8
continued

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 1,153,086	
Reconciling items:			
Principal retirement		141,348	
Capital outlay		524,228	
Depreciation		(823,671)	
Wages and overhead charged to construction		235,805	
Materials charged to construction		147,908	
Gain (loss) on sale of property		(8,939)	
Increase (decrease) in inventory		84,242	
Provision for uncollectable accounts		(97,171)	
Change in accrued interest		1,811	
(Increase) decrease in compensated absences payable		12,084	
Increase (decrease) in deferred outflow of resources - pensions		20,504	
(Increase) decrease in net pension liability		(119,180)	
(Increase) decrease in deferred inflows of resources - pensions		12,004	
Increase (decrease) in deferred outflow of resources - OPEB		(22,784)	
(Increase) decrease in total OPEB liability		139,460	
(Increase) decrease in deferred inflows of resources - OPEB		(65,607)	
Items related to subfund - Natural Gas Projects Fund			
Investment earnings		14,745	
Items related to subfund - Natural Gas Capital Reserve Fund			
Investment earnings		53,567	
Transfer from Natural Gas Fund		24,189	
Items related to subfund - Natural Gas Stabilization Fund			
Investment earnings		2,420	
Total reconciling items		276,963	
Change in net position		\$ 1,430,049	

City of Lexington, North Carolina
Natural Gas Projects Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From inception and for the fiscal year ended June 30, 2024

Exhibit D-9

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
Transco Interconnect and Distribution Pipeline Project					
Investment earnings	\$ -	\$ 17,645	\$ 14,745	\$ 32,390	\$ 32,390
Total	<u>-</u>	<u>17,645</u>	<u>14,745</u>	<u>32,390</u>	<u>32,390</u>
Natural Gas System Improvement Grant Project					
Restricted intergovernmental	1,345,950	-	-	-	(1,345,950)
Total	<u>1,345,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,345,950)</u>
Total revenues	<u>1,345,950</u>	<u>17,645</u>	<u>14,745</u>	<u>32,390</u>	<u>(1,313,560)</u>
Expenditures					
Transco Interconnect and Distribution Pipeline Project					
	2,000,000	452,812	207,680	660,492	1,339,508
Natural Gas System Improvement Grant Project	2,691,900	-	419	419	2,691,481
Total expenditures	<u>4,691,900</u>	<u>452,812</u>	<u>208,099</u>	<u>660,911</u>	<u>4,030,989</u>
Revenues over (under) expenditures	<u>(3,345,950)</u>	<u>(435,167)</u>	<u>(193,354)</u>	<u>(628,521)</u>	<u>2,717,429</u>
Other financing sources (uses)					
Transco Interconnect and Distribution Pipeline Project					
Installment purchase obligations issued	1,175,000	-	-	-	(1,175,000)
Transfers from other funds					
Natural Gas Capital Reserve Fund	825,000	825,000	-	825,000	-
Total	<u>2,000,000</u>	<u>825,000</u>	<u>-</u>	<u>825,000</u>	<u>(1,175,000)</u>
Natural Gas System Improvement Grant Project					
Capital Contributions	1,345,950	-	-	-	(1,345,950)
Total	<u>1,345,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,345,950)</u>
Total other financing sources	<u>3,345,950</u>	<u>825,000</u>	<u>-</u>	<u>825,000</u>	<u>(2,520,950)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 389,833</u>	<u>\$ (193,354)</u>	<u>\$ 196,479</u>	<u>\$ 196,479</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, 2024

Exhibit D-10

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 52,000	\$ 53,567	\$ 1,567
Revenues over expenditures	52,000	53,567	1,567
Other financing sources			
Transfers from other funds			
Natural Gas Fund	24,189	24,189	-
Total other financing sources (uses)	24,189	24,189	-
Revenues and other financing sources over expenditures	76,189	77,756	1,567
Addition to reserve for natural gas capital requirements	(76,189)	-	76,189
Revenues over expenditures and addition to net position	\$ -	\$ 77,756	\$ 77,756

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, 2024

Exhibit D-11

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 1,700	\$ 2,420	\$ 720
Revenues and other financing sources over expenditures	1,700	2,420	720
Addition to reserve for natural gas rate stabilization requirements	(1,700)	-	1,700
Revenues over expenditures and addition to net position	\$ -	\$ 2,420	\$ 2,420



NONMAJOR ENTERPRISE FUNDS

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NONMAJOR ENTERPRISE FUNDS

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

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

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



City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Fund Net Position
June 30, 2024

Exhibit E-1

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 308,500	\$ 782,050	\$ 1,090,550
Receivables (net)			
Accounts - billed	85,383	-	85,383
Accounts - unbilled	110,705	-	110,705
Interest	57	113	170
Due from other governments	3,357	11,773	15,130
Restricted cash and cash equivalents			
Customer deposits	-	550	550
Inventories	-	42,864	42,864
Total current assets	508,002	837,350	1,345,352
Noncurrent assets			
Capital assets			
Capital assets not being depreciated	-	40,728	40,728
Capital assets, net of accumulated depreciation	287,192	673,573	960,765
Right to use assets, net of accumulated amortization	-	46,858	46,858
Total capital assets	287,192	761,159	1,048,351
Total noncurrent assets	287,192	761,159	1,048,351
Total assets	795,194	1,598,509	2,393,703
Deferred outflows of resources	142,942	246,746	389,688

Continued on next page.

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Fund Net Position
June 30, 2024

Exhibit E-1
continued

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 76,249	\$ 78,168	\$ 154,417
Due to other funds	-	24,975	24,975
Compensated absences	19,000	18,000	37,000
Pension liability	39,415	57,665	97,080
OPEB liability	59,434	97,478	156,912
Subscription liabilities	-	25,557	25,557
Liabilities payable from restricted assets			
Customer deposits	-	550	550
Total current liabilities	194,098	302,393	496,491
Noncurrent liabilities			
Compensated absences	8,921	17,971	26,892
Pension liability	173,049	257,450	430,499
OPEB liability	-	155,716	155,716
Subscription liabilities	-	21,764	21,764
Total noncurrent liabilities	181,970	452,901	634,871
Total liabilities	376,068	755,294	1,131,362
Deferred inflows of resources			
	19,939	79,658	99,597
Net position			
Net investment in capital assets	\$ 287,192	\$ 713,838	\$ 1,001,030
Unrestricted	254,937	296,465	551,402
Total net position	\$ 542,129	\$ 1,010,303	\$ 1,552,432

City of Lexington, North Carolina
Nonmajor Enterprise Funds

Exhibit E-2

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the fiscal year ended June 30, 2024

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Operating revenues			
Charges for sales and services	\$ 1,469,941	\$ 1,015,289	\$ 2,485,230
Other operating	378	2,430	2,808
Total operating revenues	1,470,319	1,017,719	2,488,038
Operating expenses			
Cost of sales and services	990,115	1,301,196	2,291,311
Administration	550,849	23,057	573,906
Depreciation	64,664	218,940	283,604
Total operating expenses	1,605,628	1,543,193	3,148,821
Operating income (loss)	(135,309)	(525,474)	(660,783)
Nonoperating revenues (expenses)			
Investment earnings	23,222	53,559	76,781
Interest and other charges	-	(1,834)	(1,834)
Total nonoperating revenues (expenses)	23,222	51,725	74,947
Income (loss) before transfers	(112,087)	(473,749)	(585,836)
Transfers from other funds			
General Fund	-	400,000	400,000
Change in net position	(112,087)	(73,749)	(185,836)
Net position - beginning	654,216	1,084,052	1,738,268
Net position - ending	\$ 542,129	\$ 1,010,303	\$ 1,552,432

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2024

Exhibit E-3

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 1,447,669	\$ 988,889	\$ 2,436,558
Cash received (paid) for interfund services provided (used)	(550,849)	(23,057)	(573,906)
Cash paid for goods and services	(413,524)	(493,513)	(907,037)
Cash paid to employees	(436,498)	(763,102)	(1,199,600)
Other operating income	378	2,430	2,808
Net cash provided (used) by operating activities	47,176	(288,353)	(241,177)
Cash flows from noncapital financing activities			
Transfers from other funds	-	400,000	400,000
Net cash provided (used) by noncapital financing activities	-	400,000	400,000
Cash flows from capital and related financing activities			
Repayments on advances from other funds	-	(24,724)	(24,724)
Acquisition and construction of capital assets	(109,141)	(132,856)	(241,997)
Interest and other charges paid on debt	-	(440)	(440)
Proceeds from the sale of assets	-	-	-
Net cash provided (used) by capital and related financing activities	(109,141)	(158,020)	(267,161)
Cash flows from investing activities			
Receipts of investment earnings	23,165	53,446	76,611
Net cash provided by investing activities	23,165	53,446	76,611
Net increase (decrease) in cash and cash equivalents	(38,800)	7,073	(31,727)
Cash and cash equivalents - beginning	347,300	775,527	1,122,827
Cash and cash equivalents - ending	\$ 308,500	\$ 782,600	\$ 1,091,100

Continued on next page.

City of Lexington, North Carolina
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2024

Exhibit E-3
continued

	Stormwater	Golf	Total Nonmajor Enterprise Funds
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ (135,309)	\$ (525,474)	\$ (660,783)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Charges for sales and services - value of "trade rounds" provided in lieu of subscription payments	-	(26,400)	(26,400)
Depreciation	64,664	218,940	283,604
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(22,272)	-	(22,272)
(Increase) decrease in intergovernmental receivable	(2,122)	5,349	3,227
(Increase) decrease in inventory	-	(13,034)	(13,034)
(Increase) decrease in deferred outflows of resources - pensions	(47,169)	1,447	(45,722)
(Increase) decrease in deferred outflows of resources - OPEB	(4,534)	4,169	(365)
Increase (decrease) in accounts payable and accrued liabilities	64,891	16,400	81,291
(Increase) decrease in amounts accrued related to interest on capital debt	-	(83)	(83)
Increase (decrease) in customer deposits	-	(2,450)	(2,450)
Increase (decrease) in compensated absences	10,292	15,759	26,051
Increase (decrease) in net pension liability	88,711	25,443	114,154
Increase (decrease) in total OPEB liability	20,152	(29,754)	(9,602)
Increase (decrease) in deferred inflows of resources - pensions	(1,015)	(4,008)	(5,023)
Increase (decrease) in deferred inflows of resources - OPEB	10,887	25,343	36,230
Total adjustments	182,485	237,121	419,606
Net cash provided (used) by operating activities	\$ 47,176	\$ (288,353)	\$ (241,177)

City of Lexington, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2024

Exhibit E-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services	\$	\$ 1,482,363	\$
Other operating		378	
Total operating revenues	1,600,000	1,482,741	(117,259)
Nonoperating revenues			
Investment earnings		23,222	
Total nonoperating revenues	11,300	23,222	11,922
Total revenues	1,611,300	1,505,963	(105,337)
Expenditures			
Stormwater operations			
Salaries and employee benefits		442,249	
Maintenance		386,490	
Cost of sales and services		84,052	
Administrative charges general fund		275,566	
Administrative charges risk management fund		14,742	
Administrative charges utility administration fund		260,541	
Capital outlay		109,141	
Total expenditures	1,753,530	1,572,781	180,749
Revenues over (under) expenditures	(142,230)	(66,818)	75,412
Appropriated net position	142,230	-	(142,230)
Revenues and other financing sources over (under) expenditures	\$ -	(66,818)	\$ (66,818)

Continued on next page.

City of Lexington, North Carolina
Stormwater Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2024

Exhibit E-4
continued

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ (66,818)	
Reconciling items:			
Capital outlay		109,141	
Depreciation		(64,664)	
Provision for uncollectable accounts		(12,422)	
(Increase) decrease in compensated absences payable		(10,292)	
Increase (decrease) in deferred outflow of resources - pensions		47,169	
(Increase) decrease in net pension liability		(88,711)	
(Increase) decrease in deferred inflows of resources - pensions		1,015	
Increase (decrease) in deferred outflow of resources - OPEB		4,534	
(Increase) decrease in total OPEB liability		(20,152)	
(Increase) decrease in deferred inflows of resources - OPEB		(10,887)	
Total reconciling items		(45,269)	
Change in net position		\$ (112,087)	

City of Lexington, North Carolina
Golf Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2024

Exhibit E-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for sales and services			
Golf course	\$	\$ 440,658	\$
Golf cart rentals		353,138	
Merchandise and concessions		164,593	
Municipal club rental		30,500	
Other operating		2,430	
Total operating revenues	948,987	991,319	42,332
Nonoperating revenues			
Investment earnings		53,559	
Total nonoperating revenues	44,300	53,559	9,259
Total revenues	993,287	1,044,878	51,591
Expenditures			
Golf operations			
Salaries and employee benefits		763,503	
Cost of sales and services		512,328	
Administrative charges risk management fund		23,057	
Capital outlay		132,856	
Total operating expenditures	1,430,858	1,431,744	(886)
Debt service			
Interest and other charges		440	
Total debt service	25,165	440	24,725
Total expenditures	1,456,023	1,432,184	23,839
Revenues over (under) expenditures	(462,736)	(387,306)	75,430
Other financing sources			
Transfers from other funds			
General Fund	400,000	400,000	-
Total other financing sources	400,000	400,000	-
Revenues and other financing sources over (under) expenditures	(62,736)	12,694	75,430
Appropriated net position	62,736	-	(62,736)
Revenues, other financing sources, and appropriated net position over (under) expenditures	\$ -	12,694	\$ 12,694

Continued on next page.

City of Lexington, North Carolina
Golf Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the fiscal year ended June 30, 2024

Exhibit E-5
continued

	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual basis			
Revenues, other financing sources, and appropriated net position over (under) expenditures		12,694	
Reconciling items:			
Charges for sales and services - value of "trade rounds" provided in lieu of subscription payments		26,400	
SBITA principal - value of "trade rounds" provided in lieu of subscription payments		(25,089)	
SBITA interest - value of "trade rounds" provided in lieu of subscription payments		(1,311)	
Principal retirements		25,089	
Capital outlay		132,856	
Depreciation - capital assets		(193,381)	
Amortization - right to use subscription assets		(25,559)	
Increase (decrease) in inventory		13,034	
Change in accrued interest		(83)	
(Increase) decrease in compensated absences payable		(15,759)	
Increase (decrease) in deferred outflows of resources - pensions		(1,447)	
(Increase) decrease in net pension liability		(25,443)	
(Increase) decrease in deferred inflows of resources - pensions		4,008	
Increase (decrease) in deferred outflows of resources - OPEB		(4,169)	
(Increase) decrease in total OPEB liability		29,754	
(Increase) decrease in deferred inflows of resources - OPEB		(25,343)	
Total reconciling items		(86,443)	
Change in net position		\$ (73,749)	

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INTERNAL SERVICE FUNDS

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INTERNAL SERVICE FUNDS

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

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

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

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

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



City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2024

Exhibit F-1

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
Assets					
Current assets					
Cash and cash equivalents	1,358,872	\$ 2,263,824	\$ 1,202,381	\$ 3,462,282	\$ 8,287,359
Receivables (net)					
Accounts - billed	-	-	-	80,487	80,487
Accounts - unbilled	3,278	-	7,100	3,051	13,429
Interest	349	1,781	150	399	2,679
Due from other governments	43,593	284	16,265	237,941	298,083
Restricted cash and cash equivalents					
Inventories	211,346	-	-	-	211,346
Prepaid items	-	110,000	-	17,000	127,000
Total current assets	<u>1,617,438</u>	<u>2,375,889</u>	<u>1,225,896</u>	<u>3,801,160</u>	<u>9,020,383</u>
Noncurrent assets					
Designated cash and cash equivalents					
Capital reserve	1,288,255	-	-	-	1,288,255
Group insurance reserve	-	11,016,600	-	-	11,016,600
Capital assets					
Capital assets not being depreciated	15,000	-	-	16,254,712	16,269,712
Capital assets, net of accumulated depreciation	94,577	-	23,935	2,614,139	2,732,651
Right to use assets, net of accumulated amortization	-	-	3,489	87,056	90,545
Total capital assets	<u>109,577</u>	<u>-</u>	<u>27,424</u>	<u>18,955,907</u>	<u>19,092,908</u>
Total noncurrent assets	<u>1,397,832</u>	<u>11,016,600</u>	<u>27,424</u>	<u>18,955,907</u>	<u>31,397,763</u>
Total assets	<u>3,015,270</u>	<u>13,392,489</u>	<u>1,253,320</u>	<u>22,757,067</u>	<u>40,418,146</u>
Deferred outflows of resources	<u>255,112</u>	<u>-</u>	<u>93,733</u>	<u>1,172,891</u>	<u>1,521,736</u>

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Fund Net Position
June 30, 2024

Exhibit F-1
continued

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	\$ 185,323	\$ 64,299	\$ 43,069	\$ 487,511	\$ 780,202
Due to other funds	-	-	-	270,182	270,182
Unpaid claims costs	-	502,000	109,369	-	611,369
Compensated absences	29,000	-	14,000	188,000	231,000
Pension liability	64,403	-	21,738	291,170	377,311
OPEB liability	95,286	-	39,869	447,563	582,718
Lease liabilities	-	-	-	1,967	1,967
Subscription liabilities	-	-	-	27,691	27,691
Installment purchases payable	-	-	-	726,328	726,328
Liabilities payable from restricted assets					
Accounts payable and accrued liabilities	-	-	-	97,234	97,234
Total current liabilities	<u>374,012</u>	<u>566,299</u>	<u>228,045</u>	<u>2,537,646</u>	<u>3,706,002</u>
Noncurrent liabilities					
Compensated absences	31,930	-	8,994	66,864	107,788
Pension liability	286,882	-	96,730	1,295,109	1,678,721
OPEB liability	92,163	-	59,924	498,185	650,272
Subscription liabilities	-	-	-	28,484	28,484
Installment purchases payable	-	-	-	13,365,389	13,365,389
Advances from other funds:					
Electric Capital Reserve fund	-	-	-	874,079	874,079
Total noncurrent liabilities	<u>410,975</u>	<u>-</u>	<u>165,648</u>	<u>16,128,110</u>	<u>16,704,733</u>
Total liabilities	<u>784,987</u>	<u>566,299</u>	<u>393,693</u>	<u>18,665,756</u>	<u>20,410,735</u>
Deferred inflows of resources	<u>60,031</u>	<u>-</u>	<u>31,345</u>	<u>301,212</u>	<u>392,588</u>
Net position					
Net investment in capital assets	109,577	-	27,424	4,708,814	4,845,815
Unrestricted	<u>2,315,787</u>	<u>12,826,190</u>	<u>894,591</u>	<u>254,176</u>	<u>16,290,744</u>
Total net position	<u>\$ 2,425,364</u>	<u>\$ 12,826,190</u>	<u>\$ 922,015</u>	<u>\$ 4,962,990</u>	<u>\$ 21,136,559</u>

**City of Lexington, North Carolina
Internal Service Funds**

Exhibit F-2

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the fiscal year ended June 30, 2024**

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
Operating revenues					
Charges for services	\$ 2,252,495	\$ 5,426,157	\$ 1,593,820	\$ 6,101,986	\$ 15,374,458
Other operating	31,355	85,059	99,341	1,321,346	1,537,101
Total operating revenues	<u>2,283,850</u>	<u>5,511,216</u>	<u>1,693,161</u>	<u>7,423,332</u>	<u>16,911,559</u>
Operating expenses					
Cost of sales and services	2,371,788	-	-	-	2,371,788
Administration	-	411,995	366,732	5,794,912	6,573,639
Premiums	-	666,793	914,203	-	1,580,996
Claims	-	4,186,485	751,192	-	4,937,677
Depreciation and amortization	50,727	-	14,590	200,750	266,067
Total operating expenses	<u>2,422,515</u>	<u>5,265,273</u>	<u>2,046,717</u>	<u>5,995,662</u>	<u>15,730,167</u>
Operating income (loss)	<u>(138,665)</u>	<u>245,943</u>	<u>(353,556)</u>	<u>1,427,670</u>	<u>1,181,392</u>
Nonoperating revenues (expenses)					
Investment earnings	124,946	654,935	49,379	226,613	1,055,873
Gain (loss) on sale of property	4,690	-	7,100	3,052	14,842
Interest and other charges	-	-	(117)	(462,543)	(462,660)
Total nonoperating revenues (expenses)	<u>129,636</u>	<u>654,935</u>	<u>56,362</u>	<u>(232,878)</u>	<u>608,055</u>
Change in net position	(9,029)	900,878	(297,194)	1,194,792	1,789,447
Net position - beginning	<u>2,434,393</u>	<u>11,925,312</u>	<u>1,219,209</u>	<u>3,768,198</u>	<u>19,347,112</u>
Net position - ending	<u>\$ 2,425,364</u>	<u>\$ 12,826,190</u>	<u>\$ 922,015</u>	<u>\$ 4,962,990</u>	<u>\$ 21,136,559</u>

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2024

Exhibit F-3

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
Cash flows from operating activities					
Cash received from services provided	\$ 2,249,217	\$ 5,426,157	\$ 1,586,720	\$ 6,101,075	\$ 15,363,169
Cash paid for goods and services	(1,514,199)	(5,351,399)	(1,791,240)	(4,145,681)	(12,802,519)
Cash paid to employees	(721,293)	-	(249,090)	(1,728,868)	(2,699,251)
Other operating income	31,355	85,059	99,341	1,321,346	1,537,101
Net cash provided (used) by operating activities	<u>45,080</u>	<u>159,817</u>	<u>(354,269)</u>	<u>1,547,872</u>	<u>1,398,500</u>
Cash flows from capital and related financing activities					
Repayments on advances from other funds	-	-	-	(255,739)	(255,739)
Subscription liabilities issued	-	-	-	85,475	85,475
Acquisition and construction of capital assets	(12,530)	-	-	(9,700,048)	(9,712,578)
Principal paid on lease liabilities, subscription liabilities, and debt	-	-	(5,398)	(744,000)	(749,398)
Interest and other charges paid on lease liabilities, subscription liabilities, and debt	-	-	(118)	(496,630)	(496,748)
Proceeds from the sale of assets	4,690	-	7,100	4,445	16,235
Net cash provided (used) by capital and related financing activities	<u>(7,840)</u>	<u>-</u>	<u>1,584</u>	<u>(11,106,497)</u>	<u>(11,112,753)</u>
Cash flows from investing activities					
Receipts of investment earnings	124,597	653,154	49,229	226,214	1,053,194
Net cash provided by investing activities	<u>124,597</u>	<u>653,154</u>	<u>49,229</u>	<u>226,214</u>	<u>1,053,194</u>
Net increase (decrease) in cash and cash equivalents	161,837	812,971	(303,456)	(9,332,411)	(8,661,059)
Cash and cash equivalents - beginning	2,485,290	12,467,453	1,505,837	12,794,693	29,253,273
Cash and cash equivalents - ending	<u>\$ 2,647,127</u>	<u>\$ 13,280,424</u>	<u>\$ 1,202,381</u>	<u>\$ 3,462,282</u>	<u>\$ 20,592,214</u>

Continued on next page.

City of Lexington, North Carolina
Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended June 30, 2024

Exhibit F-3
continued

	Governmental-type Activities			Business-type Activities	Total Internal Service Funds
	Fleet Management	Group Insurance	Risk Management	Utility Administration	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (138,665)	\$ 245,943	\$ (353,556)	\$ 1,427,670	\$ 1,181,392
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	50,727	-	14,590	200,750	266,067
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources					
(Increase) decrease in accounts receivable	(3,278)	-	(7,100)	(911)	(11,289)
(Increase) decrease in intergovernmental receivable	3,254	220	(14,757)	(102,744)	(114,027)
(Increase) decrease in inventory	(40,999)	-	-	-	(40,999)
(Increase) decrease in deferred outflows of resources - pensions	(25,228)	-	(5,880)	(108,547)	(139,655)
(Increase) decrease in deferred outflows of resources - OPEB	(11,525)	-	3,103	46,574	38,152
Increase (decrease) in accounts payable and accrued liabilities	50,160	42,654	(9,750)	(1,552,767)	(1,469,703)
(Increase) decrease in capital-related payable amounts	-	-	-	1,499,548	1,499,548
(Increase) decrease in amounts accrued related to interest on capital debt	-	-	1	3,933	3,934
Increase (decrease) in unpaid claims cost	-	(19,000)	6,737	-	(12,263)
Increase (decrease) in compensated absences	14,138	-	4,743	47,103	65,984
Increase (decrease) in net pension liability	68,254	-	19,113	300,230	387,597
Increase (decrease) in total OPEB liability	49,913	-	(18,912)	(263,742)	(232,741)
Increase (decrease) in deferred inflows of resources - pensions	(3,527)	-	(1,282)	(16,118)	(20,927)
Increase (decrease) in deferred inflows of resources - OPEB	31,856	-	8,681	66,893	107,430
Total adjustments	<u>183,745</u>	<u>(86,126)</u>	<u>(713)</u>	<u>120,202</u>	<u>217,108</u>
Net cash provided (used) by operating activities	<u>\$ 45,080</u>	<u>\$ 159,817</u>	<u>\$ (354,269)</u>	<u>\$ 1,547,872</u>	<u>\$ 1,398,500</u>

City of Lexington, North Carolina
Fleet Management Fund
Schedule of Revenues and Expenditures
Financial Plan and Actual (Non-GAAP)
For the fiscal year ended June 30, 2024

Exhibit F-4

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Charges for sales and services	\$	\$ 2,252,495	\$
Other operating		31,355	
Total operating revenues	<u>2,720,647</u>	<u>2,283,850</u>	<u>(436,797)</u>
Nonoperating revenues			
Investment earnings		61,960	
Sale of property		4,690	
Total nonoperating revenues	<u>65,300</u>	<u>66,650</u>	<u>1,350</u>
Total revenues	<u>2,785,947</u>	<u>2,350,500</u>	<u>(435,447)</u>
Expenditures			
Salaries and employee benefits		715,174	
Cost of sales and services		363,390	
Purchases for resale		1,210,342	
Capital outlay		12,530	
Total expenditures	<u>2,790,852</u>	<u>2,301,436</u>	<u>489,416</u>
Revenues over (under) expenditures	<u>(4,905)</u>	<u>49,064</u>	<u>53,969</u>
Other financing uses			
Transfers to other funds			
Fleet Management Capital Reserve Fund	(8,239)	(8,239)	-
Total other financing uses	<u>(8,239)</u>	<u>(8,239)</u>	<u>-</u>
Revenues over (under) expenditures and other financing uses	(13,144)	40,825	53,969
Appropriated net position	<u>13,144</u>	<u>-</u>	<u>(13,144)</u>
Revenues and appropriated net position over expenditures and other financing uses	<u>\$ -</u>	<u>40,825</u>	<u>\$ 40,825</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, 2024

Exhibit F-4
continued

	Financial Plan	Actual	Variance Positive (Negative)
Reconciliation from financial plan basis (modified accrual) to full accrual			
Revenues and appropriated net position over expenditures and other financing uses		\$ 40,825	
Reconciling items			
Capital outlay		12,530	
Depreciation		(50,727)	
Gain (loss) on sale of property		-	
Increase (decrease) in inventory		40,999	
(Increase) decrease in compensated absences payable		(14,138)	
Increase (decrease) in deferred outflows of resources - pensions		25,228	
(Increase) decrease in net pension liability		(68,254)	
(Increase) decrease in deferred inflows of resources - pensions		3,527	
Increase (decrease) in deferred outflows of resources - OPEB		11,525	
(Increase) decrease in total OPEB liability		(49,913)	
(Increase) decrease in deferred inflows of resources - OPEB		(31,856)	
Items related to subfund - Fleet Management Capital Reserve Fund			
Investment earnings		62,986	
Transfer from Fleet Management Fund		8,239	
Total reconciling items		(49,854)	
Change in net position		\$ (9,029)	

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, 2024

Exhibit F-5

	Budget	Actual	Variance Positive (Negative)
Revenues			
Investment earnings	\$ 42,800	\$ 62,986	\$ 20,186
Revenues over (under) expenditures	42,800	62,986	20,186
Other financing sources			
Transfers from other funds			
Fleet Management Fund	8,239	8,239	-
Total other financing sources	8,239	8,239	-
Revenues and other financing sources over expenditures	51,039	71,225	20,186
Addition to reserve for fleet management capital requirements	(51,039)	-	51,039
Revenues and other financing sources over expenditures and addition to net position	\$ -	\$ 71,225	\$ 71,225

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, 2024

Exhibit F-6

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Premium charges to departments	\$	\$ 4,530,955	\$
Premium charges to employees/retirees		884,066	
Premium charges for COBRA		11,136	
Other operating		85,059	
Total operating revenues	7,181,509	5,511,216	(1,670,293)
Nonoperating revenues			
Investment earnings		654,935	
Total nonoperating revenues	590,200	654,935	64,735
Total revenues	7,771,709	6,166,151	(1,605,558)
Expenditures			
Administration		411,995	
Premiums		666,793	
Claims		4,186,485	
Total expenditures	7,831,881	5,265,273	2,566,608
Revenues over (under) expenditures	(60,172)	900,878	961,050
Appropriated net position	60,172	-	(60,172)
Revenues and appropriated net position over (under) expenditures and other financing uses	\$ -	900,878	\$ 900,878
Reconciliation from financial plan basis (modified accrual) to full accrual			
Reconciling items		-	
Change in net position		\$ 900,878	

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, 2024

Exhibit F-7

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues			
Premium charges to departments	\$	\$ 1,589,821	\$
Premium charges to employees		3,999	
Other operating		99,341	
Total operating revenues	<u>1,723,094</u>	<u>1,693,161</u>	<u>(29,933)</u>
Nonoperating revenues			
Investment earnings		49,379	
Sale of property		7,100	
Total nonoperating revenues	<u>97,800</u>	<u>56,479</u>	<u>(41,321)</u>
Total revenues	<u>1,820,894</u>	<u>1,749,640</u>	<u>(71,254)</u>
Expenditures			
Salaries and employee benefits		250,106	
Administration		107,060	
Premiums		914,203	
Claims		751,192	
Debt service			
Principal retirement		5,398	
Interest and other charges		118	
Total expenditures	<u>2,412,652</u>	<u>2,028,077</u>	<u>384,575</u>
Revenues over (under) expenditures	(591,758)	(278,437)	313,321
Appropriated net position	<u>591,758</u>	<u>-</u>	<u>(591,758)</u>
Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	(278,437)	<u>\$ (278,437)</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, 2024

Exhibit F-7
continued

	Financial Plan	Actual	Variance Positive (Negative)
Reconciliation from financial plan basis (modified accrual) to full accrual			
Revenues and appropriated net position over (under) expenditures		\$ (278,437)	
Reconciling items			
Principal retirement		5,398	
Depreciation - capital assets		(11,072)	
Amortization - right to use subscription assets		(3,518)	
Change in accrued interest		1	
(Increase) decrease in compensated absences payable		(4,743)	
Increase (decrease) in deferred outflows of resources - pensions		5,880	
(Increase) decrease in net pension liability		(19,113)	
(Increase) decrease in deferred inflows of resources - pensions		1,282	
Increase (decrease) in deferred outflows of resources - OPEB		(3,103)	
(Increase) decrease in total OPEB liability		18,912	
(Increase) decrease in deferred inflows of resources - OPEB		(8,681)	
Total reconciling items		(18,757)	
Change in net position		\$ (297,194)	

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, 2024

Exhibit F-8

	Financial Plan	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Administrative charges general fund	\$	\$ 801,434	\$
Administrative charges electric fund		2,592,097	
Administrative charges water/wastewater fund		1,044,711	
Administrative charges natural gas fund		1,403,203	
Administrative charges stormwater fund		260,541	
Other operating		1,352,222	
Total operating revenues	7,716,186	7,454,208	(261,978)
Nonoperating revenues			
Investment earnings		112,038	
Sale of property		4,445	
Total nonoperating revenues	124,500	116,483	(8,017)
Total revenues	7,840,686	7,570,691	(269,995)
Expenditures			
Utility administration			
Salaries and employee benefits		43,403	
Administration		46,482	
Total utility administration	87,742	89,885	(2,143)
Utility services			
Salaries and employee benefits		1,490,651	
Administration		930,526	
Capital outlay		68,820	
Total utility administration	2,833,632	2,489,997	343,635
Customer service			
Salaries and employee benefits		1,191,523	
Administration		1,083,082	
Capital outlay		48,970	
Total customer service	2,471,934	2,323,575	148,359
Warehousing			
Salaries and employee benefits		84,846	
Administration		32,622	
Capital outlay		73,431	
Total warehousing	282,857	190,899	91,958

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, 2024

Exhibit F-8
continued

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Meter reading			
Salaries and employee benefits	\$	\$ 312,938	\$
Administration		106,995	
Capital outlay		37,511	
Total meter reading	<u>549,901</u>	<u>457,444</u>	<u>92,457</u>
 Marketing			
Salaries and employee benefits		110,629	
Administration		288,822	
Total marketing	<u>600,457</u>	<u>399,451</u>	<u>201,006</u>
 Debt service			
Principal retirement		744,000	
Interest and other charges		466,476	
Total debt service	<u>1,466,220</u>	<u>1,210,476</u>	<u>255,744</u>
 Total expenditures	<u>8,292,743</u>	<u>7,161,727</u>	<u>1,131,016</u>
 Revenues and other financing sources over (under) expenditures	(452,057)	408,964	861,021
 Appropriated net position	<u>452,057</u>	<u>-</u>	<u>(452,057)</u>
 Revenues and appropriated net position over (under) expenditures	<u>\$ -</u>	408,964	<u>\$ 408,964</u>
 Reconciliation from financial plan basis to modified accrual basis			
Items related to SBITA standard			
Subscription liabilities issued		85,475	
Capital outlay		<u>(85,475)</u>	
 Revenues and appropriated net position over (under) expenditures		<u>408,964</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, 2024

Exhibit F-8
continued

	Financial Plan	Actual	Variance Positive (Negative)
Reconciliation from modified accrual basis to full accrual			
Revenues, other financing sources, and appropriated net position over (under) expenditures and other financing uses		\$ 408,964	
Reconciling items			
Principal retirement		744,000	
Subscription liabilities issued		(85,475)	
Capital outlay		314,207	
Depreciation - capital assets		(183,021)	
Amortization - right to use leased assets		(3,825)	
Amortization - right to use subscription assets		(13,904)	
Gain (loss) on sale of property		(1,393)	
Provision for uncollectable accounts		(30,876)	
Change in accrued interest		3,933	
Change in arbitrage rebate payable		30,154	
(Increase) decrease in compensated absences payable		(47,103)	
Increase (decrease) in deferred outflows of resources - pensions		108,547	
(Increase) decrease in net pension liability		(300,230)	
(Increase) decrease in deferred inflows of resources - pensions		16,118	
Increase (decrease) in deferred outflows of resources - OPEB		(46,574)	
(Increase) decrease in total OPEB liability		263,742	
(Increase) decrease in deferred inflows of resources - OPEB		(66,893)	
Items related to subfund - Utility Administration Projects Fund			
Investment earnings		84,421	
Total reconciling items		785,828	
Change in net position		\$ 1,194,792	

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, 2024

Exhibit F-9

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues					
City Centre Project					
Investment earnings	\$ -	\$ 453,980	\$ 74,849	\$ 528,829	\$ 528,829
Total	-	453,980	74,849	528,829	528,829
Workorder System Project					
Investment earnings	17,362	33,941	9,572	43,513	26,151
Total	17,362	33,941	9,572	43,513	26,151
Total revenues	17,362	487,921	84,421	572,342	554,980
Expenditures					
City Centre Project	16,000,000	7,922,989	7,886,293	15,809,282	190,718
Work Order System Project	444,362	377,909	-	377,909	66,453
Total expenditures	16,444,362	8,300,898	7,886,293	16,187,191	257,171
Revenues over (under) expenditures	(16,427,000)	(7,812,977)	(7,801,872)	(15,614,849)	812,151
Other financing sources					
City Centre Project					
Installment purchase debt issued	14,000,000	14,000,000	-	14,000,000	-
Transfers from other funds					
Utility Administration Fund	2,000,000	2,000,000	-	2,000,000	-
Total	16,000,000	16,000,000	-	16,000,000	-
Workorder System Project					
Transfers from other funds					
Utility Administration Fund	427,000	427,000	-	427,000	-
Total	427,000	427,000	-	427,000	-
Total other financing sources	16,427,000	16,427,000	-	16,427,000	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 8,614,023	\$ (7,801,872)	\$ 812,151	\$ 812,151

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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, 2024

Exhibit G-1

<u>Fiscal Year</u>	Uncollected Balance June 30, 2023	Current Net Levy	Collections and Credits	Uncollected Balance June 30, 2024
2023-24	\$ -	\$ 12,034,317	\$ 11,781,265	\$ 253,052
2022-23	293,635	-	173,734	119,901
2021-22	119,429	-	40,715	78,714
2020-21	66,927	-	17,115	49,812
2019-20	56,122	-	10,704	45,418
2018-19	44,303	-	9,032	35,271
2017-18	32,560	-	5,791	26,769
2016-17	29,088	-	4,979	24,109
2015-16	22,784	-	8,850	13,934
2014-15	21,446	-	8,995	12,451
Prior	268,841	-	8,152	260,689
	<u>\$ 955,135</u>	<u>\$ 12,034,317</u>	<u>\$ 12,069,332</u>	<u>920,120</u>

Less: allowance for uncollectible accounts:
General Fund

887,000

Ad valorem taxes receivable - net

\$ 33,120

Reconciliation to revenues

Ad valorem taxes - General Fund

\$ 12,167,397

Reconciling items

Interest collected

(106,217)

Abatements and releases - prior years

8,152

Total reconciling items

(98,065)

Total collections and credits

\$ 12,069,332

City of Lexington, North Carolina
Analysis of Current Tax Levy
City - Wide Levy
For the fiscal year ended June 30, 2024

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	\$ 1,845,249,504	\$ 0.650	\$ 11,994,142	\$ 10,876,096	\$ 1,118,046
Penalties	-		4,208	4,208	-
Total	<u>1,845,249,504</u>		<u>11,998,350</u>	<u>10,880,304</u>	<u>1,118,046</u>
Discoveries					
Current year taxes	4,708,224	0.650	30,604	30,604	-
Prior year taxes	-		11,388	11,388	-
Penalties	-		2,390	2,390	-
Total	<u>4,708,224</u>		<u>44,382</u>	<u>44,382</u>	<u>-</u>
Abatements	<u>(1,203,045)</u>		<u>(8,415)</u>	<u>(8,415)</u>	<u>-</u>
Total property valuation	<u>\$ 1,848,754,683</u>				
Net levy			12,034,317	10,916,271	1,118,046
Uncollected taxes at June 30			<u>(253,052)</u>	<u>(253,052)</u>	<u>-</u>
Current year's taxes collected			<u>\$ 11,781,265</u>	<u>\$ 10,663,219</u>	<u>\$ 1,118,046</u>
Current levy collection percentage			<u>97.90%</u>	<u>97.68%</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, 2024

Exhibit G-2
continued

Secondary Market Disclosures

Assessed Valuation	
Assessment Ratio ¹	100%
Real Property	\$ 1,422,723,720
Personal Property	232,674,852
Public Service Company Property ²	21,348,985
Registered Motor Vehicles	172,007,126
Total Assessed Valuation	1,848,754,683
City-wide Tax Rate	0.650
Levy (includes discoveries, releases and abatements) ³	\$ 12,034,317

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

Municipal Service District	
Total Assessed Valuation	\$ 44,199,867
Additional District Tax Rate	0.200
Additional District Levy (includes discoveries, releases and abatements) ³	\$ 88,911

¹Percentage of appraised value has been established by statute.

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

³The levy includes interest and penalties.





NONMAJOR COMPONENT UNIT FINANCIAL DATA

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NONMAJOR COMPONENT UNIT FINANCIAL DATA

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

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

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

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



City of Lexington, North Carolina
Nonmajor Component Units
Combining Statement of Net Position
June 30, 2024

Exhibit H-1

	ABC Board	Tourism Authority	Uptown Lexington	Front Street- Lexington	Totals
Assets					
Current assets					
Cash and cash equivalents	\$ 422,889	\$ 1,184,297	\$ 171,330	\$ 228,657	\$ 2,007,173
Due from primary government	-	54,525	-	-	54,525
Inventories	1,360,834	-	-	-	1,360,834
Deposits and prepaid items	8,593	-	-	-	8,593
Total current assets	<u>1,792,316</u>	<u>1,238,822</u>	<u>171,330</u>	<u>228,657</u>	<u>3,431,125</u>
Noncurrent assets					
Capital assets					
Capital assets not being depreciated	253,386	-	-	-	253,386
Capital assets, net of accumulated depreciation	681,112	-	-	-	681,112
Right to use assets, net of accumulated amortization	-	37,082	-	-	37,082
Total capital assets	<u>934,498</u>	<u>37,082</u>	<u>-</u>	<u>-</u>	<u>971,580</u>
Total noncurrent assets	<u>934,498</u>	<u>37,082</u>	<u>-</u>	<u>-</u>	<u>971,580</u>
Total assets	<u>2,726,814</u>	<u>1,275,904</u>	<u>171,330</u>	<u>228,657</u>	<u>4,402,705</u>
Deferred outflows of resources	<u>243,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,584</u>
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	244,506	2,218	1,883	-	248,607
Due to primary government	176,820	-	-	-	176,820
Compensated absences	-	6,067	-	-	6,067
Lease liabilities	-	15,703	-	-	15,703
Installment purchases payable	38,094	-	-	-	38,094
Total current liabilities	<u>459,420</u>	<u>23,988</u>	<u>1,883</u>	<u>-</u>	<u>485,291</u>
Noncurrent liabilities					
Net pension liability	305,589	-	-	-	305,589
Lease liabilities	-	23,037	-	-	23,037
Installment purchases payable	46,135	-	-	-	46,135
Total noncurrent liabilities	<u>351,724</u>	<u>23,037</u>	<u>-</u>	<u>-</u>	<u>374,761</u>
Total liabilities	<u>811,144</u>	<u>47,025</u>	<u>1,883</u>	<u>-</u>	<u>860,052</u>
Deferred inflows of resources	<u>733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>733</u>

Continued on next page.

City of Lexington, North Carolina
Nonmajor Component Units
Combining Statement of Net Position
June 30, 2024

Exhibit H-1
continued

	<u>ABC Board</u>	<u>Tourism Authority</u>	<u>Uptown Lexington</u>	<u>Front Street- Lexington</u>	<u>Totals</u>
Net position					
Net investment in capital assets	\$ 850,269	\$ (1,658)	\$ -	\$ -	\$ 848,611
Restricted for					
Stabilization by state statute	-	54,525	-	-	54,525
Tourism promotion	-	1,176,012	-	-	1,176,012
Uptown revitalization	-	-	169,447	-	169,447
Economic development, nonexpendable	-	-	-	112,042	112,042
Working capital	259,750	-	-	-	259,750
Unrestricted	<u>1,048,502</u>	<u>-</u>	<u>-</u>	<u>116,615</u>	<u>1,165,117</u>
Total net position	<u>\$ 2,158,521</u>	<u>\$ 1,228,879</u>	<u>\$ 169,447</u>	<u>\$ 228,657</u>	<u>\$ 3,785,504</u>

City of Lexington, North Carolina

Exhibit H-2

Nonmajor Component Units

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

For the fiscal year ended June 30, 2024

	<u>ABC Board</u>	<u>Tourism Authority</u>	<u>Uptown Lexington</u>	<u>Front Street- Lexington</u>	<u>Totals</u>
Operating revenues					
Sales and services	\$ 8,746,105	\$ 59,907	\$ -	\$ 8,912,709	\$ 17,718,721
Payment from City of Lexington	-	556,023	162,943	-	718,966
Other grants and donations	-	-	62,439	-	62,439
Total operating revenues	<u>8,746,105</u>	<u>615,930</u>	<u>225,382</u>	<u>8,912,709</u>	<u>18,500,126</u>
Operating expenses					
Cost of sales and services	6,686,587	-	-	-	6,686,587
Other operating expenses	<u>1,390,038</u>	<u>325,261</u>	<u>202,236</u>	<u>19,140</u>	<u>1,936,675</u>
Total operating expenses	<u>8,076,625</u>	<u>325,261</u>	<u>202,236</u>	<u>19,140</u>	<u>8,623,262</u>
Operating income (loss)	<u>669,480</u>	<u>290,669</u>	<u>23,146</u>	<u>8,893,569</u>	<u>9,876,864</u>
Nonoperating revenues (expenses)					
Investment earnings	6,562	47,444	6,414	-	60,420
Interest and other charges	(3,771)	(600)	-	36,442	32,071
Required distributions	<u>(401,280)</u>	<u>-</u>	<u>-</u>	<u>(9,276,718)</u>	<u>(9,677,998)</u>
Total nonoperating revenues (expenses)	<u>(398,489)</u>	<u>46,844</u>	<u>6,414</u>	<u>(9,240,276)</u>	<u>(9,585,507)</u>
Change in net position	270,991	337,513	29,560	(346,707)	291,357
Net position - beginning	<u>1,887,530</u>	<u>891,366</u>	<u>139,887</u>	<u>575,364</u>	<u>3,494,147</u>
Net position - ending	<u>\$ 2,158,521</u>	<u>\$ 1,228,879</u>	<u>\$ 169,447</u>	<u>\$ 228,657</u>	<u>\$ 3,785,504</u>

Uptown Lexington, Inc.
(A component unit of the City of Lexington, North Carolina)
Balance Sheet
June 30, 2024

Exhibit H-3

Assets

Cash and cash equivalents	\$ 171,330
Total assets	<u>\$ 171,330</u>

Liabilities

Accounts payable and accrued liabilities	\$ 1,883
Total liabilities	<u>1,883</u>

Fund balance

Restricted	
Uptown revitalization	<u>169,447</u>
Total fund balance	<u>169,447</u>

Total liabilities and fund balance	<u>\$ 171,330</u>
------------------------------------	-------------------

Uptown Lexington, Inc.
(A component unit of the City of Lexington, North Carolina)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2024

Exhibit H-4

	Budget	Actual	Variance Positive (Negative)
Revenues			
Contribution from City of Lexington			
Special district property tax	\$ 86,000	\$ 87,943	\$ 1,943
Other grants from City of Lexington	75,000	75,000	-
Donations/fund raisers	69,470	62,439	(7,031)
Investment earnings	4,276	6,414	2,138
Total revenues	234,746	231,796	(2,950)
Expenditures			
Salaries and employee benefits	73,760	73,116	644
Operations	175,986	133,845	42,141
Bad debt expense	-	(4,725)	4,725
Total expenditures	249,746	202,236	47,510
Revenues over (under) expenditures	(15,000)	29,560	44,560
Appropriated fund balance	15,000	-	(15,000)
Net change in fund balance	\$ -	29,560	\$ 29,560
Fund balance - beginning		139,887	
Fund balance - ending		\$ 169,447	

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STATISTICAL SECTION



STATISTICAL SECTION

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

Contents	Pages
Financial Trends	216-227
<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	228-237
<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	238-244
<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	245-246
<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	247-251
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

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

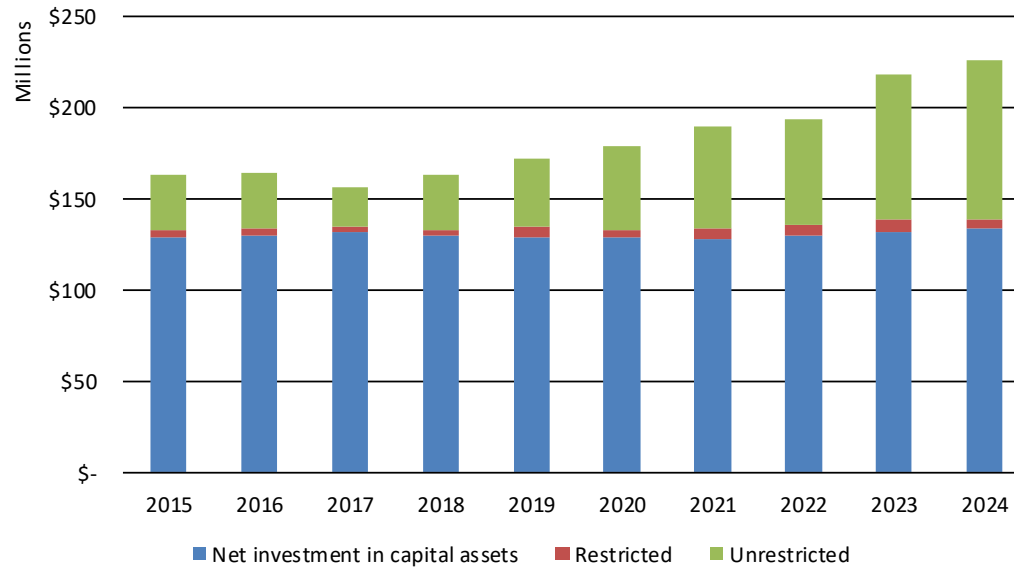


City of Lexington, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental activities										
Net investment in capital assets	\$ 39,963,277	\$ 40,746,459	\$ 39,724,703	\$ 38,072,669	\$ 36,749,294	\$ 35,056,704	\$ 33,673,104	\$ 31,904,622	\$ 29,870,283	\$ 27,523,548
Restricted	3,766,473	3,707,261	3,101,871	3,010,654	5,439,650	3,780,396	5,675,140	6,230,231	6,542,298	4,947,242
Unrestricted	2,930,127	1,304,614	(4,633,806)	(2,245,685)	(631,625)	109,982	(680,356)	706,137	9,088,398	10,101,205
Total governmental activities net position	<u>\$ 46,659,877</u>	<u>\$ 45,758,334</u>	<u>\$ 38,192,768</u>	<u>\$ 38,837,638</u>	<u>\$ 41,557,319</u>	<u>\$ 38,947,082</u>	<u>\$ 38,667,888</u>	<u>\$ 38,840,990</u>	<u>\$ 45,500,979</u>	<u>\$ 42,571,995</u>
Business-type activities										
Net investment in capital assets	\$ 88,722,117	\$ 89,108,109	\$ 92,174,754	\$ 91,584,949	\$ 92,457,973	\$ 93,366,084	\$ 93,874,486	\$ 97,535,227	\$102,040,289	\$105,849,059
Unrestricted	27,641,054	29,072,841	26,136,658	33,037,021	38,114,204	46,063,763	56,840,560	56,957,391	70,671,108	77,664,091
Total business-type activities net position	<u>\$116,363,171</u>	<u>\$118,180,950</u>	<u>\$118,311,412</u>	<u>\$124,621,970</u>	<u>\$130,572,177</u>	<u>\$139,429,847</u>	<u>\$150,715,046</u>	<u>\$154,492,618</u>	<u>\$172,711,397</u>	<u>\$183,513,150</u>
Primary government										
Net investment in capital assets	\$128,685,394	\$129,854,568	\$131,899,457	\$129,657,618	\$129,207,267	\$128,422,788	\$127,547,590	\$129,439,849	\$131,910,572	\$133,372,607
Restricted	3,766,473	3,707,261	3,101,871	3,010,654	5,439,650	3,780,396	5,675,140	6,230,231	6,542,298	4,947,242
Unrestricted	30,571,181	30,377,455	21,502,852	30,791,336	37,482,579	46,173,745	56,160,204	57,663,528	79,759,506	87,765,296
Total primary government net position	<u>\$163,023,048</u>	<u>\$163,939,284</u>	<u>\$156,504,180</u>	<u>\$163,459,608</u>	<u>\$172,129,496</u>	<u>\$178,376,929</u>	<u>\$189,382,934</u>	<u>\$193,333,608</u>	<u>\$218,212,376</u>	<u>\$226,085,145</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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenses										
Governmental activities										
General government	\$ 4,617,011	\$ 4,563,721	\$ 4,371,376	\$ 4,157,905	\$ 4,274,241	\$ 4,644,311	\$ 4,726,370	\$ 4,599,821	\$ 5,143,326	\$ 5,982,523
Public safety	9,728,760	10,289,676	10,542,762	10,979,166	10,792,937	13,182,740	13,136,736	12,515,442	15,043,883	16,220,174
Highways and streets	2,826,265	2,262,216	2,647,205	2,743,916	2,473,426	3,210,269	2,173,088	3,099,029	2,447,632	4,180,238
Sanitation	1,625,203	1,584,771	1,662,081	1,764,804	1,965,427	2,673,118	2,326,376	2,599,340	2,587,139	2,878,342
Culture and recreation	1,575,688	1,672,963	1,746,678	1,769,180	2,036,239	2,073,165	1,918,639	2,215,386	2,406,899	2,563,789
Economic and physical development	73,939	1,380,493	835,883	514,067	1,938,504	1,346,325	838,166	2,457,306	1,073,204	2,502,598
Interest on long-term debt	183,188	179,867	194,869	186,736	191,366	192,520	176,099	152,248	153,994	136,741
Total governmental activities expenses	<u>20,630,054</u>	<u>21,933,707</u>	<u>22,000,854</u>	<u>22,115,774</u>	<u>23,672,140</u>	<u>27,322,448</u>	<u>25,295,474</u>	<u>27,638,572</u>	<u>28,856,077</u>	<u>34,464,405</u>
Business-type activities										
Electric	51,399,095	49,994,983	48,195,965	46,639,150	47,277,891	44,648,529	43,907,795	45,025,677	42,089,909	42,717,606
Water and Wastewater	7,788,441	8,185,398	9,010,151	9,121,189	9,382,370	11,377,344	12,593,358	11,838,419	13,355,496	13,959,075
Natural Gas	10,347,419	8,438,306	8,248,712	10,137,799	9,452,739	9,494,256	9,580,143	12,073,469	13,355,743	11,446,138
Stormwater	-	-	-	-	-	50,162	315,219	954,143	1,223,335	1,665,316
Golf	815,233	871,926	944,635	1,129,231	909,770	1,033,354	1,024,420	1,162,440	1,328,078	1,543,257
Total business-type activities expenses	<u>70,350,188</u>	<u>67,490,613</u>	<u>66,399,463</u>	<u>67,027,369</u>	<u>67,022,770</u>	<u>66,603,645</u>	<u>67,420,935</u>	<u>71,054,148</u>	<u>71,352,561</u>	<u>71,331,392</u>
Total primary government expenses	<u>\$ 90,980,242</u>	<u>\$ 89,424,320</u>	<u>\$ 88,400,317</u>	<u>\$ 89,143,143</u>	<u>\$ 90,694,910</u>	<u>\$ 93,926,093</u>	<u>\$ 92,716,409</u>	<u>\$ 98,692,720</u>	<u>\$100,208,638</u>	<u>\$105,795,797</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 88,413	\$ 15,021	\$ 11,799	\$ 18,397	\$ 3,914	\$ 2,463	\$ 7,970	\$ 4,298	\$ 48,761	\$ 2,698
Public safety	305,823	382,193	330,857	436,522	478,041	514,218	376,824	472,025	579,678	756,472
Highways and streets	2,009	290	1,599	3,183	23,549	4,024	2,265	1,867	3,468	1,769
Sanitation	1,169,368	1,171,703	1,171,786	1,312,322	1,513,620	1,554,188	1,574,896	1,565,590	1,564,478	1,611,144
Culture and recreation	85,667	106,829	295,567	134,419	206,565	94,278	122,094	142,589	132,883	168,132
Economic and physical development	232,908	200,114	89,775	212,290	214,482	199,271	183,116	214,328	204,231	93,066
Operating grants and contributions	830,907	2,035,092	968,124	962,406	2,306,497	1,246,636	1,522,514	1,382,085	1,578,280	1,569,562
Capital grants and contributions	25,000	578,556	89,591	128,393	405,590	-	-	-	-	-
Total governmental activities program revenues	<u>2,740,095</u>	<u>4,489,798</u>	<u>2,959,098</u>	<u>3,207,932</u>	<u>5,152,258</u>	<u>3,615,078</u>	<u>3,789,679</u>	<u>3,782,782</u>	<u>4,111,779</u>	<u>4,202,843</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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Business-type activities										
Charges for services										
Electric	\$ 54,027,183	\$ 51,048,228	\$ 50,712,382	\$ 51,845,218	\$ 50,953,717	\$ 47,722,708	\$ 47,515,840	\$ 47,197,149	\$ 46,469,906	\$ 46,860,469
Water and Wastewater	8,946,524	8,835,534	9,276,952	9,759,870	10,779,418	10,924,325	10,695,408	12,500,677	13,857,822	16,274,658
Natural Gas	12,999,357	10,035,838	10,124,317	12,439,780	12,293,569	10,173,536	11,471,601	14,530,940	15,142,475	14,021,008
Stormwater	-	-	-	-	-	5,007	415,909	1,158,348	1,310,317	1,574,811
Golf	648,358	653,191	628,632	729,107	635,234	528,856	713,688	995,244	928,428	1,017,719
Operating grants and contributions	46,368	823,343	445,525	139,919	448,776	7,508,462	9,287,751	1,423	183,416	196,584
Capital grants and contributions	-	-	24,000	-	-	-	78,525	209,739	5,000,000	879,212
Total business-type activities program revenues	<u>76,667,790</u>	<u>71,396,134</u>	<u>71,211,808</u>	<u>74,913,894</u>	<u>75,110,714</u>	<u>76,862,894</u>	<u>80,178,722</u>	<u>76,593,520</u>	<u>82,892,364</u>	<u>80,824,461</u>
Total primary government program revenues	<u>\$ 79,407,885</u>	<u>\$ 75,885,932</u>	<u>\$ 74,170,906</u>	<u>\$ 78,121,826</u>	<u>\$ 80,262,972</u>	<u>\$ 80,477,972</u>	<u>\$ 83,968,401</u>	<u>\$ 80,376,302</u>	<u>\$ 87,004,143</u>	<u>\$ 85,027,304</u>
Net (expense)/revenue										
Governmental activities	\$ (17,889,959)	\$ (17,443,909)	\$ (19,041,756)	\$ (18,907,842)	\$ (18,519,882)	\$ (23,707,370)	\$ (21,505,795)	\$ (23,855,790)	\$ (24,744,298)	\$ (30,261,562)
Business-type activities	<u>6,317,602</u>	<u>3,905,521</u>	<u>4,812,345</u>	<u>7,886,525</u>	<u>8,087,944</u>	<u>10,259,249</u>	<u>12,757,787</u>	<u>5,539,372</u>	<u>11,539,803</u>	<u>9,493,069</u>
Total primary government net expense	<u>\$ (11,572,357)</u>	<u>\$ (13,538,388)</u>	<u>\$ (14,229,411)</u>	<u>\$ (11,021,317)</u>	<u>\$ (10,431,938)</u>	<u>\$ (13,448,121)</u>	<u>\$ (8,748,008)</u>	<u>\$ (18,316,418)</u>	<u>\$ (13,204,495)</u>	<u>\$ (20,768,493)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 9,355,556	\$ 9,147,226	\$ 10,082,718	\$ 10,070,975	\$ 10,203,898	\$ 10,501,093	\$ 10,698,617	\$ 11,832,251	\$ 11,980,395	\$ 12,187,628
Other taxes	314,466	318,347	320,251	327,810	367,932	675,730	783,490	913,891	959,025	1,021,714
Unrestricted intergovernmental revenues	6,061,070	6,487,277	6,879,181	7,085,383	7,313,227	7,532,583	8,135,331	9,340,693	9,916,202	10,233,584
Unrestricted investment earnings	27,756	53,649	77,321	195,401	515,476	367,621	13,523	53,712	1,372,429	1,891,943
Unrestricted miscellaneous	5,881	4,988	4,233	4,318	974	37,159	63,723	16,774	911,158	29,606
Restricted intergovernmental revenues (transferred to business-type activities)	-	-	-	-	-	-	-	-	6,033,899	-
Special items	-	-	-	-	-	-	-	-	4,562,661	-
Transfers	1,902,390	2,182,526	2,046,943	1,868,825	2,838,056	1,982,947	1,531,917	1,871,571	(4,331,482)	1,968,103
Total governmental activities	<u>17,667,119</u>	<u>18,194,013</u>	<u>19,410,647</u>	<u>19,552,712</u>	<u>21,239,563</u>	<u>21,097,133</u>	<u>21,226,601</u>	<u>24,028,892</u>	<u>31,404,287</u>	<u>27,332,578</u>
Business-type activities										
Unrestricted investment earnings	44,803	94,784	120,279	292,858	700,319	581,368	59,329	109,771	2,347,494	3,276,787
Transfers	(1,902,390)	(2,182,526)	(2,046,943)	(1,868,825)	(2,838,056)	(1,982,947)	(1,531,917)	(1,871,571)	4,331,482	(1,968,103)
Total business-type activities	<u>(1,857,587)</u>	<u>(2,087,742)</u>	<u>(1,926,664)</u>	<u>(1,575,967)</u>	<u>(2,137,737)</u>	<u>(1,401,579)</u>	<u>(1,472,588)</u>	<u>(1,761,800)</u>	<u>6,678,976</u>	<u>1,308,684</u>
Total primary government	<u>\$ 15,809,532</u>	<u>\$ 16,106,271</u>	<u>\$ 17,483,983</u>	<u>\$ 17,976,745</u>	<u>\$ 19,101,826</u>	<u>\$ 19,695,554</u>	<u>\$ 19,754,013</u>	<u>\$ 22,267,092</u>	<u>\$ 38,083,263</u>	<u>\$ 28,641,262</u>
Change in Net Position										
Governmental activities	\$ (222,840)	\$ 750,104	\$ 368,891	\$ 644,870	\$ 2,719,681	\$ (2,610,237)	\$ (279,194)	\$ 173,102	\$ 6,659,989	\$ (2,928,984)
Business-type activities	<u>4,460,015</u>	<u>1,817,779</u>	<u>2,885,681</u>	<u>6,310,558</u>	<u>5,950,207</u>	<u>8,857,670</u>	<u>11,285,199</u>	<u>3,777,572</u>	<u>18,218,779</u>	<u>10,801,753</u>
Total primary government	<u>\$ 4,237,175</u>	<u>\$ 2,567,883</u>	<u>\$ 3,254,572</u>	<u>\$ 6,955,428</u>	<u>\$ 8,669,888</u>	<u>\$ 6,247,433</u>	<u>\$ 11,006,005</u>	<u>\$ 3,950,674</u>	<u>\$ 24,878,768</u>	<u>\$ 7,872,769</u>

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

Table 3

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Fund										
Nonspendable	\$ 3,920	\$ 3,329	\$ 3,329	\$ 15,829	\$ 3,789	\$ 4,000	\$ 169,605	\$ 160,863	\$ 90,094	\$ 46,454
Spendable										
Restricted	3,315,217	3,293,374	2,754,989	2,690,624	4,828,117	3,463,336	5,085,571	6,088,556	6,265,978	4,586,202
Committed	13,902	15,329	13,524	13,691	14,034	9,370	82,306	169,551	4,339,933	4,245,158
Assigned	1,292,822	772,298	1,155,856	1,116,391	1,564,396	1,920,720	2,355,903	2,453,719	2,367,586	2,983,299
Unassigned	4,416,639	4,913,992	4,556,514	5,110,270	4,176,024	4,201,825	4,800,962	4,968,769	7,193,517	8,309,504
Total General Fund	<u>\$ 9,042,500</u>	<u>\$ 8,998,322</u>	<u>\$ 8,484,212</u>	<u>\$ 8,946,805</u>	<u>\$ 10,586,360</u>	<u>\$ 9,599,251</u>	<u>\$ 12,494,347</u>	<u>\$ 13,841,458</u>	<u>\$ 20,257,108</u>	<u>\$ 20,170,617</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 903	\$ 590	\$ 771
Spendable										
Restricted	1,523,329	1,875,021	346,882	320,030	611,533	317,060	589,569	141,675	276,320	361,040
Committed	267,921	269,596	208,761	656,308	813,053	853,781	599,986	371,940	2,832,322	2,821,223
Unassigned	(227,371)	(292,943)	(89,750)	-	(31,934)	-	-	5,073	-	(57,711)
Total all other governmental funds	<u>\$ 1,563,879</u>	<u>\$ 1,851,674</u>	<u>\$ 465,893</u>	<u>\$ 976,338</u>	<u>\$ 1,392,652</u>	<u>\$ 1,170,841</u>	<u>\$ 1,189,555</u>	<u>\$ 519,591</u>	<u>\$ 3,109,232</u>	<u>\$ 3,125,323</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									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues										
Ad valorem taxes	\$ 9,460,541	\$ 9,095,367	\$ 9,979,487	\$ 10,222,019	\$ 10,355,093	\$ 10,593,453	\$ 10,857,510	\$ 11,942,558	\$ 12,021,983	\$ 12,253,895
Other taxes and licenses	316,532	318,347	320,251	327,810	367,932	675,730	783,490	913,891	959,025	1,021,714
Unrestricted intergovernmental	6,061,070	6,487,277	6,879,181	7,085,383	7,313,227	7,532,583	8,135,331	9,340,693	9,916,202	10,233,584
Restricted intergovernmental	864,602	2,530,682	921,357	1,023,008	1,467,548	1,176,104	1,501,298	1,396,538	7,546,845	1,281,208
Permits and fees	225,193	212,467	181,616	221,521	300,901	352,071	264,636	280,228	359,879	579,913
Sales and services	1,391,418	1,558,256	1,596,244	1,753,951	2,014,351	1,994,421	1,999,783	2,102,591	2,192,179	2,042,034
Investment earnings	19,054	36,776	50,371	109,056	280,167	187,694	6,699	30,901	878,874	1,226,235
Miscellaneous	230,437	281,403	231,006	687,928	1,223,092	77,204	42,834	41,577	54,096	39,118
Total revenues	<u>18,568,847</u>	<u>20,520,575</u>	<u>20,159,513</u>	<u>21,430,676</u>	<u>23,322,311</u>	<u>22,589,260</u>	<u>23,591,581</u>	<u>26,048,977</u>	<u>33,929,083</u>	<u>28,677,701</u>
Expenditures										
General government	4,408,748	4,214,698	4,403,155	4,367,865	4,358,881	4,228,364	4,187,787	4,538,054	4,874,345	5,646,688
Public safety	9,531,599	9,884,140	10,622,635	11,385,934	10,903,338	11,445,689	11,679,268	12,393,630	13,696,355	14,457,645
Highways and streets	1,679,984	1,074,054	1,484,898	1,596,898	1,296,617	1,612,275	1,012,540	2,086,203	1,283,525	2,825,386
Sanitation	1,675,820	1,541,185	1,605,810	1,745,445	1,962,598	1,889,021	1,786,529	2,102,852	2,126,398	2,191,501
Culture and recreation	1,472,250	1,561,039	1,772,469	1,761,971	1,853,995	1,630,175	1,502,804	1,762,935	1,771,848	1,938,150
Economic and physical development	194,250	1,504,578	639,316	514,989	1,937,769	1,313,160	859,590	1,420,952	1,041,487	479,011
Capital outlay	441,262	1,770,495	720,952	1,152,229	107,332	2,705,025	1,476,103	1,701,825	2,900,709	1,935,704
Construction in progress	2,058,881	2,170,011	2,003,650	37,141	1,111,483	167,775	966,290	21,617	-	12,270
Debt service:										
Principal	623,053	681,960	699,790	816,723	848,132	844,229	918,074	1,640,037	1,230,120	1,135,308
Interest and other charges	154,414	168,945	197,772	184,812	185,040	198,871	179,724	158,006	145,963	142,955
Total expenditures	<u>22,240,261</u>	<u>24,571,105</u>	<u>24,150,447</u>	<u>23,564,007</u>	<u>24,565,185</u>	<u>26,034,584</u>	<u>24,568,709</u>	<u>27,826,111</u>	<u>29,070,750</u>	<u>30,764,618</u>
Excess of revenues over (under) expenditures	(3,671,414)	(4,050,530)	(3,990,934)	(2,133,331)	(1,242,874)	(3,445,324)	(977,128)	(1,777,134)	4,858,333	(2,086,917)

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)

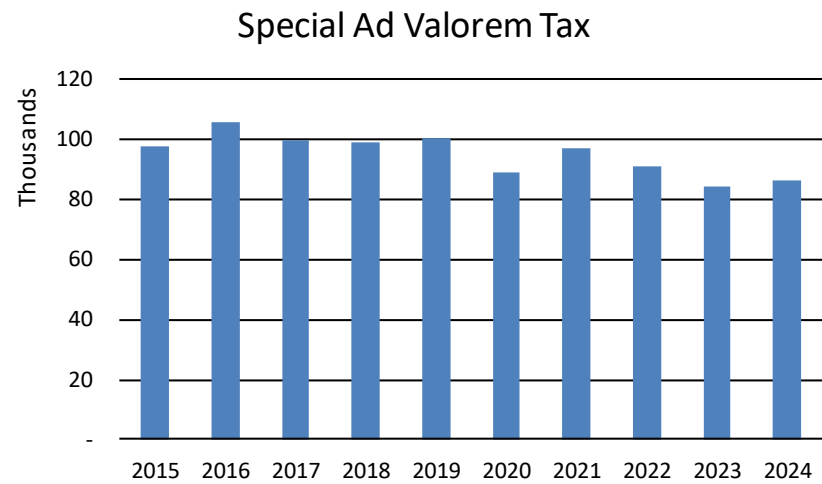
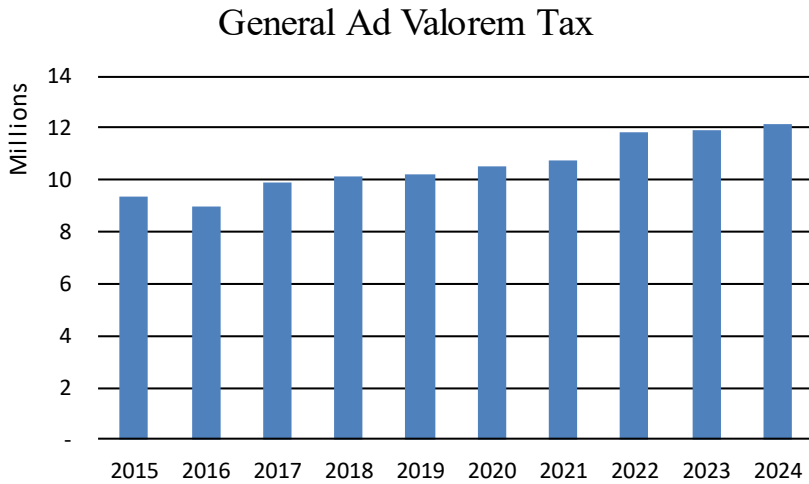
Table 4
continued

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Other financing sources (uses)										
Subscription liabilities issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,833	\$ 24,203
Installment purchase debt issued	2,410,000	2,084,980	-	1,035,527	1,140,000	-	2,302,487	149,591	1,497,094	-
Transfers from other funds	2,820,528	2,950,357	3,034,505	2,870,789	2,686,547	2,532,654	2,256,917	2,780,862	4,935,657	2,396,409
Transfers to other funds	(568,584)	(802,174)	(945,757)	(804,389)	(575,192)	(549,707)	(725,000)	(909,291)	(9,267,139)	(428,306)
Sale of capital assets	18,607	61,575	2,295	4,442	47,388	253,457	56,534	433,119	2,102,416	24,211
Total other financing sources (uses)	<u>4,680,551</u>	<u>4,294,738</u>	<u>2,091,043</u>	<u>3,106,369</u>	<u>3,298,743</u>	<u>2,236,404</u>	<u>3,890,938</u>	<u>2,454,281</u>	<u>(709,139)</u>	<u>2,016,517</u>
Special item										
Distribution from Front Street-Lexington	-	-	-	-	-	-	-	-	4,856,097	-
Net change in fund balances	<u>\$ 1,009,137</u>	<u>\$ 244,208</u>	<u>\$ (1,899,891)</u>	<u>\$ 973,038</u>	<u>\$ 2,055,869</u>	<u>\$ (1,208,920)</u>	<u>\$ 2,913,810</u>	<u>\$ 677,147</u>	<u>\$ 9,005,291</u>	<u>\$ (70,400)</u>
Debt service as a percentage of noncapital expenditures	3.9%	4.1%	4.2%	4.5%	4.4%	4.5%	5.0%	6.9%	5.3%	4.4%
Debt service as a percentage of total expenditures	3.5%	3.5%	3.7%	4.3%	4.2%	4.0%	4.5%	6.5%	4.7%	4.2%
Capital outlay as a percentage of total expenditures	11.2%	16.0%	11.3%	5.0%	5.0%	11.0%	9.9%	6.2%	10.0%	6.3%

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

Table 5

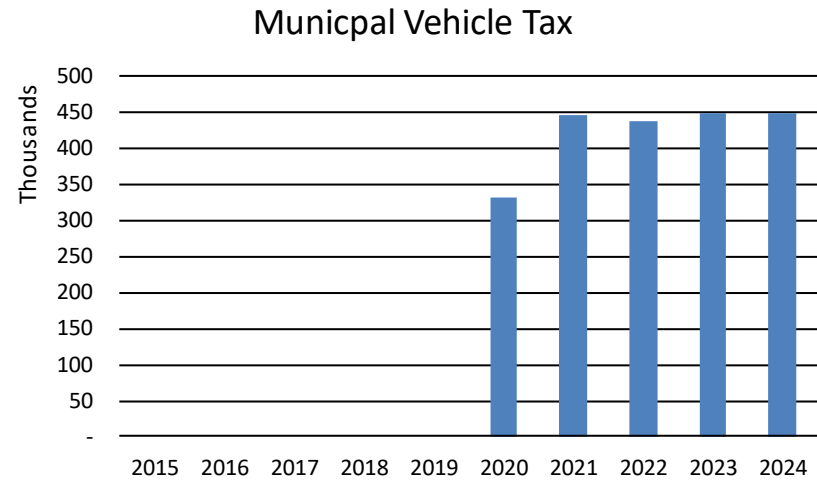
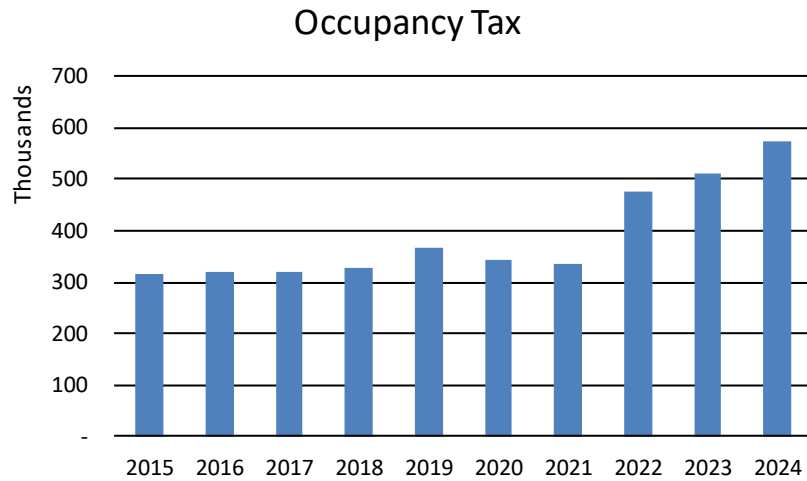
Fiscal Year	General Ad Valorem Tax	Special Ad Valorem Tax	Total
2015	9,362,764	97,777	\$ 9,460,541
2016	8,989,843	105,524	9,095,367
2017	9,880,081	99,406	9,979,487
2018	10,122,823	99,196	10,222,019
2019	10,254,723	100,370	10,355,093
2020	10,504,426	89,027	10,593,453
2021	10,760,803	96,707	10,857,510
2022	11,851,784	90,774	11,942,558
2023	11,937,529	84,454	12,021,983
2024	12,167,397	86,498	12,253,895



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

Table 6

<u>Fiscal Year</u>	<u>Occupancy Tax</u>	<u>Cable TV Franchise Tax</u>	<u>Municipal Vehicle Tax</u>	<u>Total</u>
2015	316,532	-	-	316,532
2016	318,347	-	-	318,347
2017	320,251	-	-	320,251
2018	327,810	-	-	327,810
2019	367,932	-	-	367,932
2020	343,510	-	332,220	675,730
2021	337,180	-	446,310	783,490
2022	475,411	-	438,480	913,891
2023	511,755	-	447,270	959,025
2024	573,244	-	448,470	1,021,714



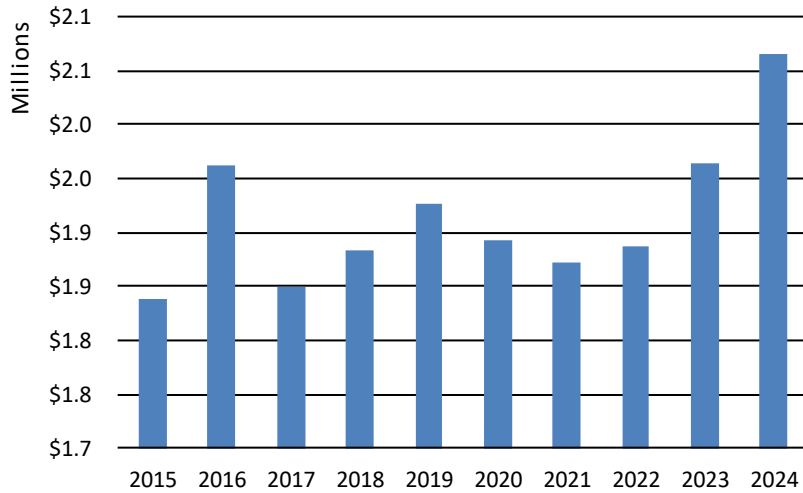
City of Lexington, North Carolina
Unrestricted Intergovernmental Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 7

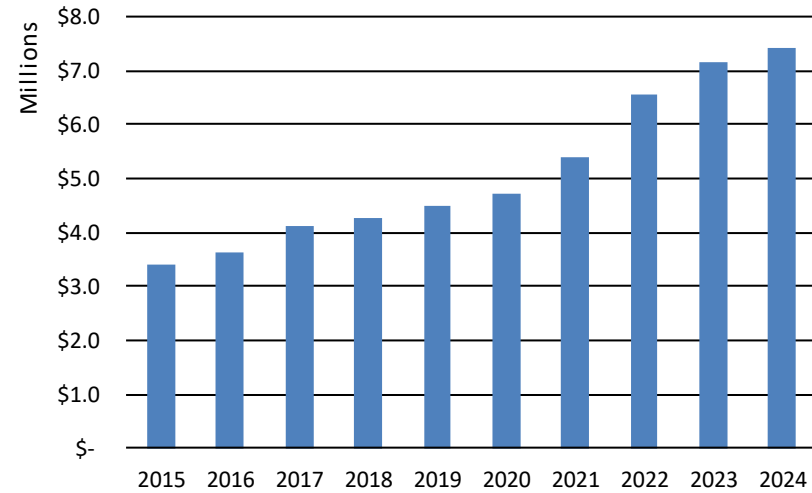
Fiscal Year	Build America Bond Interest Credit	Utilities Sales Tax	Piped Natural Gas Tax	Telecommunications Tax	Video Franchise Tax	Payments in Lieu of Tax	Beer and Wine Tax	Local Option Sales Tax	ABC Revenues	Total
2015	29,052	1,838,078	(3,867)	235,965	138,770	4,678	88,973	3,424,361	305,060	6,061,070
2016	26,892	1,962,379	127,759	202,077	131,744	1,348	82,393	3,646,785	305,900	6,487,277
2017	24,637	1,849,092	135,808	197,210	130,442	1,731	83,997	4,106,964	349,300	6,879,181
2018	22,252	1,883,982	167,236	180,867	125,168	1,717	80,267	4,263,394	360,500	7,085,383
2019	19,819	1,927,328	169,726	164,940	114,478	1,687	78,548	4,491,601	345,100	7,313,227
2020	17,267	1,892,993	149,463	131,288	109,712	1,654	78,060	4,737,746	414,400	7,532,583
2021	14,634	1,871,738	168,528	130,333	114,034	1,656	75,896	5,400,812	357,700	8,135,331
2022	11,766	1,887,295	176,897	97,320	140,852	1,608	78,026	6,568,929	378,000	9,340,693
2023	8,805	1,963,988	216,746	100,399	130,952	1,591	89,060	7,173,661	231,000	9,916,202
2024	5,759	2,064,628	192,509	94,799	122,551	1,581	97,303	7,408,754	245,700	10,233,584

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

Utilities Sales Tax



Local Option Sales Tax



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

Table 8

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating revenues										
Charges for service	\$ 53,405,203	\$ 50,384,682	\$ 50,130,246	\$ 51,102,340	\$ 50,192,272	\$ 46,800,332	\$ 46,725,659	\$ 46,084,870	\$ 44,644,078	\$ 45,377,909
Other operating revenues	<u>273,825</u>	<u>915,867</u>	<u>666,864</u>	<u>443,691</u>	<u>685,451</u>	<u>378,660</u>	<u>330,110</u>	<u>277,869</u>	<u>634,781</u>	<u>410,870</u>
Total operating revenues	<u>53,679,028</u>	<u>51,300,549</u>	<u>50,797,110</u>	<u>51,546,031</u>	<u>50,877,723</u>	<u>47,178,992</u>	<u>47,055,769</u>	<u>46,362,739</u>	<u>45,278,859</u>	<u>45,788,779</u>
Operating expenses										
Salaries and benefits	1,302,963	1,479,210	1,595,559	1,751,140	109,651	-	-	-	-	-
Operating expenses	4,286,391	6,248,503	5,343,517	4,706,488	10,176,453	9,605,649	9,939,407	11,121,639	11,716,159	12,880,601
Purchases of power for resale	44,364,741	40,618,065	39,643,028	38,458,043	35,236,370	32,863,804	32,058,077	32,054,288	28,067,499	27,800,488
Depreciation	<u>956,873</u>	<u>998,503</u>	<u>1,048,465</u>	<u>1,033,041</u>	<u>1,081,713</u>	<u>1,329,794</u>	<u>1,281,967</u>	<u>1,353,136</u>	<u>1,346,483</u>	<u>1,384,477</u>
Total operating expenses	<u>50,910,968</u>	<u>49,344,281</u>	<u>47,630,569</u>	<u>45,948,712</u>	<u>46,604,187</u>	<u>43,799,247</u>	<u>43,279,451</u>	<u>44,529,063</u>	<u>41,130,141</u>	<u>42,065,566</u>
Operating income (loss)	<u>2,768,060</u>	<u>1,956,268</u>	<u>3,166,541</u>	<u>5,597,319</u>	<u>4,273,536</u>	<u>3,379,745</u>	<u>3,776,318</u>	<u>1,833,676</u>	<u>4,148,718</u>	<u>3,723,213</u>
Non-operating revenues (expenses)										
Investment earnings	16,907	37,028	48,105	128,915	346,784	323,224	16,256	54,236	1,077,463	1,557,312
Working capital refund	-	-	-	-	-	7,505,400	9,287,751	-	-	-
Interest and other charges	(189,818)	(141,749)	(180,709)	(155,722)	(131,967)	(115,060)	(100,755)	(86,591)	(72,180)	(62,382)
Other	<u>(15,964)</u>	<u>(5,698)</u>	<u>(9,157)</u>	<u>(37,982)</u>	<u>(99,316)</u>	<u>(15,569)</u>	<u>24,745</u>	<u>52,070</u>	<u>133,125</u>	<u>32,107</u>
Total non-operating revenues (expenses)	<u>(188,875)</u>	<u>(110,419)</u>	<u>(141,761)</u>	<u>(64,789)</u>	<u>115,501</u>	<u>7,697,995</u>	<u>9,227,997</u>	<u>19,715</u>	<u>1,138,408</u>	<u>1,527,037</u>
Income before transfers	2,579,185	1,845,849	3,024,780	5,532,530	4,389,037	11,077,740	13,004,315	1,853,391	5,287,126	5,250,250
Capital contributions	-	-	24,000	-	2,466,547	-	78,525	-	-	879,212
Transfers from (to) other funds	<u>(2,774,154)</u>	<u>(2,171,161)</u>	<u>(1,452,514)</u>	<u>(1,433,688)</u>	<u>(1,426,993)</u>	<u>(1,431,106)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>
Change in net position	<u>\$ (194,969)</u>	<u>\$ (325,312)</u>	<u>\$ 1,596,266</u>	<u>\$ 4,098,842</u>	<u>\$ 5,428,591</u>	<u>\$ 9,646,634</u>	<u>\$ 11,882,840</u>	<u>\$ 653,391</u>	<u>\$ 4,087,126</u>	<u>\$ 4,929,462</u>

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

Table 9

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating revenues										
Water charges for service	\$ 3,889,062	\$ 3,781,406	\$ 4,056,628	\$ 4,404,053	\$ 4,839,953	\$ 4,799,906	\$ 4,496,340	\$ 5,062,435	\$ 5,622,257	\$ 6,645,735
Wastewater charges for service	4,644,177	4,626,467	4,757,829	4,898,980	5,438,580	5,554,783	5,366,348	6,310,543	7,255,845	8,375,132
Other operating revenues	177,518	188,028	215,264	181,570	440,280	375,112	637,548	625,968	495,567	815,945
Total operating revenues	<u>8,710,757</u>	<u>8,595,901</u>	<u>9,029,721</u>	<u>9,484,603</u>	<u>10,718,813</u>	<u>10,729,801</u>	<u>10,500,236</u>	<u>11,998,946</u>	<u>13,373,669</u>	<u>15,836,812</u>
Operating expenses										
Water plant	1,610,139	1,516,198	1,670,259	1,874,683	1,914,599	2,067,613	2,205,866	1,953,235	4,541,445	3,537,149
Waste treatment plant	2,194,026	2,232,117	2,749,027	2,786,059	2,775,952	2,990,618	4,303,828	3,316,826	5,701,249	5,072,728
Water and wastewater	2,482,718	2,907,602	3,322,142	3,254,940	3,487,156	4,743,197	4,392,359	5,020,787	1,265,092	3,602,659
Depreciation	1,291,217	1,270,280	1,222,572	1,231,317	1,261,484	1,423,323	1,425,580	1,469,398	1,452,784	1,434,701
Total operating expenses	<u>7,578,100</u>	<u>7,926,197</u>	<u>8,964,000</u>	<u>9,146,999</u>	<u>9,439,191</u>	<u>11,224,751</u>	<u>12,327,633</u>	<u>11,760,246</u>	<u>12,960,570</u>	<u>13,647,237</u>
Operating income (loss)	<u>1,132,657</u>	<u>669,704</u>	<u>65,721</u>	<u>337,604</u>	<u>1,279,622</u>	<u>(494,950)</u>	<u>(1,827,397)</u>	<u>238,700</u>	<u>413,099</u>	<u>2,189,575</u>
Non-operating revenues (expenses)										
Investment earnings	12,480	25,440	32,864	77,212	169,334	133,319	15,888	20,257	474,447	1,151,369
Interest and other charges	(124,747)	(60,462)	(45,310)	(30,334)	(17,219)	(10,589)	(13,206)	(60,307)	(95,805)	(83,147)
Other	(17,379)	-	(39,873)	-	(2,067)	-	39,239	161,593	237,924	215,440
Total non-operating revenues (expenses)	<u>(129,646)</u>	<u>(35,022)</u>	<u>(52,319)</u>	<u>46,878</u>	<u>150,048</u>	<u>122,730</u>	<u>41,921</u>	<u>121,543</u>	<u>616,566</u>	<u>1,283,662</u>
Income before contributions and transfers	1,003,011	634,682	13,402	384,482	1,429,670	(372,220)	(1,785,476)	360,243	1,029,665	3,473,237
Capital contributions	-	-	-	-	-	-	-	209,739	5,000,000	-
Transfers from (to) other funds	553,776	127,090	(75,000)	36,000	3,511,968	-	-	-	6,226,854	-
Change in net position	<u>\$ 1,556,787</u>	<u>\$ 761,772</u>	<u>\$ (61,598)</u>	<u>\$ 420,482</u>	<u>\$ 4,941,638</u>	<u>\$ (372,220)</u>	<u>\$ (1,785,476)</u>	<u>\$ 569,982</u>	<u>\$ 12,256,519</u>	<u>\$ 3,473,237</u>

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

Table 10

Description	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating revenues										
Charges for service	\$ 12,692,731	\$ 9,725,193	\$ 9,832,879	\$ 11,990,888	\$ 11,975,674	\$ 9,730,106	\$ 11,079,183	\$ 13,860,751	\$ 14,462,361	\$ 13,345,901
Other operating revenues	<u>46,018</u>	<u>246,147</u>	<u>61,395</u>	<u>206,424</u>	<u>35,312</u>	<u>55,615</u>	<u>61,281</u>	<u>62,448</u>	<u>66,448</u>	<u>107,188</u>
Total operating revenues	<u>12,738,749</u>	<u>9,971,340</u>	<u>9,894,274</u>	<u>12,197,312</u>	<u>12,010,986</u>	<u>9,785,721</u>	<u>11,140,464</u>	<u>13,923,199</u>	<u>14,528,809</u>	<u>13,453,089</u>
Operating expenses										
Salaries and benefits	1,054,521	1,142,684	1,246,310	1,305,610	1,244,214	1,332,385	1,389,955	1,566,901	1,955,200	2,053,910
Operating expenses	1,978,094	2,237,432	1,922,924	2,514,476	2,150,468	2,910,166	3,226,533	2,613,929	2,613,152	3,799,248
Purchases of natural gas for resale	6,389,183	4,004,732	4,222,520	5,337,517	5,276,012	4,114,204	3,897,531	6,981,626	7,593,394	4,430,190
Depreciation	<u>561,669</u>	<u>561,600</u>	<u>580,694</u>	<u>537,604</u>	<u>528,377</u>	<u>654,821</u>	<u>640,805</u>	<u>670,848</u>	<u>705,234</u>	<u>823,671</u>
Total operating expenses	<u>9,983,467</u>	<u>7,946,448</u>	<u>7,972,448</u>	<u>9,695,207</u>	<u>9,199,071</u>	<u>9,011,576</u>	<u>9,154,824</u>	<u>11,833,304</u>	<u>12,866,980</u>	<u>11,107,019</u>
Operating income (loss)	<u>2,755,282</u>	<u>2,024,892</u>	<u>1,921,826</u>	<u>2,502,105</u>	<u>2,811,915</u>	<u>774,145</u>	<u>1,985,640</u>	<u>2,089,895</u>	<u>1,661,829</u>	<u>2,346,070</u>
Non-operating revenues (expenses)										
Investment earnings	12,018	25,085	28,956	62,180	160,744	100,484	26,194	14,788	208,703	264,712
Interest and other charges	(176,581)	(121,392)	(60,592)	(39,677)	(34,925)	(30,005)	(24,937)	(19,624)	(22,046)	(13,618)
Other	<u>(3,736)</u>	<u>(12,944)</u>	<u>(9,064)</u>	<u>(122,337)</u>	<u>(13,429)</u>	<u>(6,350)</u>	<u>13,776</u>	<u>77,077</u>	<u>9,704</u>	<u>988</u>
Total nonoperating revenues (expenses)	<u>(168,299)</u>	<u>(109,251)</u>	<u>(40,700)</u>	<u>(99,834)</u>	<u>112,390</u>	<u>64,129</u>	<u>15,033</u>	<u>72,241</u>	<u>196,361</u>	<u>252,082</u>
Income before contributions and transfers	2,586,983	1,915,641	1,881,126	2,402,271	2,924,305	838,274	2,000,673	2,162,136	1,858,190	2,598,152
Capital contributions	-	-	-	-	-	-	-	-	-	-
Transfers from (to) other funds	<u>(926,267)</u>	<u>(881,812)</u>	<u>(1,049,818)</u>	<u>(1,072,046)</u>	<u>406,953</u>	<u>(1,101,548)</u>	<u>(1,056,917)</u>	<u>(1,121,571)</u>	<u>(1,145,372)</u>	<u>(1,168,103)</u>
Change in net position	<u>\$ 1,660,716</u>	<u>\$ 1,033,829</u>	<u>\$ 831,308</u>	<u>\$ 1,330,225</u>	<u>\$ 3,331,258</u>	<u>\$ (263,274)</u>	<u>\$ 943,756</u>	<u>\$ 1,040,565</u>	<u>\$ 712,818</u>	<u>\$ 1,430,049</u>

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

Table 11

Fiscal Year Ended June 30	Real Property	Personal Property	Public Service Company Property	Registered Motor Vehicles	Less: Tax Exempt Real Property	Less: Tax Exempt Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2015	1,454,225,103	204,849,734	30,680,478	112,545,099	260,711,580	-	\$ 1,541,588,834	\$ 0.600	\$ 1,541,588,834
2016	1,437,966,450	215,077,030	31,017,106	113,262,846	278,771,800	39,210	1,518,512,422	0.600	1,518,512,422
2017	1,431,803,614	238,111,832	29,398,521	111,949,987	280,913,965	37,170	1,530,312,819	0.600	1,530,312,819
2018	1,448,481,340	237,456,094	27,979,820	114,956,319	283,245,240	334,664	1,545,293,669	0.650	1,545,293,669
2019	1,448,060,688	246,357,106	28,066,558	119,903,441	279,441,075	313,306	1,562,633,412	0.650	1,562,633,412
2020	1,473,992,835	282,459,605	24,239,209	121,091,712	287,079,250	224,047	1,614,480,064	0.650	1,614,480,064
2021	1,487,862,831	281,467,000	24,018,586	136,108,464	290,624,655	224,473	1,638,607,753	0.650	1,638,607,753
2022	1,704,344,898	259,021,693	20,993,744	147,140,092	330,813,869	1,004,924	1,799,681,634	0.650	1,799,681,634
2023	1,736,236,245	229,414,457	22,244,480	158,645,514	343,518,606	862,239	1,802,159,851	0.650	1,802,159,851
2024	1,753,019,243	233,509,484	21,348,985	172,007,126	330,295,523	834,632	1,848,754,683	0.650	1,848,754,683

Sources:

Davidson County Tax Department
NC Department of Revenue

Notes:

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

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

Table 12

Fiscal Year	City of Lexington		Overlapping Rates Levied by Davidson County(1)		Total Direct & Overlapping Rates
	General Levy	Special Tax District Levy	Davidson County General Levy	Lexington School District Levy	
2015	0.600	0.20	0.54	0.12	1.460
2016	0.600	0.20	0.54	0.12	1.460
2017	0.650	0.20	0.54	0.12	1.510
2018	0.650	0.20	0.54	0.12	1.510
2019	0.650	0.20	0.54	0.12	1.510
2020	0.650	0.20	0.54	0.12	1.510
2021	0.650	0.20	0.54	0.12	1.510
2022	0.650	0.20	0.54	0.12	1.510
2023	0.650	0.20	0.54	0.12	1.510
2024	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, 2024 and June 30, 2015

Table 13

Taxpayer	Type of Business	2024				2015			
		Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation	Assessed Valuation	Rank	Tax Levy	Percent of Total Assessed Valuation
Halyard North Carolina LLC (1)	Healthcare Products	\$ 105,784,189	1	687,597	5.72%	92,736,856	1	\$ 556,421	6.02%
Moran Foods Inc.	Food Distributor	24,554,082	2	159,601	1.33%	24,477,434	2	146,865	1.59%
Wal-Mart	Retail	21,278,813	3	138,312	1.15%	15,102,641	6	90,615	0.98%
Masterbrand Cabinets Inc.	Wood Kitchen Cabinets	16,738,741	4	108,801	0.91%	-	-	-	-
Childress Winery LLC	Viniculture	13,304,454	5	86,478	0.72%	7,975,196	9	47,852	0.52%
Vitacost.com Inc.	Online Retail	13,259,098	6	86,184	0.72%	19,512,027	5	117,072	1.27%
Carter Lumber of the South Inc	Retail Building Materials	11,386,182	7	74,010	0.62%	5,814,452	10	34,887	0.38%
MPS HRL LLC dba Lexington Cartons (2) Printing		11,127,446	8	72,328	0.60%	-	-	-	-
Ameg Holdings USA Inc.	Refrigeration Equipment	9,898,644	9	64,341	0.54%	4,974,440	11	56,709	0.32%
Windstream Communications Inc.	Communications	6,460,492	10	41,993	0.35%	21,449,639	4	128,698	1.39%
First National Bank (3)	Banking	-	-	-	-	14,899,523	7	89,397	0.97%
Jeld-Wen Inc.	Windows and Doors	-	-	-	-	22,814,893	3	136,889	1.48%
Diebold Southeast Mfg. Inc.	Security Delivery Systems	-	-	-	-	-	-	-	-
Parkdale Mills Inc.	Textiles	-	-	-	-	8,099,265	8	48,596	0.53%
Total		\$ 233,792,141		\$ 1,519,645	12.66%	\$ 237,856,366		\$ 1,454,001	15.45%

Source:

Davidson County Tax Department

Note:

- (1) Formerly Kimberly Clark Corp
- (2) Formerly Chesapeake Printing & Packaging Co.
- (3) Formerly NewBridge Bank

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

Table 14

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	9,267,995	8,943,133	96.49%	\$ 312,411	\$ 9,255,544	99.87%
2016	9,128,784	8,811,858	96.53%	302,992	9,114,850	99.85%
2017	9,963,786	9,602,457	96.37%	337,220	9,939,677	99.76%
2018	10,060,422	9,763,912	97.05%	269,741	10,033,653	99.73%
2019	10,163,290	9,843,256	96.85%	287,763	10,131,019	99.68%
2020	10,509,312	10,200,591	97.06%	263,303	10,463,894	99.57%
2021	10,676,169	10,422,095	97.62%	204,262	10,626,357	99.53%
2022	11,712,927	11,451,149	97.77%	183,064	11,634,213	99.33%
2023	11,756,856	11,463,221	97.50%	173,734	11,636,955	98.98%
2024	12,034,316	11,781,264	97.90%	-	11,781,264	97.90%

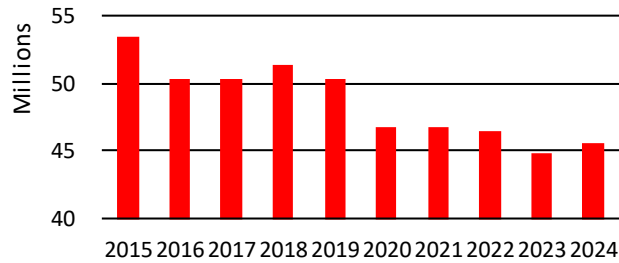
Source:
Davidson County Tax Department

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

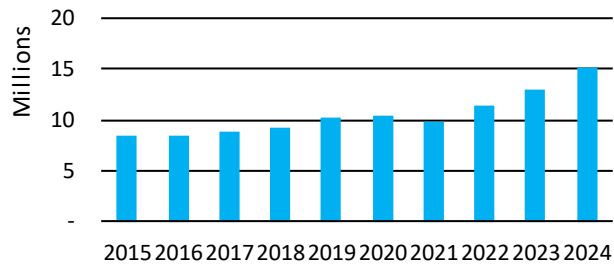
Table 15

Fiscal Year	Electric	Water & Wastewater	Natural Gas	Total
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	46,805,477	10,405,945	11,086,958	68,298,380
2021	46,805,477	9,896,350	11,086,958	67,788,785
2022	46,459,945	11,489,295	13,896,630	71,845,870
2023	44,789,015	12,941,890	14,482,414	72,213,319
2024	45,547,954	15,091,745	13,443,072	74,082,771

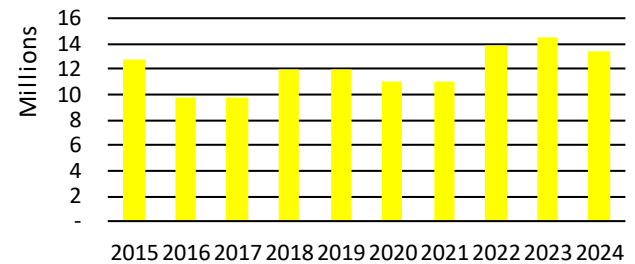
Electric Fund
Charges for Sales and Services



Water & Wastewater Fund
Charges for Sales and Services



Natural Gas Fund
Charges for Sales and Services



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

Fiscal Year	Residential (1)	Commercial	Industrial	REPS (2)	Total
2015	31,147,858	19,069,713	2,996,800	190,832	53,405,203
2016	29,093,752	18,180,333	2,913,663	196,934	50,384,682
2017	29,024,860	18,008,763	3,049,942	216,048	50,299,613
2018	30,298,507	18,058,501	2,797,802	233,326	51,388,136
2019	29,864,900	17,496,034	2,739,183	255,177	50,355,294
2020	28,046,612	16,122,781	2,495,816	273,184	46,938,393
2021	28,490,311	15,604,988	2,421,028	289,150	46,805,477
2022	28,041,207	15,693,447	2,415,636	309,655	46,459,945
2023	26,477,871	15,607,966	2,372,235	330,943	44,789,015
2024	27,389,708	15,562,336	2,265,831	330,079	45,547,954

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

Fiscal Year	Residential	Commercial	Industrial	Total
2015	1,843,593	900,706	1,144,763	3,889,062
2016	1,839,681	875,633	1,066,092	3,781,406
2017	2,011,460	955,713	1,105,450	4,072,623
2018	2,192,301	1,066,380	1,171,691	4,430,372
2019	2,390,760	1,161,872	1,317,690	4,870,322
2020	2,554,390	1,213,736	1,052,608	4,820,734
2021	2,491,924	1,172,702	847,673	4,512,299
2022	2,766,012	1,356,957	994,135	5,117,104
2023	3,136,191	1,537,600	1,012,254	5,686,045
2024	3,600,821	1,890,568	1,189,785	6,681,174

Notes:

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

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

Fiscal Year	Residential	Commercial	Industrial	Total
2015	2,564,512	1,769,408	310,257	4,644,177
2016	2,572,034	1,728,633	325,800	4,626,467
2017	2,505,443	1,939,975	340,455	4,785,873
2018	2,555,317	2,002,251	313,997	4,871,565
2019	2,902,071	2,116,870	350,869	5,369,810
2020	3,183,912	1,992,033	409,266	5,585,211
2021	2,930,158	2,075,313	378,580	5,384,051
2022	3,338,074	2,668,469	365,648	6,372,191
2023	3,858,146	2,878,958	518,741	7,255,845
2024	4,420,843	3,359,987	629,741	8,410,571

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

Fiscal Year	Residential	Commercial	Industrial	Total
2015	4,994,576	4,260,240	3,437,915	12,692,731
2016	3,782,526	3,393,786	2,548,881	9,725,193
2017	3,831,318	3,593,982	2,414,147	9,839,447
2018	4,793,357	4,379,844	2,855,869	12,029,070
2019	5,063,838	4,358,580	2,568,970	11,991,388
2020	4,313,197	3,120,374	2,310,119	9,743,690
2021	4,847,210	3,263,457	2,976,291	11,086,958
2022	5,463,898	4,008,550	4,424,182	13,896,630
2023	5,970,105	4,326,795	4,185,514	14,482,414
2024	5,797,410	3,976,852	3,668,810	13,443,072

City of Lexington, North Carolina
Schedule of Top Ten Electric Customers
Fiscal Year Ended June 30, 2024

Table 16

Customer	Type of Business	Consumption (kWh)	Amount Billed	Percent of Total Operating Revenue
City of Lexington	Government	7,666,780	\$ 1,300,291	2.85%
Davidson County Schools	Public School System	6,601,363	860,365	1.89%
Lexington Medical Center	Hospital	8,251,615	786,603	1.73%
Food Lion	Grocery Store Chain	5,691,792	511,252	1.12%
Lexington City Schools	Public School System	4,334,274	495,200	1.09%
Davidson County	Government	4,105,847	485,075	1.06%
Cardinal Container	Corrugated Fiber Boxes	4,982,498	437,885	0.96%
Paris Food Corp	Frozen Fruit and Vegetables	2,761,014	239,151	0.53%
Wal-Mart	Retail	4,052,108	216,349	0.47%
The NC Moulding Company	Custom Moulding Manufacturer	1,415,688	210,484	0.46%
		<u>49,862,979</u>	<u>\$ 5,542,655</u>	<u>12.16%</u>

**City of Lexington, North Carolina
Schedule of Top Ten Water Customers
Fiscal Year Ended June 30, 2024**

Table 17

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Electric Glass Fiber America (1)	Glass Products	181,916	\$ 735,922	4.88%
Halyard North Carolina	Healthcare Products	43,610	144,209	0.96%
City of Lexington	Government	35,907	142,215	0.94%
NC Department of Public Safety	Prison	28,174	83,307	0.55%
Lexington Medical Center	Hospital	18,245	70,477	0.47%
Davidson County	Government	12,114	63,995	0.42%
Parkdale Mills, Inc.	Textiles	18,198	63,020	0.42%
Lexington City Schools	Public School System	6,767	54,321	0.36%
Cardinal Container	Corrugated Fiber Boxes	6,896	53,443	0.35%
Terrace Lanes Association	Residential Complex	<u>12,313</u>	<u>37,927</u>	<u>0.25%</u>
		<u>364,140</u>	<u>\$ 1,448,836</u>	<u>9.60%</u>

Notes:

(1) Formerly PPG Industries

City of Lexington, North Carolina
Schedule of Top Ten Wastewater Customers
Fiscal Year Ended June 30, 2024

Table 18

Customer	Type of Business	Consumption (CCF)	Amount Billed	Percent of Total Operating Revenue
Davidson County Schools	Public School System	21,637	\$ 292,696	1.94%
Atrium Companies Inc.	Vinyl Windows & Doors	13,387	149,576	0.99%
NC Department of Public Safety	Prison	28,174	149,336	0.99%
Davidson County	Government	36,351	111,848	0.74%
Lexington Medical Center	Hospital	12,965	100,095	0.65%
Halyard North Carolina	Healthcare Products	14,853	98,402	0.57%
Cardinal Container	Corrugated Fiber Boxes	6,804	85,587	0.52%
Brookstone Rest Home	Residential Care	7,224	78,617	0.52%
ASCO Power Technologies	Electric Equipment	6,385	70,245	0.47%
Terrace Lanes Association	Residential Complex	12,313	66,659	0.44%
		<u>160,093</u>	<u>\$ 1,203,061</u>	<u>7.83%</u>

City of Lexington, North Carolina
Schedule of Top Ten Natural Gas Customers
Fiscal Year Ended June 30, 2024

Table 19

Customer	Type of Business	Consumption (DT)	Amount Billed	Percent of Total Operating Revenue
Egger Wood Products	Particleboard Manufacturer	830,599	\$ 860,408	6.40%
Electric Glass Fiber America (1) (2)	Glass Products	515,033	609,258	4.53%
Matcor Metal Fabrication	Machine Tools	53,346	365,246	2.72%
Kurz Transfer Products LP	Stamping Technology	47,117	334,772	2.49%
Halyard North Carolina (2)	Healthcare Products	145,925	302,294	2.25%
Lexington Medical Center	Hospital	38,150	270,908	2.02%
Hanes Construction Company	Paving	34,405	246,808	1.84%
Kepley Frank Hardwood Company	Hardwood Products	24,185	188,666	1.40%
J T Russell and Sons	Paving	25,116	182,532	1.36%
Prime Lumber Company	Hardwood Products	19,301	142,887	1.06%
		<u>1,733,177</u>	<u>\$ 3,503,779</u>	<u>26.07%</u>

Notes:

- (1) Formerly PPG Industries
- (2) Transport only customer

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

Table 20

Fiscal Year	Governmental Activities				Business-type Activities					Total Outstanding Debt	Percentage of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds	Installment Purchases	Lease Liabilities	Subscription Liabilities	General Obligation Bonds	Revenue Bonds	Installment Purchases	Lease Liabilities	Subscription Liabilities			
2015	\$ 146,775	\$ 4,923,681	\$ -	\$ -	\$ 1,933,225	\$ 1,907,034	\$ 7,973,870	\$ -	\$ -	\$ 16,884,585	2.52%	901
2016	-	6,418,476	-	-	1,374,000	1,634,284	12,575,832	-	-	22,002,592	3.24%	1,188
2017	-	5,663,686	-	-	832,000	-	10,939,568	-	-	17,435,254	2.47%	941
2018	-	5,827,490	-	-	300,000	-	9,272,253	-	-	15,399,743	2.14%	847
2019	-	6,064,358	-	-	-	-	8,309,690	-	-	14,374,048	1.94%	792
2020	-	5,220,129	-	-	-	-	7,306,215	-	-	12,526,344	1.57%	689
2021	-	6,604,542	-	-	-	-	6,632,989	-	-	13,237,531	1.40%	674
2022	-	4,983,320	130,776	-	-	-	24,536,170	9,748	-	29,660,014	3.11%	1,509
2023	-	5,280,619	111,853	16,829	-	-	22,566,636	5,875	72,410	28,054,222	NA	1,402
2024	-	4,175,976	92,619	24,203	-	-	20,729,802	1,967	103,496	25,128,063	NA	1,245

Notes:

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

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

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

Table 21

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (2)	Per Capita (3)
2015	\$ 2,080,000	\$ -	\$ 2,080,000	0.13%	\$ 111
2016	1,374,000	-	1,374,000	0.09%	74
2017	832,000	-	832,000	0.05%	45
2018	300,000	-	300,000	0.02%	17
2019	-	-	-	0.00%	-
2020	-	-	-	0.00%	-
2021	-	-	-	0.00%	-
2022	-	-	-	0.00%	-
2023	-	-	-	0.00%	-
2024	-	-	-	0.00%	-

Notes:

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

(1) This is the general bonded debt for of both governmental and business-type activities.

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

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

City of Lexington, North Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2024

Table 22

Government Unit	Debt Outstanding	Percentage Applicable to City of Lexington (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes: Davidson County	\$ 79,528,462	9.85%	\$ 7,833,554
Subtotal, overlapping debt			7,833,554
City of Lexington, direct debt			4,292,798
Total direct and overlapping debt			\$ 12,126,352

Source:

Davidson County debt outstanding data provided by Davidson County which includes General Obligation Bonds, Limited Obligation Bonds, Certificates of Participation, Installment Financing and Qualified School Construction Bonds. Assessed value data used to estimate applicable percentages provided by Davidson County Tax Department.

Notes:

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

(1) The percentage applicable to City of Lexington is a ratio of the City's assessed valuation of \$1,848,754,683 divided by the County's assessed valuation of \$18,774,769,163.

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

Table 23

Fiscal Year	Debt Limit	Less: Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2015	\$ 123,327,107	\$ 14,462,718	\$ 108,864,389	11.73%
2016	121,480,994	20,005,342	101,475,652	16.47%
2017	122,425,026	17,221,273	105,203,753	14.07%
2018	123,623,494	15,331,798	108,291,696	12.40%
2019	125,010,673	14,374,048	110,636,625	11.50%
2020	129,158,165	12,526,344	116,631,821	9.70%
2021	131,088,620	13,237,531	117,851,089	10.10%
2022	143,974,531	29,519,490	114,455,041	20.50%
2023	144,172,788	27,847,255	116,325,533	19.32%
2024	147,900,375	24,905,778	122,994,597	16.84%

Legal Debt Margin Calculation for Fiscal Year 2024

Total Assessed Valuation	\$ 1,848,754,683
Debt limit (8 percent of total assessed value)	147,900,375
Debt applicable to limit (gross debt):	
Authorized and outstanding G.O. bonded debt	-
Outstanding debt not evidenced by bonds	
Direct placement installment purchases	24,905,778
Less: Statutory deductions for electric bonds	-
Total net debt applicable to limit	<u>24,905,778</u>
Legal debt margin available to the City under North Carolina General Statute 159-55(C).	<u>\$ 122,994,597</u>

Note:

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

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

Table 24

Fiscal Year	Electric Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2015	\$ 53,506,539	\$ 49,954,095	\$ 3,552,444	\$ 154,684	\$ 15,399	\$ 170,083	20.89
2016	51,201,680	48,345,778	2,855,902	151,867	11,841	163,708	17.45
2017	50,663,412	46,582,104	4,081,308	148,985	8,348	157,333	25.94
2018	51,485,884	44,915,671	6,570,213	146,036	4,922	150,958	43.52
2019	50,994,657	45,522,474	5,472,183	67,945	1,563	69,508	78.73
2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2024	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

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

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

(2) Operating expenses exclude depreciation.

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

Table 25

Fiscal Year	Wastewater & Other Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2015	\$ 8,625,989	\$ 6,286,883	\$ 2,339,106	\$ 414,656	\$ 42,160	\$ 456,816	5.12
2016	8,592,721	6,655,917	1,936,804	407,358	32,623	439,981	4.40
2017	8,999,903	7,741,428	1,258,475	393,015	23,254	416,269	3.02
2018	9,518,006	7,915,682	1,602,324	385,964	14,214	400,178	4.00
2019	10,873,753	8,177,707	2,696,046	232,055	5,537	237,592	11.35
2020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2024	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

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

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

(2) Operating expenses exclude depreciation.

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

Table 26

Fiscal Year	Natural Gas Charges and Other (1)	Less: Operating Expenses (2)	Net Revenues Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2015	\$ 12,677,217	\$ 9,421,798	\$ 3,255,419	\$ 197,229	\$ 86,791	\$ 284,020	11.46
2016	9,934,888	7,384,848	2,550,040	272,750	75,656	348,406	7.32
2017 (3)	9,869,960	7,391,754	2,478,206	1,634,284	33,505	1,667,789	1.49
2018	NA	NA	NA	NA	NA	NA	NA
2019	NA	NA	NA	NA	NA	NA	NA
2020	NA	NA	NA	NA	NA	NA	NA
2021	NA	NA	NA	NA	NA	NA	NA
2022	NA	NA	NA	NA	NA	NA	NA
2023	NA	NA	NA	NA	NA	NA	NA
2024	NA	NA	NA	NA	NA	NA	NA

Notes:

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

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

(2) Operating expenses exclude depreciation.

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

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

Table 27

Fiscal Year	Population (1)	Median Age (1)	Personal Income	Per Capita Personal Income (2)	Unemployment Rate (3)
2015	18,730	42.9	\$ 668,754,650	35,705	5.8%
2016	18,528	43.0	678,754,752	36,634	5.1%
2017	18,532	43.1	706,513,968	38,124	4.6%
2018	18,179	43.2	718,215,932	39,508	4.0%
2019	18,149	43.2	741,858,524	40,876	3.7%
2020	18,172	43.2	799,277,248	43,984	5.6%
2021	19,632	43.3	942,434,160	48,005	5.7%
2022	19,650	43.3	953,476,950	48,523	3.6%
2023	20,010	42.2	NA	NA	3.2%
2024	20,179	43.0	NA	NA	3.2%

Sources:

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

Notes:

Median Age and Per Capita Personal Income is information for Davidson County.
Unemployment rate data reflects fiscal year averages for Davidson County.

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

Table 28

Employer	2024			2015		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Davidson County Schools	1000+	1	1.27%+	1000+	1	1.35%+
County of Davidson	1000+	2	1.27%+	500-999	2	0.67%-1.35%
Cornerstone Building Brands Service	500-999	3	0.63%-1.27%	NA	NA	NA
Wal-Mart Associates Inc.	500-999	4	0.63%-1.27%	500-999	5	0.67%-1.35%
Old Dominion Freight Line	500-999	5	0.63%-1.27%	500-999	4	0.67%-1.35%
Food Lion	500-999	6	0.63%-1.27%	500-999	7	0.67%-1.35%
Jeld-Wen	500-999	7	0.63%-1.27%	250-499	11	0.34%-0.67%
Pergo LLC	500-999	8	0.63%-1.27%	250-499	23	0.34%-0.67%
Asco Power Technologies LP	500-999	9	0.63%-1.27%	250-499	15	0.34%-0.67%
Novant Health Thomasville Medical	500-999	10	0.63%-1.27%	NA	NA	NA
Lexington Medical Center	500-999	11	0.63%-1.27%	500-999	9	0.67%-1.35%
Bradley Personnel Inc.	500-999	12	0.63%-1.27%	500-999	6	0.67%-1.35%
Cook Out Office	250-499	13	0.32%-0.63%	NA	NA	NA
Egger Wood Products LLC	250-499	14	0.32%-0.63%	NA	NA	NA
Davidson-Davie County Community College	500-999	15	0.32%-0.63%	500-999	8	0.67%-1.35%
Lexington City Schools	250-499	16	0.32%-0.63%	500-999	10	0.67%-1.35%
Ennis Flint, Inc.	250-499	17	0.32%-0.63%	NA	NA	NA
Thomasville City Schools	250-499	18	0.32%-0.63%	250-499	13	0.34%-0.67%
City of Lexington	250-499	19	0.32%-0.63%	250-499	17	0.34%-0.67%
Xylem Tree Experts	250-499	20	0.32%-0.63%	NA	NA	NA
United Church Homes and Services	250-499	21	0.32%-0.63%	250-499	22	0.34%-0.67%
Aristofraft/Decora/Schrock	250-499	22	0.32%-0.63%	NA	NA	NA
City of Thomasville	250-499	23	0.32%-0.63%	250-499	20	0.34%-0.67%
RCR Race Operations LLC	100-249	24	0.13%-0.32%	250-499	16	0.34%-0.67%
Select Rehabilitation LLC	100-249	25	0.13%-0.32%	NA	NA	NA

Source:

NC Department of Commerce Labor & Economic Analysis Division

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

Table 29

Function	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government	25	24	25	27	28	27	28	26	29	30
Public safety										
Police										
Officers	64	61	62	62	57	62	62	62	62	62
Civilians	9	10	10	10	10	10	10	10	10	10
Fire										
Firefighters and officers	50	50	51	51	51	51	52	52	52	52
Civilians	1	1	1	1	1	1	1	1	1	1
Business & community development	9	9	8	9	9	9	9	11	12	12
Highways and streets										
Engineering (1)	2	-	-	-	-	-	-	-	-	-
Public services administration (2)	-	4	4	4	4	4	5	5	5	7
Street	15	13	13	13	13	13	11	10	9	9
Sanitation	17	14	14	14	14	14	13	13	13	13
Culture and recreation	18	18	18	18	18	18	18	18	18	18
Electric (3)	23	23	24	25	-	-	-	-	-	-
Water & Wastewater	43	44	44	44	45	45	45	46	48	51
Natural Gas	20	20	20	20	20	20	20	23	24	24
Stormwater (4)	-	-	-	-	-	-	3	4	5	6
Golf	5	5	6	6	7	8	8	8	8	7
Fleet Management	7	5	6	6	6	7	7	7	7	8
Group Insurance	-	1	1	1	1	1	1	1	1	-
Risk Management	2	2	2	2	2	2	2	2	2	2
Utility Administration	24	25	25	25	32	34	34	37	39	41
Total	334	329	334	338	318	326	329	336	345	353

Source:

City of Lexington Budget Office

Notes:

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

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

Table 30

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>Governmental Activities</i>										
Public safety										
Police										
Physical arrests	3,132	3,058	2,709	2,653	2,359	2,284	1,922	1,990	1,924	2,411
Parking tickets	1,644	1,188	1,324	1,658	1,040	147	-	-	-	-
Calls for service	46,531	48,421	49,649	48,116	47,483	56,420	50,690	48,366	46,966	41,901
Citations	1,101	1,435	2,365	1,889	1,676	2,246	1,849	1,811	1,689	2,259
Fire										
Number of calls answered	1,181	1,237	1,066	1,164	1,288	1,165	1,208	1,548	1,643	1,617
Inspections	789	909	798	773	658	481	754	1,907	971	680
Business & community development										
Number of minimum housing inspections	1,977	2,901	1,444	1,080	1269 (3)	1,290	1,297	1,650	1,796	1,302
Number of building inspections	2,456	2,507	2,554	2,702	3,373	3,501	3,367	4,886	5,531	5,797
Number of nuisance complaints	2,048	2,143	2,252	2,306	2,902	2,318	2,145	2,586	2,407	2,183
Highways and streets										
Street resurfacing (miles)	3.67	0.00	2.85	2.29	0.00	2.32	0.00	5.13	0.00	1.82
Feet of sidewalk replaced/repared	527	1,532	759	1,611	1,074	1,761	721	556	1,654	19
Sanitation										
Refuse collected (tons/year)	6,884	7,386	7,240	7,152	8,240	8,237	8,726	8,843	8,694	8,628
Recyclables collected (tons/year)	634	755	918	957	268	797	1,045	991	1,017	1,158
Yard waste collected (tons/year)	3,965	3,731	3,561	3,448	1,540	1,576	1,608	1,954	1,354	1,398
Culture and recreation										
Athletic program enrollment	1,072	967	904	757	364	198	165	228	316	277
Park reservations	394	415	410	432	323	154	369	457	568	627
Pool admissions	9,322 (1)	17,879 (2)	12,635	10,767	10,703	6,273	4,901	11,708	8,158	8,985
Recreational program enrollment	948	969	1,738	1,009	1,220	922	358	813	1,430	1,459

Continued on next page.

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

Table 30
continued

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>Business-type activities</i>										
Electric										
kWh sold	392,223,306	379,226,953	388,150,026	394,618,235	399,568,199	385,955,612	382,816,447	386,292,097	381,789,361	385,952,852
Number of customers	18,515	18,593	18,589	18,704	18,940	19,133	19,838	19,382	19,762	20,190
Water										
ccf sold	1,203,730	1,159,934	1,188,506	1,156,744	1,224,066	1,093,691	985,065	1,004,687	978,821	1,022,855
Number of customers	8,272	8,304	8,377	8,381	8,409	8,450	8,585	8,495	8,672	9,033
Wastewater										
ccf sold	810,697	798,931	819,071	814,118	821,675	826,148	793,241	809,962	859,051	838,916
Number of customers	8,022	8,082	8,262	8,377	8,441	8,629	8,816	8,809	9,226	9,172
Natural gas										
dt sold	2,232,249	2,068,274	2,024,617	2,137,320	2,141,471	1,720,736	2,108,822	2,400,014	2,516,112	2,511,225
Number of customers	9,224	9,276	9,355	9,467	9,502	9,573	9,707	9,831	10,014	10,176
Golf course										
Rounds sold	28,429	26,928	25,576	24,494	25,364	23,160	28,314	32,671	32,948	31,839
Number of passholders	94	73	76	67	65	51	58	81	70	41

Source:

Various city departments

Notes:

Indicators are not available for the general government function.

(1) Increase due to the opening of the new Lexington Aquatic Park in June 2015

(2) First full season Lexington Aquatic Park open.

(3) Policy change effective July 1, 2018; minimum housing inspections replaced by residential reconnect inspections.

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

Table 31

Function	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>Governmental Activities</i>										
General Government										
Motor pool vehicles	80	85	90	90	96	48	41	4	-	-
Motor pool equipment	51	47	47	49	49	22	18	1	-	-
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	70	72	77	78	81	90	75	78	74	80
Fire										
Fire stations	3	3	3	3	3	3	4	4	4	4
Fire trucks	8	9	9	9	9	9	9	7	8	8
Highways and streets										
Streets (miles)	125.3	125.3	125.4	125.4	125.2	125.2	125.6	125.6	124.63	123.08
Sanitation										
Collection trucks and equipment	22	22	24	26	25	31	29	32	31	33
Culture and recreation										
Parks	20	20	20	20	20	21	21	21	21	21
Swimming pools	2	1	1	1	2	2	2	2	2	2
Tennis courts	15	15	15	15	15	15	15	15	15	15
Basketball courts	13	13	13	13	13	16	16	16	16	16
Athletic fields	8	8	8	8	8	8	8	8	8	8
Walking, jogging and hiking trails (miles)	2.46	2.46	2.46	2.46	2.46	2.46	2.46	2.46	2.46	2.46

Continued on next page.

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

Table 31
continued

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>Business-type activities</i>										
Electric										
Distribution overhead lines (miles)	620	716	716	716	863	930	930	930	931	856
Distribution underground lines (miles)	-	-	-	-	352	374	383	396	407	421
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	3	3
Water and Wastewater										
Water lines (miles)	192.0	192.0	192.9	192.9	192.9	192.9	192.9	192.9	192.9	192.9
Wastewater lines (miles)	216.0	247.0	248.6	248.6	248.6	248.6	216.0	225.0	225.0	225.0
Maximum daily treatment capacity water (millions of gallons)	7.2	7.2	7.2	9.3	9.3	9.3	9.3	9.3	9.3	9.3
Maximum daily treatment capacity sewer (millions of gallons)	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Natural Gas										
Distribution lines (miles)	704	715	731	731	752	761	758	764	793	816

Source:

Various city departments and city capital asset records.

Note:

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

COMPLIANCE SECTION



MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lexington, North Carolina, as of and for the year ended June 30, 2024 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 November 22, 2024. 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 and Front Street-Lexington, LLC were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the City of Lexington ABC Board and Front Street-Lexington, LLC or that are reported on separately by those auditors who audited the financial statements of the City of Lexington ABC Board and Front Street-Lexington, LLC.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lexington's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lexington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2024-001 and 2024-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City of Lexington's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lexington's responses to the findings identified in our audit and described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2024

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

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

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the City of Lexington, North Carolina's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Lexington's major state programs for the year ended June 30, 2024. The City of Lexington's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

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, 2024.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 a combination of deficiencies, in internal control over compliance with a

type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 22, 2024

CITY OF LEXINGTON, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2024

1. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Non-compliance material to financial statements noted? No

State Awards

Internal control over state programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major state programs:

State Program

Powell Bill

Auditee qualified as low-risk auditee? Yes

2. Financial Statement Findings

Significant Deficiency

Finding 2024-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: During the inventory observation testing of the City, several discrepancies were noted in the counts. The discrepancies were subsequently followed up with to ensure corrections to the general ledger had been made. All corrections were reported to the Finance Department and made in the general ledger.

CITY OF LEXINGTON, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2024

Effect: Errors in financial reporting could occur.

Cause: The City does not have a process in place to ensure proper physical tracking and updates of inventory balances.

Recommendation: Management should consider having a control in place that ensures proper updating of the inventory counts in the perpetual inventory system as inventory items are used and added.

Views of Responsible Officials and Planned Corrective Action: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report.

Significant Deficiency

Finding 2024-002

Criteria: Management should prepare account reconciliations monthly and maintain accurate financial records in order to reduce likelihood of errors in financial reporting.

Condition: The City had not completed bank reconciliations of the main bank account since September of 2023 as of May 2024, the time of the audit's interim procedures.

Effect: Errors in completing reconciliations greatly increases the risk of errors in financial reporting.

Cause: The City is not preparing account reconciliations timely.

Recommendation: Management should ensure that reconciliations are completed accurately and balanced to the general ledger and subsidiary ledgers on a monthly basis.

Views of Responsible Officials and Planned Corrective Action: Management concurs with this finding and will adhere to the Corrective Action Plan in this audit report

3. State Award Findings and Questioned Costs

None reported.



FINANCE DEPARTMENT
INTEGRITY FIRST

CITY OF LEXINGTON, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2024

Significant Deficiency

Finding 2024-001

Name of Contact Person: Kathy Whitman, Interim Finance Director

Corrective Action: We have asked our Warehouse to do a monthly audit of their inventory, and a member of the Finance Department will be doing our own internal audit on a quarterly basis.

Proposed Completion Date: Immediately.

Significant Deficiency

Finding 2024-002

Name of Contact Person: Kathy Whitman, Interim Finance Director

Corrective Action: We have always reconciled our bank statements monthly. In September of 2023 we changed our DR/CR card vendor from Invoice Cloud to Paymentus. During this transition we were not able to balance our bank account 11436. I decided to setup a separate bank account for our FISERVE payments due to timing issues of when they hit our bank account. It did take a lengthy time to get the bank account number changed. After this was done, we have rectified the issue and been able to balance all bank accounts.

Proposed Completion Date: Immediately.

CITY OF LEXINGTON, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

None reported.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL#</u>	<u>Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipients</u>	<u>Local Expenditures</u>
Federal Grants						
Cash Programs						
<i>U.S. Department of Interior</i>						
Passed-through N.C. Department of Natural and Cultural Historic Preservation Fund Grants-In-Aid Program	15.904	P22AF00938-00	6,000	-	-	8,500
<i>U.S. Department of Justice</i>						
Direct Programs						
Bulletproof Vest Partnership Program	16.607	2022BUBX22030275	3,928	-	-	3,928
Violence Against Women Formula Grants Program	16.588	15JOVW-22-GG-00436- STOP	23,384	-	-	27,653

Continued on next page.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

Grantor/Pass-Through Grantor/Program Title	Federal AL#	Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
<i>U.S. Department of Treasury</i>						
Direct Programs						
Equitable Sharing	21.016	NC0290100	61,682	-	-	-
Passed-through N.C. Department of Environmental Quality						
Covid-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SRP-SW-ARP-0257	196,584	-	-	363,291
<i>U.S. Department of Homeland Security</i>						
Direct Programs						
SAFER- Staffing For Adequate Fire & Emergency Response	97.083	EMW-2022-FF-00235	<u>219,488</u>	<u>-</u>	<u>-</u>	<u>219,488</u>
Total assistance - federal programs			<u>511,066</u>	<u>-</u>	<u>-</u>	<u>622,860</u>
State Grants						
Cash Programs						
<i>N.C. Office of State Management and Budget</i>						
Direct Program						
State Capital Infrastructure Funds		11871	-	44,845	-	62,500

Continued on next page.

City of Lexington, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL#</u>	<u>Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipients</u>	<u>Local Expenditures</u>
<i>N.C. Department of Environmental Quality</i>						
Direct Program						
2023 Community Waste Reduction and Recycling Grant Restricted intergovernmental			-	15,900	-	19,836
<i>N.C. Department of Transportation</i>						
Direct Program						
Powell Bill, DOT-4		32570	-	1,290,315	-	-
Total assistance - state programs			-	1,351,060	-	82,336
Total assistance			\$ 511,066	\$ 1,351,060	\$ -	\$ 705,196

Notes to the Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Lexington under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Lexington, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Lexington.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

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

